Appendix
2020 Compensation Guide for Clergy and Lay Employees

Episcopal Diocese of Pittsburgh

Recommended by Diocesan Council
September 23, 2019

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INTRODUCTION

The purpose of this Compensation Guide is to provide – for the Bishop’s Wellness Committee, Parish Vestries, and Institutional Boards – standards for the proper compensation, including cash salary, allowances, and benefits, of clergy and lay employees in the Episcopal Diocese of Pittsburgh.

The Guide is applicable to the diocese, to all congregations in the diocese, and to any other institution under the authority of the Constitution and Canons of the Episcopal Diocese of Pittsburgh.

The terms of compensation of the Bishop are to be reviewed annually and recommended to the Diocesan Council for the Budget of the Diocese by a Bishop’s Wellness Committee. The Committee is to be comprised of the President of the Standing Committee, the President of the Board of Trustees, the President of Diocesan Council, and the previous President of the Standing Committee. The Committee is to meet with the Bishop at least annually to review compensation and wellness issues with the Bishop.

The terms of compensation of other clergy and of lay employees serving in the Diocesan Office are recommended to the Diocesan Council by the Bishop for inclusion in the annual diocesan budget.

For parishes, other congregations, and other institutions under diocesan authority it is the responsibility of each Vestry, Board, or similar governing body to use these minimum and recommended Compensation Guidelines, approved by Diocesan Council and authorized by the Annual Convention of the Diocese, in determining the compensation levels for clergy and for lay employees for whom that body may be responsible.

Both clergy and vestries or similar bodies have access to the Bishop’s Office and to the Compensation Committee of Diocesan Council to seek clarification of elements of the guide or to seek resolution of conflicts that may arise in applying the guide to particular situations.

Respectfully Submitted,

The Compensation Committee of Diocesan Council:

The Rev. Dr. Catherine Brall
The Rev. Kimberly Karashin
Mr. James Neral, Chair
The Rev. Dr. Bruce Robison
Ms. Karen Schneider

Ex officio: Mr. Jon Delano, The Rt. Rev. Dorsey McConnell; and Ms. Kathi Workman
CLERGY AND LAY EMPLOYEE COMPENSATION:
DEFINITIONS AND POLICIES

TOTAL COMPENSATION, CLERGY

Clergy Compensation is appropriately guided by the resources available in the ministry situation in which the ministry is offered and by the level of responsibility and commensurate skill and experience required.

Clergy Compensation Letters of Agreement and subsequent specification of clergy compensation will specify and limit the figure of Total Compensation to include only those elements of compensation subject to assessment by the Church Pension Fund – the total of: (1) Cash Salary, (2) Housing/Utility Allowance or the amount specified in this guide to calculate the value of Housing/Utilities Provided (with additional Housing/Utility Allowance), (3) Equity Allowance, and (4) recommended Self-Employment Tax Allowance, as described and treated in this Guide.

Additional elements of compensation, such as the costs of pension assessments and contributions, health insurance, travel and professional allowances, and discretionary and benevolence funds are not included in the Total Compensation calculation.

TOTAL COMPENSATION: CASH SALARY

For the purpose of this Guide, “Cash Salary” refers to that portion of Total Compensation in addition to provided Housing and Utilities, Housing Allowance, Equity Allowance, and/or Social Security/Medicare Self-Employment Tax Allowance.

TOTAL COMPENSATION: HOUSING AND HOUSING ALLOWANCES

When church-owned housing and utilities are provided for the use of ordained clergy, the Internal Revenue Service currently allows their value to be excluded from the calculation of income subject to Federal Income Tax. In such situations, the Minimum and Recommended Total Compensation amounts designated in this Guide may be reduced by 25%.

When church-owned housing and utilities are not provided, clergy are permitted to designate in advance a portion of their income no greater than the fair market rental value of house, furnishings, and utilities, as a Housing Allowance, and this designated portion of their income is not subject to Federal Income Tax. A Designated Housing Allowance must be recorded in the official records of the congregation or other employer and should be identified on budget forms.

When housing and utilities are provided, an additional amount of Clergy Compensation may be designated as Housing Allowance (see below) to the extent allowable by the Tax Code. Two model Housing Allowance provisions are provided in this Guide at Appendix D. It is important to remind Clergy that the fair market rental value of provided furnished housing and utilities, and/or of any Housing /Utility Allowance, are subject to Self-Employment Tax and are to be reported on Schedule SE of IRS Form 1040.
TOTAL COMPENSATION: OTHER INCLUDED ALLOWANCES

SOCIAL SECURITY SELF-EMPLOYMENT TAX ALLOWANCE

For the purposes of Payroll Taxes related to Social Security and Medicare, all ordained clergy are considered self-employed. When desired and by negotiation, an allowance for clergy’s social security self-employment tax (SECA), currently 15.3%, may be paid directly to the member of the clergy as an additional compensation.

The recommended method of administration of IRS-required and SECA taxes is through payroll withholding. NOTE: This income is fully taxable and reportable as income to the clergy. The amount of any Self-Employment Tax Allowance is included within, not in addition to, the Minimum and Recommended Total Compensation figures in this Guide.

EQUITY ALLOWANCE

The 133rd Annual Convention of the Diocese of Pittsburgh adopted a resolution stating that effective January 1, 1999, Letters of Agreement for all clergy living in church-provided housing shall include an additional category of compensation entitled “Housing Equity Allowance,” and it was further resolved to specify an amount agreed upon between the clergy and the parish. NOTE: This income is fully taxable and reportable as income to the clergy. The amount of any Equity Allowance is included within, not in addition to, the Minimum and Recommended Total Compensation figures in this Guide.

LAY EMPLOYEE COMPENSATION

Canonically mandatory pension benefits for lay employees regularly scheduled to work 1,000 hours per year or more are described in Appendix C of this Guide. Canonically mandatory Denominational Health Plan benefits for lay employees regularly scheduled to work 1,500 hours per year or more are described in “2020 Policies for Clergy and Lay Participation in the Denominational Health Plan of the Episcopal Church,” available from the diocese.

Parishes and other employers subject to the authority of the Episcopal Diocese of Pittsburgh shall comply with applicable Federal and State employment law, including Federal, State, and Local Minimum Wage and Occupational Health and Safety regulations. FORMA, the American Guild of Organists, the Association of Anglican Musicians, and other organizations serving Lay Professional Ministers of the Episcopal Church may offer recommended guidelines for Lay Professional compensation. The 2017 Bayer Center Wage and Benefit Survey of Southwestern Pennsylvania, which acts as a key market survey for Administrative, Accounting/Finance, HR, IT and Maintenance/Janitorial salaries, can be provided upon request to the Diocesan Office.
MANDATORY ALLOWANCES

*NOT INCLUDED WITHIN “TOTAL COMPENSATION”*

FOR CLERGY AND LAY EMPLOYEES

**TRAVEL (JOB-RELATED)**

Each congregation or other institution subject to this Guide shall provide clergy and lay employees either a monthly, job-related Travel Allowance or an accountable reimbursement plan utilizing the IRS per mile reimbursement rate set annually by the Diocesan Council. It is recommended that the vestry adopt an accountable reimbursement plan. Reimbursements paid under an accountable plan are not reportable by the employer or employee as taxable income, unlike the monthly allowance which is taxable. The accountable plan is a significant advantage to the clergy. Note: When the accountable reimbursement plan is adopted by the vestry it applies to all employees – clergy or lay.

If employees are paid at a rate in excess of the IRS per mile reimbursement rate, under IRS revenue ruling 84-127, the entire reimbursement must be added to the wages reported on form W-2. The clergy can then claim a deduction of the IRS per mile rate on IRS Form 2106 for the business mileage. This is not recommended.

Clergy and lay employees should keep in mind that travel expenses either reimbursed as an allowance or under an accountable reimbursement plan must be documented. See APPENDIX E for a sample documentation form. In the event of an audit, the IRS may request the documentation of these expenses.

**RELOCATION (MOVING) ALLOWANCE**

When a congregation or other institution issues a call following the election of a clergy person to a full-time, settled position of ministry, the calling congregation or other institution shall pay the negotiated expenses associated with the relocation. NOTE: Such allowance is fully taxable and reportable as income to the clergy. The amount of any such allowance is separate and distinct from other provisions in this Guide, and is not part of Total Compensation tables provided below.

**CONTINUING EDUCATION ALLOWANCE**

All clergy, as required by canon and all lay ministry professionals are encouraged to engage in regular continuing education to strengthen their ministries. Parishes are expected to provide both time and money to make such study possible. Continuing education should be focused on vocational development, workshops, courses or intentional study in areas that undergird present or future ministry and develop or strengthen talents and skills. This time is not to be used as additional vacation or leisure time.

Congregations and other institutions shall designate a stated allowance amount in the annual budget (in previous years the Continuing Education Subcommittee of the Commission on Ministry
recommended $500 to $1,000 for each full-time clergy person or lay employee) toward the expenses of continuing education.

**SABBATICAL LEAVE**

After five years of continuous service in a parish or in the service of the Diocese, clergy in full-time ministry appointments are eligible for a period of paid sabbatical leave, accrued at the rate of two weeks per year of service, up to a maximum of three months (14 weeks) of paid leave. (Some slightly longer sabbaticals have been negotiated, with the additional leave paid or unpaid, depending on terms of the negotiation.) It is recommended that full-time lay ministry professionals be offered a similar sabbatical opportunity. Parishes should build provision into their budgets to cover the expenses of a sabbatical, which include program and travel costs as well as liturgical and pastoral care coverage for the parish. Limited diocesan aid may be available to help defray the cost of supply clergy and other expenses for the parish during the priest’s sabbatical. The purposes of the sabbatical are to promote personal, spiritual, professional, and academic enrichment for continued ministry. A written description of the sabbatical plan should be submitted to the Bishop no less than 90 days before it commences. **NOTE: Reimbursements to clergy for sabbatical program and/or travel costs are typically taxable income to the clergy under IRC Section 274 and 162.**

**DESCRIPTION OF MANDATORY AND RECOMMENDED BENEFITS: CLERGY AND LAY EMPLOYEES**

*Note that any costs to the parish or other employer of the mandatory and recommended benefits required below are not included in the calculation of Minimum or Recommended “Total Clergy Compensation.”*

**CHURCH PENSION FUND: CLERGY AND LAY EMPLOYEES**

Title I, Canon 8, Section 3 of the Constitution and Canons of the Protestant Episcopal Church in the United States of America requires the diocese, parish, mission, and other ecclesiastical organizations to pay the Church Pension Fund Assessment for the Bishop and clergy (priests and stipendiary deacons), and to pay the contribution for lay employees scheduled to work 1,000 hours or more each year. See Appendix C for more information on this topic.

**DENOMINATIONAL HEALTH PLAN: CLERGY AND LAY EMPLOYEES**

Medical/Dental group insurance as provided by the Denominational Health Plan of The Episcopal Church is required to be offered to clergy and lay employees scheduled to work 1,500 hours or more each year. Policies governing this matter are found in a separate document available from the diocese entitled “2020 Policies for Clergy and Lay Participation in the Denominational Health Plan of the Episcopal Church.”
SHORT-TERM/LONG-TERM DISABILITY

Parishes and other employers of full-time active clergy members are expected to continue the clergy member’s salary and benefits during any period of disability that does not exceed six months. The Church Pension Fund provides a subsidy of up to 70% of the clergy member’s total compensation, capped at $1,000 per week for a maximum period of 26 weeks, to the parish/employer while the clergy member recovers. This subsidy becomes available after 14 days (the “elimination period”) due to injury or sickness. This elimination period is waived for maternity. Maternity benefit ends twelve (12) weeks from the date of delivery.

This subsidy is available to parishes/employers only when the disabled clergy member’s pension assessments are fully paid and up-to-date and the parish/employer is continuing to pay the clergy member. Where a parish/employer terminates the employment of a clergy member during a period of short-term disability, the subsidy is instead paid to the clergy member. Zurich American Life Insurance Company is the administrator for the clergy benefit which is managed and funded by The Church Pension Fund.

Addressing a disability properly will usually require help and guidance. Therefore, as soon as a clergy member or senior warden of any parish becomes aware of a condition that might trigger entitlement to a disability subsidy, the diocesan office must be notified immediately.

The Church Pension Fund also provides long-term disability benefits for clergy at no additional cost. If the clergy member’s disability is prolonged beyond 26 weeks, or is expected to last beyond 26 weeks, the clergyperson or his/her representative should initiate a claim for Long-Term Disability Benefits through The Church Pension Fund. Church Pension Group can provide the forms necessary to make a claim for long-term disability plan benefits and the diocesan office can assist in the completion of the forms. The maximum benefit period is two years or upon reaching age 72, whichever occurs first (or age 65 for members who are 63 or younger when disability begins). Please note the Continuation of Benefit on Total Disability for active employees under the age of 60 is provided under the Group Life Insurance Benefit.

Congregations and other employers within the diocese are encouraged to provide short-term and long-term disability insurance benefits for full-time lay employees. These benefits can be made available for purchase by either the employer or lay employee. Zurich American Life Insurance Company is the provider and administrator for the lay benefits. Parishes and employers are strongly encouraged to discuss short- and long-term disability benefits with all employees at the beginning of employment so that each employee can take appropriate measures to secure adequate disability coverage.

GROUP LIFE INSURANCE BENEFITS

All clergy listed in Active Status with The Church Pension Fund are provided with a Group Term Life Insurance Benefit equal to six times total annual compensation, up to $150,000. Other benefits provided include Continuation of Benefit on Total Disability (for active clergy under the age of 60), Early Payment of Death Benefit (Accelerated Benefit or Living Benefit), and AD&D. Clergy and their spouses have the ability to purchase additional insurance coverage from the Church Life Insurance Corporation and the Pennsylvania Widows Corporation. Please contact the diocesan...
office for additional information. Group Life Insurance may be included as an additional negotiated benefit in Clergy or Lay Employee Letters of Agreement. Congregations and other employers within the diocese are encouraged to provide life insurance benefits for full-time lay employees.

ADVOCACY FOR CLERGY AND LAY EMPLOYEES DURING COMPENSATION/BENEFIT NEGOTIATIONS

At the time of determining the annual budget in congregations, clergy and lay employees often find it difficult to negotiate for an adjustment in compensation and benefits. Negotiation is not a skill that everyone possesses. In response to this reality, the Compensation Committee notes that clergy and lay employees may ask an advocate to represent his or her needs and desires to the vestry or budget committee.

LETTERS OF AGREEMENT

For Clergy, the Bishop requires that, prior to beginning a compensated ministry within the Diocese of Pittsburgh, a Letter of Agreement has been signed by the Clergy Person, the Senior Warden or other officer of the Parish or employing Organization, and the Bishop. An original, signed copy of the Letter of Agreement is to be maintained in the files of the Diocesan Office.

The Letter of Agreement should specify terms of call and compensation. A detailed Position Description should be attached and considered part of the Agreement.

Terms of compensation within the Letter of Agreement are to be reviewed annually, and the entire Letter of Agreement should be reviewed and updated periodically.

See APPENDIX F for a recommended Letter of Agreement template, noting the following about the template’s content and use:

- The template refers to “Clergy” throughout. This may be replaced by “Rector,” “Priest-in-Charge,” or another appropriate title.

- The Position Description included in the template attempts to capture the complete range of responsibilities for a full-time rector or priest-in-charge. For clergy in a part-time role, the Position Description should be modified such that expected responsibilities are reasonable based on the number of hours for which the clergy is to be compensated. In the case of a single part-time clergyperson leading a parish, it is expected that he or she will engage and empower the lay leadership in helping to cover all the necessary functions of a healthy parish.

- The Outline for Mutual Ministry Review, included at the end of the template (after the Position Description), provides additional guidance on the Mutual Ministry Review process introduced in Section F of the template. This guidance (or something similar)
should be a standard element of all Letters of Agreement, to encourage and facilitate the adoption of Mutual Ministry Review as a regular practice in the life of every parish.

It is strongly recommended that similar, periodically updated Letters of Agreement be created/updated for all Lay Employees, as well.

CLERGY AND CONGREGATIONS:
SITUATIONS OF MINISTRY AND DEPLOYMENT

PARISH “TYPE” DESCRIPTIONS

The descriptions of each congregational situation, and particularly of the clergy responsibility level, are provided to help the congregation assess their level of functioning and ministry development. The “types” are determined by a mix of factors, including size of active congregation, available financial resources, and style of ministry.

TYPE 1 – May include lay-led parishes, diocesan church plants or “restart” congregations, and ministry utilizing part-time clergy, shared clergy, supply clergy, or deacons

TYPE 2 – Smaller parishes with settled full or part-time clergy and lay volunteers filling most other staff roles

TYPE 3 – Mid-sized parishes with settled full or part-time clergy and a mix of paid and volunteer staff

TYPE 4 – Larger parishes with complex programming and some paid lay and clergy staffing

TYPE 5 – Largest parishes with the most complex programming and multiple paid lay and clergy staffing

See Appendix A for the 2020 breakdown of Diocesan parishes by Type.
CLERGY MINISTRY DEPLOYMENT DEFINITIONS

CLERGY DEPLOYED IN FULL-TIME MINISTRY SITUATIONS

Full-time clergy may either hold canonically elected and tenured positions (Rectors) or be non-tenured Priests-in-Charge and other Associate or Assistant positions. Appendix B of the Compensation Guide relates the five patterns or “types” of deployment situations with minimum and recommended Total Compensation guidelines for full-time ministry in these situations. The location of a ministry situation within these guidelines is somewhat flexible and takes into account a number of factors including the size of the active congregation, available resources (both human and financial), and the scope and complexity of the ministry and parish programs. Parishes and settled full-time and part-time clergy are to have a signed Letter of Agreement that is regularly updated. Clergy serving in a shared situation shall be paid as full-time if their time commitment total among all participating parishes is 100% or 40+ hours per week.

FULL TIME CALCULATION, DAYS OFF, AND VACATION

For the purposes of this Guide, a work week for full-time clergy will average approximately 48 hours.

Full-time clergy are expected to have at least one continuous 24-hour period each week reserved for personal and family use, and may have up to 48 hours of such time. Full-time clergy shall have a minimum of one full month of paid vacation time per year, to include at least four Sundays. Arrangements for designated days-off and paid vacation time for Settled Part-Time Clergy are to be negotiated and included in the Letter of Agreement.

CLERGY DEPLOYED IN PART-TIME MINISTRY SITUATIONS

| Time Commitment Calculations for Part-Time Clergy Appointments: |
|-----------------|-------------------------------------------------------------------|
| 1/4 Time        | Sermon Preparation, Sunday Service, plus equivalent of 7-8 hours/week pastoral care/groups/meetings/other services |
| 1/2 Time        | Sermon Preparation, Sunday Service, plus equivalent of 18-20 hours/week pastoral care/groups/meetings/other services |
| 3/4 Time        | Sermon Preparation, Sunday Service, plus equivalent of 28-30 hours/week pastoral care/groups/meetings/other services |
CLERGY ASSISTANTS (FULL- AND PART-TIME)

Parishes with a full-time Rector or Priest-in-Charge may also be served by additional stipendiary clergy on a full or part-time basis. Minimum Compensation for Full-Time Assistant Clergy shall conform to the minimum stipend levels established for Full-Time Clergy in Type II Parishes in Appendix B and shall include mandatory health and pension benefits. Part-Time Clergy Assistants shall receive a Letter of Agreement defining their duties and specifying the “percentage of full time” of the ministry appointment.

Minimum compensation for Part-Time Assistant Clergy shall be calculated on a percentage basis using the Minimum Full Time Compensation standard for Type II parishes. If the percentage assignment meets qualifying hours, such clergy shall also be accorded health and pension benefits.

SUPPLY CLERGY

Supply Clergy provide liturgical leadership on occasional instances – as when parish clergy may be away on vacation or study leave – or during short-term intervals when there is a vacancy in a parish. Supply Clergy provide liturgical leadership and preaching at Sunday or designated weekday services only, and are not expected to attend to additional or on-going pastoral or administrative duties.

If a Supply position is expected to extend beyond a single three-month period or to involve duties beyond liturgical leadership and preaching, the position shall be redefined as Long-Term Supply, following further guidance explained for Clergy in Settled Appointments, Part-time on page 15.
APPENDIX A
REGISTER OF PARISH TYPES AND MINISTRY SITUATIONS

The location of a parish situation within these guidelines may be somewhat intuitive, taking into account a number of factors including the size of the active congregation, available resources (both human and financial), and the scope and complexity of the ministry and parish programs.

Type 1

Blairsville, St. Peter’s
Brackenridge, St. Barnabas
Brighton Heights, All Saints
Brookline, Advent
Carnegie, Atonement
Donora, St. John’s
Hazelwood, Good Shepherd
Homestead, St. Matthew’s
Jeannette, Advent
Monongahela, St. Paul’s
North Versailles, All Souls
Northern Cambria, St. Thomas
Penn Hills, St. James
Scottdale, St. Bartholomew’s
Wayne Township, St. Michael’s

Type 2

Canonsburg, St. Thomas
Crafton, Nativity
Homewood, Holy Cross
Indiana, Christ Church
Johnstown, St. Mark’s
Kittanning, St. Paul’s
McKeesport, St. Stephen’s
North Side, Emmanuel
Somerset, St. Francis
Wilkingsburg, St. Stephen’s

Type 3

Brentwood, St. Peter’s
Franklin Park, St. Brendan’s
Highland Park, St. Andrew’s
Ligonier, St. Michael’s
Oakmont, St. Thomas
Peters Township, St. David’s
Pittsburgh, Trinity Cathedral
Squirrel Hill, Redeemer

Type 4

North Hills, Christ Church

Type 5

East Liberty, Calvary
Mt. Lebanon, St. Paul’s
Clergy in Settled Appointments, Full Time

Guideline figures include ONLY: Cash Stipend and Allowances designated for Housing, Utilities, Housing Equity, and Self-Employment Tax. If Housing and Utilities are supplied by the parish, the Guideline figures may be reduced by 25%. (Figures are for Compensation as defined in the Rules of the Church Pension Fund and do not include allowances for Travel, Professional Expenses, Benevolence and Discretionary Funds, and Continuing Education or Sabbatical allowances.)

Guideline figures ranging above the Minimum/Initial figures at each level represent a standard of normal compensation for full-time clergy with good performance. When resources are available and in accordance with advancing tenure and performance, clergy are appropriately compensated above the indicated Guideline figures at each level. Compensation for clergy in parishes shall not fall below the Minimum/Initial range for the designated Parish Type (see Appendix A) and the Minimum “Type 1” figure shall be an Absolute Minimum for all full-time clergy, including those who have positions in other diocesan institutions or ministries. The Absolute Minimum for full-time Assistant or Associate Rectors shall be the Minimum “Type 2” figure.

**ABSOLUTE MINIMUM COMPENSATION, BY PARISH TYPE (See page 13)**

<table>
<thead>
<tr>
<th>PARISH TYPE</th>
<th>FULL TIME PRIMARY</th>
<th>FULL-TIME ASSOCIATE</th>
<th>OCCASIONAL SUPPLY</th>
</tr>
</thead>
<tbody>
<tr>
<td>Type 1</td>
<td>$51,000</td>
<td>N/A</td>
<td>See supply clergy policies on page 17</td>
</tr>
<tr>
<td>Type 2</td>
<td>$56,100</td>
<td>N/A</td>
<td>Same as above.</td>
</tr>
<tr>
<td>Type 3</td>
<td>$64,525</td>
<td>$56,100</td>
<td>Same as above.</td>
</tr>
<tr>
<td>Type 4</td>
<td>$74,250</td>
<td>$56,100</td>
<td>Same as above.</td>
</tr>
<tr>
<td>Type 5</td>
<td>$85,425</td>
<td>$56,100</td>
<td>Same as above.</td>
</tr>
</tbody>
</table>


RECOGNITION OF EXPERIENCE: MINIMUM AND TARGET RANGES, BY PARISH TYPE

It is appropriate to recognize ordained experience of clergy by setting target Compensation above Parish Type Minimums for higher experience levels of Full-time Primary clergy assuming good performance and in accordance with the table below. Full-time Associate clergy may be reviewed annually for Compensation above the Parish Type II Minimum based on performance and Parish financial support.

<table>
<thead>
<tr>
<th>PARISH TYPE</th>
<th>0-4 Years (Absolute Minimum)</th>
<th>5-9 Years Target</th>
<th>10-14 Years Target</th>
<th>15-19 Years Target</th>
<th>20+ Years Target</th>
</tr>
</thead>
<tbody>
<tr>
<td>Type 1</td>
<td>$51,000</td>
<td>$54,575</td>
<td>$58,400</td>
<td>$62,475</td>
<td>$66,850</td>
</tr>
<tr>
<td>Type 2</td>
<td>$56,100</td>
<td>$61,700</td>
<td>$67,825</td>
<td>$74,650</td>
<td>$82,150</td>
</tr>
<tr>
<td>Type 3</td>
<td>$64,525</td>
<td>$72,900</td>
<td>$82,400</td>
<td>$93,075</td>
<td>$105,200</td>
</tr>
<tr>
<td>Type 4</td>
<td>$74,250</td>
<td>$86,150</td>
<td>$99,900</td>
<td>$115,900</td>
<td>$134,450</td>
</tr>
<tr>
<td>Type 5</td>
<td>$85,425</td>
<td>$101,650</td>
<td>$120,975</td>
<td>$143,950</td>
<td>$171,300</td>
</tr>
</tbody>
</table>

The figures above beyond the “0-4 Years” category are representative of market target compensation and are not to be treated as absolute minimums. Clergy-person performance and the financial capabilities of the Parish are also factors of consideration.

Clergy in Settled Appointments, Part-Time

Clergy serving congregations by diocesan appointment as “clergy-in-charge,” with pastoral and administrative duties, and other clergy serving parishes or other diocesan institutions as Parish Assistants in long-term, part-time positions shall have a Letter of Agreement defining the position as a percentage of full-time (e.g., 25%, 50%, 75%), and with a narrative description outlining the extent of ministerial responsibilities. See Table on Page 14 for specific guidance. Minimum Compensation in these positions will apply the percentage of full-time service to the figure for the diocesan Absolute Minimum for the Parish Type. (Thus, e.g., a long-term 25% position in a “Type 2” Parish would have a Minimum Compensation of $14,025 ($56,100 x .25).
Clergy in Supply Appointments, Single-Event or Short-Term

Clergy Minimum Supply Compensation Rates are intended to apply to occasional instances – as when parish clergy may be away on vacation or study leave – or short-term intervals when there is a vacancy in a parish. “Supply Rates” are intended to apply to liturgical leadership and preaching at Sunday or designated Weekday services only, and do not include additional on-going pastoral or administrative duties.

If a Supply position is expected to extend beyond a single three-month period or to involve duties beyond liturgical leadership and preaching, the position shall be redefined as Long-Term Supply, following further guidance explained for Clergy in Settled Appointments, Part-time on page 15.

1. One Sunday Service, with Sermon – $150 on short-term basis; $200 on long-term basis

2. Two Sunday Services, with Sermon – $175 on short-term basis; $225 on long-term basis
   An additional $50 is to be paid for each additional service on the same weekend.

3. Midweek Service, with Informal Homily – $60

If a Supply Clergy is expected to be regularly employed for five or more consecutive months by a parish, the supply clergy must be enrolled in the Church Pension Plan and pension assessments of 18% paid by the parish on behalf of the clergy. If a Supply Clergy is expected to be employed for less than five consecutive months, but actually works for five or more consecutive months, participation in the Clergy Pension Plan will be mandatory retroactive to the date of hire. This is applicable not only to Supply Clergy serving a parish on a weekly basis, but also to those serving on a less frequent, but still regular, basis – for example, once a month, or every other week.

When major holy days, such as Christmas, fall on a day other than Sunday, the provisions of options 1 and 2 above will apply and is not be compensated as a midweek service.

Supply Clergy are to be reimbursed for round-trip travel costs from their home to the Church at the current IRS reimbursable mileage rate.
APPENDIX C
2019 PENSION BENEFITS POLICY
CLERGY AND LAY EMPLOYEES

Clergy Pensions

In all cases parishes and other employers under the authority of The Episcopal Church shall comply with the canons of the Episcopal Church and of the Episcopal Diocese of Pittsburgh by enrolling all eligible Clergy (priests and stipendiary deacons) in the Clergy Pension Plan of The Church Pension Fund of The Episcopal Church and by paying all Pension Fund assessments and contributions in a timely manner. Treasurers and other Administrators are encouraged to consult with the Director of Administration to assure compliance.

Lay Employee Pensions

As of January 1, 2013, parishes and other employers under the authority of the canons of The Episcopal Church and of the Episcopal Diocese of Pittsburgh shall enroll all Lay Employees, scheduled to work 1,000 hours per year or more, in the Lay Employee Pension Plan of The Church Pension Fund of The Episcopal Church and shall pay all Pension Fund assessments in a timely manner.

Participation in the Lay Employee Pension Plan of The Church Pension Fund was mandated by the 76th General Convention of The Episcopal Church in 2009. The Plan includes two programs – one “Defined Benefit” and the other “Defined Contribution.” Each employing parish or organization determines which program to provide for its lay employees. The Defined Benefit program requires an Employer Contribution of 9% of the employee’s compensation. The Defined Contribution program requires a base Employer Contribution of 5% of the employee’s compensation. Employees are encouraged to contribute to their account in the Defined Contribution program, and the Employer is required to match the Employee’s contribution up to an additional 4% of the Employee’s compensation, for a total Employer contribution of 9%.

Effective in July 2019, The Episcopal Church Center (TEC), taking a step closer to parity in pension benefits between its lay and clergy employees, increased its base Employer Contribution for the Defined Contribution program from 5% to 8% while maintaining the 4% match, resulting in an increased total contribution from 9% to 12%. Parishes which offer the Defined Contribution program are strongly encouraged to follow TEC’s lead by increasing their Employer contributions from 5% to 8% while maintaining the 4% match, for a recommended total contribution of 12%. (Note: The Diocese of Pittsburgh contributes 11% plus a 4% match for a total contribution of 15% for its lay employees.)
APPENDIX D

TWO EXAMPLES OF VESTRY HOUSING RESOLUTIONS
FROM THE 2015 EPISCOPAL MINISTERS TAX GUIDE
PUBLISHED BY THE CHURCH PENSION FUND

1. Sample housing allowance resolution for a priest or deacon who lives in a church-provided rectory:

The following resolution was duly adopted by the Vestry of __________ Church at a regularly scheduled meeting held on __________ a quorum being present:

Whereas, the Reverend __________ is compensated by __________ Church exclusively for services as a minister of the gospel; and

Whereas, __________ Church provides __________ with rent free use of a church-owned rectory as compensation for services that (he or she) renders to the church in the exercise of (his or her) ministry; and

Whereas, __________ incurs expenses for living in church provided housing; therefore it is hereby

Resolved, that the annual compensation paid to __________ for calendar year __________ shall be $ __________, of which, $ __________ is hereby designated to be a housing allowance pursuant to Section 107 of the Internal Revenue Code; and it is further

Resolved, that the designation of $ __________ as a housing allowance shall apply to calendar year _____ and all future years unless otherwise provided by the Vestry; and it is further

Resolved, that as additional compensation to __________ for calendar year _____ and for all future years unless otherwise provided for by this Vestry, __________ shall be permitted to live in the church-owned rectory located at __________, and that no rent or other fee shall be payable by __________ for such occupancy and use.
2. **Sample housing allowance resolution for a deacon or priest who owns or rents his or her home:**

The following resolution was duly adopted by the Vestry of __________ Church at a regularly scheduled meeting held on __________ a quorum being present:

Whereas, the Reverend __________ is compensated by __________ Church exclusively for the services as a minister of the gospel; and

Whereas, __________ Church does not provide __________ with a rectory; therefore, it is hereby

Resolved, that the total compensation paid to __________ for calendar year _____ shall be $__________, of which $ __________ is hereby designated to be a housing allowance; and it is further

Resolved, that the designation of $ __________ as a housing allowance shall apply to calendar year _____ and all future years unless otherwise provided.

**NOTE**: In order to qualify for the exemption from Federal and local income taxes, clergy housing allowances must be approved in advance, and may not be made retroactive. Thus it is important that the Vestry adopt a resolution for a newly employed clergyperson in advance of his or her start date. Housing allowances may be increased prospectively, if necessary. For further information about the intricacies of housing allowances and the Internal Revenue Code, see the Clergy Tax Guide published annually and available from The Church Pension Fund at cpg.org. Individual consultation by telephone is available, without charge.
## APPENDIX E
### MILEAGE & TRANSPORTATION REPORT

Name: ________________________________________________________________________

<table>
<thead>
<tr>
<th>Date</th>
<th>Location To/From</th>
<th>Purpose of Travel</th>
<th>Miles</th>
<th>Toll/Parking</th>
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</thead>
<tbody>
<tr>
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</tbody>
</table>

Number of miles ______________ X current IRS Rate = $______________

Total amount of other expenses $______________

Total mileage and transportation expenses $______________
APPENDIX F

LETTERS OF AGREEMENT FOR CLERGY

EPISCOPAL DIOCESE OF PITTSBURGH
MINISTRY COVENANT AGREEMENT

between

The Wardens and Vestry of

_____________________________________________ Church,

and

The Reverend _________________________________________

Preamble

The Wardens and Vestry of ______________________________ Church and The Rev. ______________________________ enter this agreement with the concurrence of the Bishop of the Episcopal Diocese of Pittsburgh.

The Clergy will lead ______________________________________ Church as pastor, priest and teacher, sharing in the councils of this congregation and of the whole Church, in communion with our Bishop. By word and action, informed at all times by the Holy Scriptures, the Book of Common Prayer, and the Constitution and Canons of the Episcopal Church and the Episcopal Diocese of Pittsburgh, the Clergy will proclaim the Gospel, love and serve Christ’s people, nourish them, and strengthen them to glorify God in this life and in the life to come. This ministry is further described in a Position Description, attached, which has been developed and approved by the Clergy, Wardens and Vestry of this parish and is considered part of this Letter of Agreement.
Section A. Times of Work & Leave  
(Please choose only the version that is appropriate for your ministry setting)  

Full Time Version  
1) The Clergy’s work includes not only activities directed to the parish and its well-being, but also labors on behalf of the Diocese and community. This work for the Diocese will include participation in ordination services, clergy funerals, a yearly clergy retreat/conference, yearly Diocesan Convention and other events deemed important by the Bishop.  

The Clergy’s scheduled workweek is five days. It is estimated that this would be, on average, 48 hours per week. In general, no more than three evenings per week are expected. The Clergy is expected to preserve 48 hours (with at least one continuous 24-hour period) each week solely for personal and family use.  

2) The Clergy will have the following periods of leave at full compensation:  
   a) National Holidays, to be taken so as not to interfere with worship for major occasions.  
   b) One month of Annual Leave, which will include at least four Sundays. No more than ________ days and one Sunday may be carried forward to succeeding years. Annual Leave consists of Vacation, Sick Leave and Compassion Leave.  
   c) Professional Development Leave, at the rate of two weeks per year, for classes, conferences, etc., that are expected to be mutually beneficial to both Clergy and Parish.  
   d) Two weeks per year of service in this parish for Sabbatical Leave, to be available after the fifth year, up to a maximum of three months (14 weeks) may be taken. Sabbatical arrangements will be made in full consultation with the Vestry, to ensure benefits for Parish as well as Clergy.  
   e) __________ weeks paid leave of absence upon the birth or adoption of a child. (In the case of maternity leave, CPG will reimburse the parish’s cost of substitute clergy for up to 12 weeks.)  

3/4 Time Version  
1) The Clergy’s work includes not only activities directed to the parish and its well-being, but also labors on behalf of the Diocese and community. This work for the Diocese will include participation in a yearly clergy retreat, yearly Diocesan Convention and other events deemed important by the Bishop.  

The Clergy’s scheduled workweek consists of 32-36 hours. In general, no more than three evenings per week are expected. The Clergy is expected to preserve 48 hours (with at least one continuous 24-hour period) each week solely for personal and family use.  

2) The Clergy will have the following periods of leave at full compensation:  
   a) National Holidays, to be taken so as not to interfere with worship for major occasions.
b) One month of Annual Leave, which will include at least four Sundays. No more than _______ days and one Sunday may be carried forward to succeeding years. Annual Leave consists of Vacation, Sick Leave and Compassion Leave.

c) Professional Development Leave, at the rate of two weeks per year, for classes, conferences, etc., that are expected to be mutually beneficial to both Clergy and Parish.

d) Two weeks per year of service in this parish for Sabbatical Leave, to be available after the fifth year. Sabbatical arrangements will be made in full consultation with the Vestry, to ensure benefits for Parish as well as Clergy.

e) __________ weeks paid leave of absence upon the birth or adoption of a child.

1/2 Time Version

1) The Clergy’s work includes not only activities directed to the parish and its well-being, but also labors on behalf of the Diocese and community. This work for the Diocese will include participation in a yearly clergy retreat, yearly Diocesan Convention and other events deemed important by the Bishop. The Clergy’s scheduled workweek consists of 20-24 hours. In general, no more than two evenings per week are expected.

2) The Rector will have the following periods of leave at full compensation:
   a) National Holidays, to be taken so as not to interfere with worship for major occasions.

   b) One month of Annual Leave which will include at least four Sundays. No more than _______ days and one Sunday may be carried forward to succeeding years. Annual Leave consists of Vacation, Sick Leave and Compassion Leave.

   c) Professional Development Leave, at the rate of two weeks per year, for classes, conferences, etc., that are expected to be mutually beneficial to both Clergy and Parish.

   d) Two weeks per year of service in this parish for Sabbatical Leave, to be available after the fifth year. Sabbatical arrangements will be made in full consultation with the Vestry, to ensure benefits for Parish as well as Clergy.

   e) __________ weeks paid leave of absence upon the birth or adoption of a child.

1/4 Time Version

1) The Clergy’s work includes not only activities directed to the parish and its well-being, but also labors on behalf of the Diocese and community. This work for the Diocese will include participation in a yearly clergy retreat, yearly Diocesan Convention and other events deemed important by the Bishop. The Clergy’s scheduled workweek consists of 10-12 hours. In general, no more than one evening per week is expected.

2) The Clergy will have the following periods of leave at full compensation:
   a) National Holidays, to be taken so as not to interfere with worship for major occasions.
b) One month of Annual Leave which will include at least four Sundays. No more than _______ days and one Sunday may be carried forward to succeeding years. Annual Leave consists of Vacation, Sick Leave and Compassion Leave.

c) Professional Development Leave, at the rate of two weeks per year, for classes, conferences, etc., that are expected to be mutually beneficial to both Clergy and Parish.

d) Two weeks per year of service in this parish for Sabbatical Leave, to be available after the fifth year. Sabbatical arrangements will be made in full consultation with the Vestry, to ensure benefits for Parish as well as Clergy.

e) __________ weeks paid leave of absence upon the birth or adoption of a child.

Section B. Compensation

Housing Allowance Version (Clergy with their own housing)

1) The Clergy’s annual cash salary will be $ _________________, paid in installments consistent with the Parish’s payroll cycle. It will be reviewed and adjusted annually in accordance with the current minimum compensation standards for clergy of the Episcopal Diocese of Pittsburgh. (In addition, the parish may provide SECA reimbursement payments as a supplement to the Clergy’s cash salary.)

2) At the Clergy’s request, $ ______________ of this salary ($ __________ per month) is designated as “Housing Allowance” under the Federal Internal Revenue Code. This amount, too, will be reviewed annually, and may be adjusted at the Clergy’s request.

3) The Vestry shall pay the following benefits:

   a) Medical Insurance through an Episcopal Church Medical Trust (ECMT) plan, as required by the Diocesan Compensation Guide.

      *If the equivalent or better than the ECMT offering is provided independently through the employment of the Clergy’s spouse, the Clergy may waive participation in the Diocesan ECMT plan. The Vestry will then not provide duplicate coverage, but will use the amount of the Diocesan ECMT premium that would have been spent to provide additional income (a medical stipend), or to fund a 403b for the Clergy. If at any time the Clergy revokes the waiver, the Vestry will provide ECMT in accordance with the Diocesan plan.

   b) Church Pension Fund Assessment of 18% on the sum of the Clergy’s total assessable compensation (cash salary, including housing allowance; SECA reimbursement; medical stipend). The Parish’s payment of this assessment entitles the Clergy to numerous benefits, including Life Insurance, Short- and Long-Term Disability Insurance, Maternity Leave, etc. Refer to A Guide for Benefits Under the Clergy Pension Plan at www.cpg.org for additional details.
Section C. Expenses

The Vestry will pay the following expenses incurred by the Clergy in fulfilling the duties of the office:

1) Travel expenses, including:
   a) Mileage, at the current rate provided by the Internal Revenue Service, to be reviewed annually against the updated IRS rate. (This does not include the cost of commuting to and from the parish.)
   b) Parking fees, tolls, bus fares, etc.

2) The normal expenses of the church’s office operation, such as telephone, postage, office equipment, supplies, secretarial services, etc. (This should not exceed the amount designated for such expenses in the Parish’s annual operating budget.)

3) An expense allowance, up to $ __________ annually, for reimbursement of expenses incurred in the course of professional activities on behalf of ____________________________ Church.

4) Reasonable costs associated with either residential telephone service or cell phone usage, depending on the Clergy’s preferred method of communication for ministry purposes. In either case, the telephone number will be published to insure the Clergy’s ready accessibility in case of emergencies.

5) A Continuing Education Allowance of $ __________ per year, to be reviewed annually, and paid to or on behalf of the Clergy toward expenses incurred in relation to classes, conferences, etc., that are expected to be mutually beneficial to both Clergy and Parish.

Section D. Discretionary Fund

In accordance with the Canons of the Episcopal Church, a Discretionary Fund is to be established as a church checking account under the Clergy’s sole control, from the following sources: ___________________________________________, and from gifts given the Clergy for the purposes of the Discretionary Fund. The Clergy will manage the fund in accordance with guidelines provided in the Manual of Business Methods in Church Affairs, found on the diocesan website. This fund is to be audited annually as part of the church’s annual audit.

Section E. Supplementary Compensation

1) The Clergy will not charge fees for performing any rites of the Church (for example, baptisms, marriages, funerals) for members of ____________________________________________ Church.

2) The Clergy may, however, receive income from other sources, provided such activity does not interfere with the Clergy’s fulfillment of his/her primary duties. Among such possible income sources are:
a) Sacramental services on behalf of persons not in any way related to the parish.
b) Fees and honoraria for professional services performed on personal time for groups unrelated to the parish, or for sermons, books or articles published outside the parish.
c) Other employment.

Section F. Mutual Ministry Review

1) The Clergy, Wardens and Vestry agree to an annual discussion and mutual review of the total ministry of the parish, in order to:
   a) Provide the Clergy, Wardens, and Vestry opportunities to assess how well they are fulfilling their responsibilities to each other and to the ministries they share.
   b) Establish goals for the work of the whole parish for the coming year.
   c) Isolate areas of conflict or disappointment that have not received adequate attention and may be affecting the parish’s ministry.
   d) Clarify the expectations of all parties to help prevent future conflict.
   e) Recognize and celebrate the blessings and successes experienced during the previous year.

2) In performing the annual review, the Clergy, Wardens and Vestry will follow the guidance set forth in the attached Outline for Mutual Ministry Review.

3) The Clergy or Wardens may request that the Mutual Ministry Review be facilitated by a mutually agreed-upon third party, whose selection may be determined in consultation with the Bishop or member of diocesan staff, if desired.

4) The Parish will share the results of the Mutual Ministry Review with the Bishop upon request.

Section G. Agreement Revisions and Termination

1) This letter may be revised only through the mutual agreement of both the Wardens and Vestry of _________________________ Church and The Rev. ____________________.

2) The Clergy’s tenure is to continue under this agreement, or under subsequent revisions of this agreement, until dissolved by mutual consent, or by arbitration and decision, as provided by the relevant Canons of the Episcopal Church and the Episcopal Diocese of Pittsburgh.

Section H. Other Possible Agreements

1) All (or an agreed upon portion of) moving and travel expenses incurred in making the move from ________ to _________ shall be paid by _______ Church. Moving expenses could include family travel, transporting household goods, reasonable temporary
accommodations during the move, and an Incidental Expenses Allowance of up to two weeks’ compensation.

2) The moving date shall be in the week of _____________________. The Clergy shall begin duties in the parish no later than ______________________, unless delayed by adverse circumstances.

3) In the event of the Clergy’s death, the Vestry agrees to continue payment of the Clergy’s cash salary, and appropriate Health Insurance, to the Clergy’s surviving direct dependents for a period of ______________ months.

4) This letter may be revised only by mutual agreement at the time of the annual mutual ministry review, except that compensation and expenses revisions may be mutually agreed upon in a separate budget process.

5) If the Clergy and Vestry are in disagreement concerning interpretation of this Letter of Agreement, either party may appeal for mediation to _______________________________ or another mutually agreed upon third party, the Bishop remaining the final arbiter.

6) All pay and benefits shall become effective on ________________________________.

This Letter of Agreement, and its related Position Description, will be made part of the minutes of the next Vestry meeting following its signing, and copies will be given to each new Vestry member.

________________________________________________
Date Clergy

________________________________________________
Senior Warden

Reviewed

________________________________________________
Diocesan Director of Administration

Approved

________________________________________________
Bishop
CLERGY POSITION DESCRIPTION

The Clergy will lead ____________ Church as pastor, priest and teacher, sharing in the councils of this congregation and of the whole Church, in communion with our Bishop. By word and action, informed at all times by the Holy Scriptures, the Book of Common Prayer, and the Constitution and Canons of the Episcopal Church and the Episcopal Diocese of Pittsburgh, the Clergy will proclaim the Gospel, love and serve Christ’s people, nourish them, and strengthen them to glorify God in this life and in the life to come.

Accountabilities

1) Lead worship, preach the Gospel, and administer the sacraments at regularly scheduled services and special services throughout the liturgical year. In so doing, provide parishioners and others the opportunity for spiritual growth and meaningful response to Christ’s love.

2) Provide for the pastoral care of parishioners – especially those who are elderly, ill, or otherwise unable to attend services – so that any grief, anxiety, or distress is met with Christian concern.

3) Encourage parishioners to recognize the needs of others (within and beyond the parish), and to respond to those needs as appropriate, with Christ-like compassion.

4) Provide a Christian education program through which persons of all ages might learn the content of the Faith and its application to daily living.

5) Work to increase the depth and breadth of participation by laity in leadership roles, and share with them the administration of the parish.

6) Work closely with the Vestry in establishing and managing the goals, priorities, and programs of the parish.

7) Participate in community and diocesan activities, thus extending the mission of the parish beyond itself.

8) Maintain a pattern of life that sets a wholesome Christian example.

[Template Note: This Position Description attempts to capture the complete range of responsibilities for a full-time rector or priest-in-charge. For clergy in a part-time role, the Position Description should be modified, such that expected responsibilities are reasonable based on the number of hours for which the clergy is compensated. In the case of a single part-time clergyperson leading a parish, it is expected that he or she will engage and empower the lay leadership in helping to cover all the necessary functions of a healthy parish.]
Letter of Agreement Addendum #2
OUTLINE FOR MUTUAL MINISTRY REVIEW

Participants
The Mutual Ministry Review will involve, at minimum, the Clergy, Wardens, and Vestry of the parish. If desired, others integral to the leadership and administration of the parish (e.g., parish coordinator, music director, Sunday School director) may also be asked or required to participate.

Frequency/Scheduling
The Mutual Ministry Review process will be undertaken by the parish annually. The timing of the review may be determined through discussion and agreement by the Clergy, Wardens, and Vestry. For some parishes, an end-of-year review may be desirable; for others, conducting the review during the slower summer season will seem more feasible. A parish may also consider completing the review prior to its annual meeting, so that both outgoing and incoming vestry members may participate. It is recommended, though, that the Mutual Ministry Review take place apart from the parish’s annual budget planning process, keeping in mind that it is intended as a review of the total ministry of the parish – not as a clergy performance review, nor as the basis for decisions related to clergy compensation.

Structure/Process
A Mutual Ministry Review may follow any of a number of available models. A simple Internet search will allow you to explore these models, and to choose an option that will work for your parish. The Episcopal Church Foundation (ECF) offers a valuable resource: Living Into Our Ministries – The Mutual Ministry Cycle: A Resource Guide, available on their website, ecfvp.org.

Whatever model is used, the Mutual Ministry Review should be designed in such a way that the following goals may be achieved:

a) Provide the Clergy, Wardens, and Vestry opportunities to assess how well they are fulfilling their responsibilities to each other and to the ministries they share.

b) Establish goals for the work of the whole parish for the coming year.

c) Isolate areas of conflict or disappointment that have not received adequate attention and may be affecting the parish’s ministry.

d) Clarify the expectations of all parties to help prevent future conflict.

e) Recognize and celebrate the blessings and successes experienced during the previous year.
The following list of questions, taken from ECF’s *Living Into Our Ministries* resource (pp. 48-49), is intended to help you begin thinking about the questions that might be addressed through the Mutual Ministry Review process. Feel free to use or adapt these questions as desired.

**Sample Questions**

- How did we live out or put into action our mission statement (the Gospel) this past year?
- What was a highlight of our ministry this past year—with one another? in the community?
- What was the most positive activity in our congregation during the past year? Who was responsible for making it happen?
- Whom do you want to thank?
- What now needs the attention of the priest and vestry? What would you like to strengthen?
- What task or goal is most important for the coming year?
- How would you describe the quality of our congregational community life this past year?
- Last year, we set _________ as a goal. How did we do?
- What attracts newcomers to our congregation?
- What do you believe God is calling us to do in the next _____ years?
- What did you learn this year? How did you grow?
- What do you value most about _________ Church?
- Describe two or three ways to strengthen the ministry and health of _________ Church.
- Describe a moment or incident or encounter in the past year at _________ Church that was especially meaningful for you.
- Describe the one most important factor that, for you, gives “life” to _________ Church.
- If you had one wish for _________ Church for the next three to five years, what would it be?
2020 Policies for Clergy and Lay Participation in the Denominational Health Plan of the Episcopal Church

Episcopal Diocese of Pittsburgh

Adopted by Diocesan Council
September 23, 2019

Episcopal Diocese of Pittsburgh
325 Oliver Avenue, Suite 300
Pittsburgh, PA 15222
412-721-0853
office@episcopalpgh.org
Participation in the Denominational Health Plan of the Episcopal Church provided by the Medical Trust of the Church Pension Fund of the Episcopal Church was mandated by the 76th General Convention of the Episcopal Church in 2009, Resolution A177, amending Canon I.8. The effective date of the canonical mandate for participation in the Denominational Health Plan was January 1, 2013.

All parishes, dioceses, and other organizations and institutions subject to the authority of the Constitution and Canons of The Episcopal Church and of the Episcopal Diocese of Pittsburgh are required to offer medical benefits on an equal basis to all Clergy and Lay Employees scheduled to work 1,500 hours per year or more through the Denominational Health Plan, and may not contract to offer such benefits through other providers.

While it is not canonically mandatory, Clergy and Lay Employees of parishes and other organizations under the authority of the Episcopal Diocese of Pittsburgh working fewer than 1,500 hours per year but at least 1,000 hours per year are eligible to participate in the Medical Trust's health insurance coverage voluntarily and at their own expense. Parishes and other organizations may, but are not required to, participate in the cost of the health plan if the employee chooses to participate. Those persons working less than 1,000 hours per year are not eligible for these benefits.

Each year the Bishop, with the advice of the Compensation Committee appointed by the President of Diocesan Council, will recommend one or more plans from the Denomination Health Plan offerings to be approved by Diocesan Council. Each eligible participant, clergy or lay, then selects a plan from that diocesan menu during the Open Enrollment period. The parish or other employing organization or institution receives and pays the Insurance Premium invoice.

Individual Clergy and Lay Employees scheduled to work 1,500 hours per year or more (but not parishes or other organizations) may choose to “opt out” of participation in the Denominational Health Plan if they are currently receiving comparable medical benefits through dependent coverage in a parent or spouse’s plan or through another employer or retirement benefit (e.g., Tricare). A Waiver of Health Benefits form must be completed by the employee and submitted to the diocesan office by the end of the Open Enrollment period. Employing parishes or other organizations may provide a financial “premium offset” when eligible Clergy or Lay Employees choose to decline the DHP benefit because they are otherwise covered.

**Insurance Plan Offerings and Premiums:** All Clergy and Lay Employees scheduled to work 1,500 hours per year or more shall be offered the choice of the medical and dental Denominational Health Plan programs approved by Diocesan Council and in the appropriate tier of coverage necessary for the Employee’s family situation. This year’s offerings are as follows:
Medical & Dental Plans / Monthly Rates

<table>
<thead>
<tr>
<th>Plan Description</th>
<th>Single</th>
<th>Employee + Spouse</th>
<th>Employee + Children</th>
<th>Family</th>
</tr>
</thead>
<tbody>
<tr>
<td>1) Anthem BCBS CDHP-20 w/ HSA (MHDE) Consumer Directed Health Plan (also known as HDHP)</td>
<td>$ 714</td>
<td>$1,428</td>
<td>$1,285</td>
<td>$2,142</td>
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<td>2) Cigna CDHP-20 w/ HSA (MHDC) Consumer Directed Health Plan (also known as HDHP)</td>
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<td>1,428</td>
<td>1,285</td>
<td>2,142</td>
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<td>3) Anthem BCBS BlueCard PPO 80 (MPP3)</td>
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<td>1,630</td>
<td>1,467</td>
<td>2,445</td>
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<td>4) Cigna Open Access Plus PPO 80 (MG03) UPMC in-network plan comparable to Anthem PPO 80 plan</td>
<td>815</td>
<td>1,630</td>
<td>1,467</td>
<td>2,445</td>
</tr>
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<td>5) Anthem BCBS BlueCard PPO 90 (MPP2)</td>
<td>899</td>
<td>1,798</td>
<td>1,618</td>
<td>2,697</td>
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<td>6) Cigna Open Access Plus PPO 90 (MG02) UPMC in-network plan comparable to Anthem PPO 90 plan</td>
<td>899</td>
<td>1,798</td>
<td>1,618</td>
<td>2,697</td>
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<td>7) Anthem BCBS BlueCard PPO 100 (MPP1)</td>
<td>1,015</td>
<td>2,030</td>
<td>1,827</td>
<td>3,045</td>
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<tr>
<td>8) Cigna Open Access Plus PPO 100 (MG01) UPMC in-network plan comparable to Anthem PPO 100 plan</td>
<td>1,015</td>
<td>2,030</td>
<td>1,827</td>
<td>3,045</td>
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<tr>
<td>9) Anthem BCBS BlueCard MSP PPO 90 (MS10) For employees age 65 or older enrolled in Medicare</td>
<td>719</td>
<td>1,438</td>
<td>1,294</td>
<td>2,157</td>
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<tr>
<td>10) Cigna Open Access Plus MSP PPO 90 (MG02) UPMC in-network MSP plan for employees age 65 or older</td>
<td>618</td>
<td>1,438</td>
<td>1,294</td>
<td>2,157</td>
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<td>11) Anthem BCBS BlueCard MSP PPO 100 (MSG9)</td>
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<td>1,560</td>
<td>1,404</td>
<td>2,340</td>
</tr>
<tr>
<td>12) Cigna Open Access Plus MSP PPO 100 (MG01) UPMC in-network MSP plan for employees age 65 or older</td>
<td>780</td>
<td>1,560</td>
<td>1,404</td>
<td>2,340</td>
</tr>
<tr>
<td>13) DENTAL &amp; ORTHO – 25/75 (DD25)</td>
<td>45</td>
<td>90</td>
<td>81</td>
<td>135</td>
</tr>
</tbody>
</table>

**Minimum Medical Premium Allowance (MPA):** Each parish or other employing organization is required to allocate and fund a minimum Medical Premium Allowance (“MPA”) of $815 per month to provide medical coverage for the Employee. In circumstances where the Employee elects a medical coverage which is less expensive than the MPA, the difference in cost is to be provided to the Employee in the form of a contribution to a Health Savings Account (“HSA”) which can then be used by the Employee to cover medical deductibles and copays required by the plan design chosen. In circumstances where the Employee elects a medical coverage which is more expensive than the MPA, the Employee will be responsible to pay the cost difference through a pre-tax payroll deduction each month unless the parish reaches a negotiated arrangement with the Employee to provide a higher MPA above the minimum requirement stated above, up to and including full premium payment covered by the parish. MPAs set by the parish may be negotiated at higher levels of allowance as long as there is parity between all Clergy and Lay Employees.

**Medical Plan Options with Health Savings Accounts (HSA):** Placing money into an HSA, in conjunction with a CDHP, is an effective way to manage out-of-pocket costs because employees can set aside funds to be used for qualifying medical expenses, such as deductibles and copays, on a pre-tax basis. For parishes that choose to provide more than the minimum coverage, such a parish-provided contribution is possible with no added cost since a CDHP option has a lower cost than other plans. Family coverage in a CDHP plan results in annual savings of $10,836 ($903 per month) as compared to the PPO 100 plans and $6,660 ($555 per month) as compared to the PPO 90 plans. As an example, the parish could contribute $5,450, the full amount of the family deductible, to the employee’s HSA for an employee enrolling in the CDHP, and the parish would still save $5,386 per year in medical premium cost. The employee benefits because
he/she pays less since their deductible is paid in full, and keeps any unused HSA balance at year-end. The parish benefits by saving in annual medical premium expense. Parishes should consider making the parish contribution to the HSA early in the calendar year so that medical expenses incurred can be paid with available HSA funds.

**Insurance Plan Cost Sharing:** All Employees selecting a medical plan are subject to consideration by the parish for a premium cost-sharing arrangement. No cost sharing is permitted for a plan costing less than the MPA indicated above.

**Medicare Secondary Payer – Small Employer Exception:** Employees who are 65 years old and eligible for Medicare may enroll in a Medicare Secondary Payer (MSP) plan. In most cases, Medicare is the secondary payer of healthcare claims for employees covered under Medicare Part A and Part B, and the Medical Trust’s health plan is the first, or primary payer. However, Medicare allows for an exception to the “secondary payer” rule for small employers (including all employers in the Diocese of Pittsburgh) who may request that Medicare serve as the primary payer for eligible Medicare beneficiaries by submitting an Employee Certification Form for each eligible participant seeking a “small employer exception.”

When Medicare becomes the primary payer of medical claims, the cost of providing medical coverage is lower because the Medical Trust’s health plan becomes the secondary payer. The reduction in cost may reduce premiums compared to plans in which Medicare is not the primary payer. An employee’s out-of-pocket medical costs may be lower, too. For an employee or their eligible dependent(s) to be approved for these plans, they must first be enrolled in Medicare Part A (hospital insurance). Individuals who opt for an MSP plan will continue to have access to the value-added benefits included in the Medical Trust plans. Please contact the Diocesan Office for additional information or to request a copy of the Member Fact Sheet.

**Dental Coverage:** Dental coverage is made available through the Denominational Health Plan and as approved by Diocesan Council. There is no requirement of parish funding for this benefit.
We have audited the financial statements of The Episcopal Diocese of Pittsburgh (Diocese) for the year ended December 31, 2018, and have issued our report thereon dated August 19, 2019. Professional standards require that we provide you with information about our responsibilities under auditing standards generally accepted in the United States of America, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our conversations with the Board of Trustees President, Audit Committee Chair, and Audit Committee member about planning matters on June 19, 2019. Professional standards also require that we communicate to you the following information related to our audit.

Our Responsibility under Auditing Standards Generally Accepted in the United States of America

As stated in our engagement letter dated January 15, 2019, our responsibility, as described by professional standards, is to express an opinion about whether the financial statements prepared by management with your oversight are fairly presented, in all material respects, in conformity with accounting principles generally accepted in the United States of America. Our audit of the financial statements does not relieve you or management of your responsibilities.

In addition, our responsibility is to plan and perform the audit to obtain reasonable, but not absolute, assurance that the financial statements are free of material misstatement. As part of our audit, we considered the internal control of the Diocese. Such considerations were solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control. We are responsible for communicating significant matters related to the audit that are, in our professional judgment, relevant to your responsibilities in overseeing the financial reporting process. However, we are not required to design procedures specifically to identify such matters.

Significant Accounting Policies

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the Diocese are described in Note 2 to the financial statements. During 2018, the Diocese adopted Accounting Standard Update (ASU) 2016-14, “Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities.” No other accounting policies were adopted, and the application of existing policies was not changed during 2018 other than those impacted by ASU 2016-14, noted above. We noted no transactions entered into by the Diocese during the year for which there is a lack of
authority guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

**Accounting Estimates**

Accounting estimates are an integral part of the financial statements prepared by management and are based on management’s knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimates affecting the financial statements were:

- The Diocese is a beneficiary of ten irrevocable charitable remainder trusts. The estimation of the fair value of the Diocese’s interest in these trusts is subjective and requires significant judgment.

- Management’s valuation of investments is based on the investment’s fair value. The Diocese’s investments are exposed to various risks, such as interest rate, market, and credit risk. Due to the level of risk associated with investments and the level of uncertainty related to changes in the value of investments, it is at least reasonably possible that significant changes in risks in the near-term may materially affect the amounts reported in the financial statements. We evaluated the key factors and assumptions used to develop the valuation of investments in determining that it is reasonable in relation to the financial statements taken as a whole.

- Management’s estimates of the allowance for uncollectable assessments and allowance for loan loss are based on past history with the related organizations and the Diocese’s expectations of future payments. The allowance estimates are reviewed and approved by management of the Diocese. We evaluated the key factors and assumptions used to develop the allowances for uncollectable assessments and loan receivable in determining that they are reasonable in relation to the financial statements taken as a whole.

- The Diocese and various parishes have pooled their investments in order to obtain a better rate of return on the investments. The Diocese calculates a net asset value and per share price for the pooled investments and allocates on a per share basis the income, realized and unrealized gains and losses to the individual accounts held by the Diocese and the various parishes.
Disclosures

Certain financial statement disclosures are particularly sensitive because of their significance to financial statement users. The most sensitive disclosures affecting the financial statements were:

- The Diocese’s investments and their valuation in Note 5;
- The Diocese’s guarantee of parish loans and their commitment to make parishes’ loan payments in Note 9;
- The Diocese’s assumed payments for guaranteed mortgages in Note 10; and
- The Diocese’s legal matters in Note 16.

The financial statement disclosures are neutral, consistent, and clear.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. Our audit did not result in the identification of any material adjustments or any significant waived adjustments.

Disagreements with Management

For purposes of this letter, a disagreement with management is a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor’s report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated August 19, 2019.
**Management Consultations with Other Independent Accountants**

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a “second opinion” on certain situations. If a consultation involves application of an accounting principle to the Diocese’s financial statements or a determination of the type of auditor’s opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

**Issues Discussed Prior to Retention of Independent Auditors**

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the Diocese’s auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

**Other Matters**

Matters involving internal control and other operational matters are communicated in our management letter dated August 19, 2019.

This information is intended solely for the use of the Diocesan Council, Board of Trustees, and management of the Diocese, and is not intended to be, and should not be, used by anyone other than these specified parties.

Very truly yours,

**Maher Duessel**

Pittsburgh, Pennsylvania
August 19, 2019
The Episcopal Diocese of Pittsburgh

Financial Statements

Years Ended December 31, 2018 and 2017
with Independent Auditor’s Report
THE EPISCOPAL DIOCESE OF PITTSBURGH

YEARS ENDED DECEMBER 31, 2018 AND 2017

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Independent Auditor’s Report

Diocesan Council and Board of Trustees
The Episcopal Diocese of Pittsburgh

We have audited the accompanying financial statements of The Episcopal Diocese of Pittsburgh (Diocese), which comprise the statements of financial position as of December 31, 2018 and 2017, and the related statements of activities, and cash flows for the years then ended, the statement of functional expenses for the year ended December 31, 2018, and the related notes to the financial statements.

Management’s Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes 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.

Auditor’s Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor’s judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity’s preparation and fair presentation of the financial statements 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 entity’s internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.
Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Diocese as of December 31, 2018 and 2017, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As described in Note 2 to the financial statements, the Diocese adopted ASU 2016-14, “Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities,” which amends the requirements for financial statements for nonprofit entities. The amendment changes how a nonprofit organization classifies net assets and provides information in its financial statements and notes about its financial performance, cash flow, and liquidity, among other requirements. Our opinion is not modified with respect to this matter.

Maher Duessel
Pittsburgh, Pennsylvania
August 19, 2019
## THE EPISCOPAL DIOCESE OF PITTSBURGH

### STATEMENTS OF FINANCIAL POSITION

**DECEMBER 31, 2018 AND 2017**

<table>
<thead>
<tr>
<th>Assets</th>
<th>2018</th>
<th>2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash and cash equivalents</td>
<td>$808,454</td>
<td>$705,945</td>
</tr>
<tr>
<td>Assessments receivable:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Parishes</td>
<td>1,334,179</td>
<td>1,264,443</td>
</tr>
<tr>
<td>Less allowance for doubtful accounts</td>
<td>(1,331,620)</td>
<td>(1,259,820)</td>
</tr>
<tr>
<td>Total assessments receivable, net</td>
<td>2,559</td>
<td>4,623</td>
</tr>
<tr>
<td>Loans receivable:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Parishes and missions - growth fund</td>
<td>523,103</td>
<td>882,068</td>
</tr>
<tr>
<td>Bishop’s residence fund</td>
<td>27,000</td>
<td>27,000</td>
</tr>
<tr>
<td>Less allowance for loan losses</td>
<td>(156,274)</td>
<td>(463,724)</td>
</tr>
<tr>
<td>Total loans receivable, net</td>
<td>393,829</td>
<td>445,344</td>
</tr>
<tr>
<td>Grants and bequests receivable</td>
<td>-</td>
<td>1,130,127</td>
</tr>
<tr>
<td>Other receivable</td>
<td>163,601</td>
<td>-</td>
</tr>
<tr>
<td>Notes receivable</td>
<td>1,340,878</td>
<td>1,555,856</td>
</tr>
<tr>
<td>Accrued interest receivable</td>
<td>86,745</td>
<td>8,581</td>
</tr>
<tr>
<td>Prepaid expenses</td>
<td>7,291</td>
<td>10,776</td>
</tr>
<tr>
<td>Property held for sale</td>
<td>727,500</td>
<td>87,800</td>
</tr>
<tr>
<td>Trusts held by others at fair value</td>
<td>4,409,921</td>
<td>4,771,421</td>
</tr>
<tr>
<td>Investments at fair value</td>
<td>24,492,984</td>
<td>26,321,417</td>
</tr>
<tr>
<td>Fixed assets (net of accumulated depreciation)</td>
<td>588,651</td>
<td>1,498,596</td>
</tr>
<tr>
<td><strong>Total Assets</strong></td>
<td>$33,016,413</td>
<td>$36,540,486</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Liabilities and Net Assets</th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Liabilities:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Accounts payable and accrued expenses</td>
<td>$319,876</td>
<td>$365,468</td>
</tr>
<tr>
<td>Mortgage payable</td>
<td>1,353,692</td>
<td>1,393,969</td>
</tr>
<tr>
<td>Funds held for others</td>
<td>2,931,412</td>
<td>3,284,673</td>
</tr>
<tr>
<td><strong>Total Liabilities</strong></td>
<td>4,604,980</td>
<td>5,044,110</td>
</tr>
<tr>
<td>Net Assets:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Without donor restrictions:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Undesignated</td>
<td>3,606,547</td>
<td>3,923,602</td>
</tr>
<tr>
<td>Board-designated</td>
<td>11,866,923</td>
<td>13,130,602</td>
</tr>
<tr>
<td><strong>Total net assets without donor restrictions</strong></td>
<td>15,473,470</td>
<td>17,054,204</td>
</tr>
<tr>
<td>With donor restrictions</td>
<td>12,937,963</td>
<td>14,442,172</td>
</tr>
<tr>
<td><strong>Total Net Assets</strong></td>
<td>28,411,433</td>
<td>31,496,376</td>
</tr>
<tr>
<td><strong>Total Liabilities and Net Assets</strong></td>
<td>$33,016,413</td>
<td>$36,540,486</td>
</tr>
</tbody>
</table>

See accompanying notes to financial statements.
### Net Assets without Donor Restrictions:

<table>
<thead>
<tr>
<th>Description</th>
<th>2018</th>
<th>2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>Operating revenues and other support:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Parish assessments</td>
<td>$639,359</td>
<td>$643,117</td>
</tr>
<tr>
<td>Investment returns designated for current operations</td>
<td>516,000</td>
<td>477,831</td>
</tr>
<tr>
<td>Contributions and grants</td>
<td>216,062</td>
<td>154,533</td>
</tr>
<tr>
<td><strong>Total operating revenues and other support</strong></td>
<td>1,371,421</td>
<td>1,275,481</td>
</tr>
<tr>
<td>Operating expenses:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Office of Administration</td>
<td>412,919</td>
<td>501,618</td>
</tr>
<tr>
<td>Office of the Bishop</td>
<td>239,673</td>
<td>248,655</td>
</tr>
<tr>
<td>Reopened parish, property, and other expenses</td>
<td>85,610</td>
<td>101,072</td>
</tr>
<tr>
<td>Beyond the Diocese</td>
<td>163,613</td>
<td>168,457</td>
</tr>
<tr>
<td>Formation and mission</td>
<td>323,533</td>
<td>318,907</td>
</tr>
<tr>
<td><strong>Total operating expenses</strong></td>
<td>1,225,348</td>
<td>1,338,709</td>
</tr>
<tr>
<td>Net gain (loss) from operations</td>
<td>146,073</td>
<td>(63,228)</td>
</tr>
<tr>
<td>Other revenues (expenses):</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Spending policy transfers</td>
<td>174,794</td>
<td>172,760</td>
</tr>
<tr>
<td>Released from restriction</td>
<td>124,110</td>
<td>160,271</td>
</tr>
<tr>
<td>Other revenues</td>
<td>96,042</td>
<td>78,234</td>
</tr>
<tr>
<td>Other non-operating contributions</td>
<td>169,694</td>
<td>1,000,000</td>
</tr>
<tr>
<td>Grants and contributions to others</td>
<td>(594,606)</td>
<td>(668,450)</td>
</tr>
<tr>
<td>Other trustee expenses</td>
<td>(17,410)</td>
<td>-</td>
</tr>
<tr>
<td>Investment (loss) income</td>
<td>(1,460,307)</td>
<td>1,191,881</td>
</tr>
<tr>
<td>Gain (loss) on property transactions</td>
<td>(83,739)</td>
<td>6,022</td>
</tr>
<tr>
<td>Depreciation</td>
<td>(135,385)</td>
<td>(130,515)</td>
</tr>
<tr>
<td><strong>Total other revenues (expenses)</strong></td>
<td>(1,726,807)</td>
<td>1,810,203</td>
</tr>
<tr>
<td><strong>Change in Net Assets without Donor Restrictions</strong></td>
<td>(1,580,734)</td>
<td>1,746,976</td>
</tr>
</tbody>
</table>

### Net Assets with Donor Restrictions:

<table>
<thead>
<tr>
<th>Description</th>
<th>2018</th>
<th>2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>Contributions and grants</td>
<td>22,752</td>
<td>25,381</td>
</tr>
<tr>
<td>Investment (loss) income</td>
<td>(1,228,057)</td>
<td>1,422,909</td>
</tr>
<tr>
<td>Spending policy transfers</td>
<td>(174,794)</td>
<td>(172,760)</td>
</tr>
<tr>
<td>Released from restriction</td>
<td>(124,110)</td>
<td>(160,271)</td>
</tr>
<tr>
<td><strong>Change in Net Assets with Donor Restrictions</strong></td>
<td>(1,504,209)</td>
<td>1,115,259</td>
</tr>
<tr>
<td><strong>Total Change in Net Assets</strong></td>
<td>(3,084,943)</td>
<td>2,862,235</td>
</tr>
</tbody>
</table>

### Net Assets:

<table>
<thead>
<tr>
<th>Description</th>
<th>2018</th>
<th>2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>Beginning of year</td>
<td>31,496,376</td>
<td>28,634,141</td>
</tr>
<tr>
<td>End of year</td>
<td>$28,411,433</td>
<td>$31,496,376</td>
</tr>
</tbody>
</table>

See accompanying notes to financial statements.
## THE EPISCOPAL DIOCESE OF PITTSBURGH
### STATEMENT OF FUNCTIONAL EXPENSES
#### YEAR ENDED DECEMBER 31, 2018 (WITH COMPARATIVE TOTALS FOR THE YEAR ENDED DECEMBER 31, 2017)

<table>
<thead>
<tr>
<th>Program Expenses</th>
<th>Beyond the Diocese</th>
<th>Formation and Mission</th>
<th>Office of the Bishop</th>
<th>Reopened Churches</th>
<th>Total Program Expenses</th>
<th>Administration and Support</th>
<th>2018 Total</th>
<th>2017 Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Salaries and cash housing</td>
<td>$</td>
<td>$ 105,393</td>
<td>$ 164,424</td>
<td>$ -</td>
<td>$ 269,817</td>
<td>$ 128,956</td>
<td>$ 398,773</td>
<td>$ 395,290</td>
</tr>
<tr>
<td>Employee benefits and allowances</td>
<td>-</td>
<td>8,577</td>
<td>30,642</td>
<td>-</td>
<td>39,219</td>
<td>27,729</td>
<td>66,948</td>
<td>36,384</td>
</tr>
<tr>
<td>Pension</td>
<td>-</td>
<td>28,358</td>
<td>29,596</td>
<td>-</td>
<td>57,954</td>
<td>19,055</td>
<td>77,009</td>
<td>61,998</td>
</tr>
<tr>
<td>SECA and FICA taxes</td>
<td>-</td>
<td>5,180</td>
<td>-</td>
<td>-</td>
<td>5,180</td>
<td>11,004</td>
<td>16,184</td>
<td>14,662</td>
</tr>
<tr>
<td>Consultants/communications expense</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>42,714</td>
<td>42,714</td>
<td>37,710</td>
</tr>
<tr>
<td>Employee travel and ministry expenses</td>
<td>-</td>
<td>17,192</td>
<td>11,391</td>
<td>-</td>
<td>28,583</td>
<td>3,681</td>
<td>32,264</td>
<td>41,994</td>
</tr>
<tr>
<td>Grants/support to parishes</td>
<td>-</td>
<td>100,179</td>
<td>-</td>
<td>85,610</td>
<td>185,789</td>
<td>-</td>
<td>185,789</td>
<td>197,028</td>
</tr>
<tr>
<td>National Church (TEC) assessment</td>
<td>136,740</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>136,740</td>
<td>-</td>
<td>136,740</td>
<td>138,918</td>
</tr>
<tr>
<td>Legal expenses</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>51,091</td>
<td>51,091</td>
<td>133,198</td>
</tr>
<tr>
<td>Outreach and ecumenical support</td>
<td>6,424</td>
<td>44,500</td>
<td>-</td>
<td>-</td>
<td>50,924</td>
<td>-</td>
<td>50,924</td>
<td>77,881</td>
</tr>
<tr>
<td>Rent/cleaning for office space</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>37,544</td>
<td>37,544</td>
<td>37,564</td>
</tr>
<tr>
<td>Insurance</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>28,578</td>
<td>28,578</td>
<td>31,818</td>
</tr>
<tr>
<td>Deputies - Gen’l Convention/Province 3</td>
<td>20,449</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>20,449</td>
<td>-</td>
<td>20,449</td>
<td>21,158</td>
</tr>
<tr>
<td>Formation and ministry support</td>
<td>-</td>
<td>14,154</td>
<td>3,620</td>
<td>-</td>
<td>17,774</td>
<td>1,137</td>
<td>18,911</td>
<td>18,183</td>
</tr>
<tr>
<td>Returned property expenses</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>18,625</td>
<td>18,625</td>
<td>41,593</td>
</tr>
<tr>
<td>Audit fee</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>14,800</td>
<td>14,800</td>
<td>14,375</td>
</tr>
<tr>
<td>Website/IT services</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>11,326</td>
<td>11,326</td>
<td>19,005</td>
</tr>
<tr>
<td>Other office supplies/expenses</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>9,051</td>
<td>9,051</td>
<td>11,954</td>
</tr>
<tr>
<td>Employee transportation fringe tax expense</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>1,352</td>
<td>1,352</td>
<td>-</td>
</tr>
<tr>
<td>Employee transportation fringe benefit</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>6,276</td>
<td>6,276</td>
<td>7,996</td>
</tr>
</tbody>
</table>

$ 163,613 $ 323,533 $ 239,673 $ 85,610 $ 812,429 $ 412,919 $ 1,225,348 $ 1,338,709

See accompanying notes to financial statements.
### THE EPISCOPAL DIOCESE OF PITTSBURGH

**STATEMENTS OF CASH FLOWS**

**YEARS ENDED DECEMBER 31, 2018 AND 2017**

#### Cash Flows From Operating Activities:

<table>
<thead>
<tr>
<th>Description</th>
<th>2018</th>
<th>2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>Change in net assets</td>
<td>$(3,084,943)</td>
<td>$2,862,235</td>
</tr>
<tr>
<td>Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Change related to property transactions</td>
<td>-</td>
<td>468,700</td>
</tr>
<tr>
<td>Realized and unrealized (gains) loss on investments</td>
<td>2,677,440</td>
<td>(2,659,607)</td>
</tr>
<tr>
<td>Loss (gain) on trusts held by others</td>
<td>367,500</td>
<td>(519,745)</td>
</tr>
<tr>
<td>Gain (loss) on funds held for others</td>
<td>(353,261)</td>
<td>260,406</td>
</tr>
<tr>
<td>Allowance for uncollectible assessments</td>
<td>71,800</td>
<td>139,980</td>
</tr>
<tr>
<td>Write-off of uncollectible assessments</td>
<td>-</td>
<td>(4,467,722)</td>
</tr>
<tr>
<td>Depreciation expense</td>
<td>135,385</td>
<td>130,514</td>
</tr>
<tr>
<td>Loss on sale of asset</td>
<td>83,739</td>
<td>-</td>
</tr>
<tr>
<td>Change in operating assets and liabilities:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Assessment receivables</td>
<td>(69,736)</td>
<td>(124,659)</td>
</tr>
<tr>
<td>Write off of assessment receivables</td>
<td>-</td>
<td>4,467,722</td>
</tr>
<tr>
<td>Change in allowance</td>
<td>(307,450)</td>
<td>(1,173)</td>
</tr>
<tr>
<td>Grants and bequest receivable</td>
<td>1,130,127</td>
<td>(944,360)</td>
</tr>
<tr>
<td>Other receivable</td>
<td>(163,601)</td>
<td>-</td>
</tr>
<tr>
<td>Prepaid expense</td>
<td>3,485</td>
<td>(3,025)</td>
</tr>
<tr>
<td>Accrued interest receivable</td>
<td>(78,164)</td>
<td>45,518</td>
</tr>
<tr>
<td>Accounts payable and accrued expenses</td>
<td>(45,592)</td>
<td>(28,519)</td>
</tr>
<tr>
<td>Net cash provided by (used in) operating activities</td>
<td>366,729</td>
<td>(373,735)</td>
</tr>
</tbody>
</table>

#### Cash Flows From Investing Activities:

<table>
<thead>
<tr>
<th>Description</th>
<th>2018</th>
<th>2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>Purchase of investments</td>
<td>(16,138,194)</td>
<td>(7,118,207)</td>
</tr>
<tr>
<td>Sale of investments</td>
<td>15,289,187</td>
<td>7,310,065</td>
</tr>
<tr>
<td>Decrease in Growth Fund loans receivable</td>
<td>358,965</td>
<td>37,992</td>
</tr>
<tr>
<td>Issuance of notes receivable</td>
<td>(32,000)</td>
<td>(260,000)</td>
</tr>
<tr>
<td>Payments received on note receivable</td>
<td>246,978</td>
<td>209,935</td>
</tr>
<tr>
<td>Sale of asset held for sale</td>
<td>51,121</td>
<td>-</td>
</tr>
<tr>
<td>Payments for leasehold improvements</td>
<td>-</td>
<td>(15,250)</td>
</tr>
<tr>
<td>Net cash provided by (used in) investing activities</td>
<td>(223,943)</td>
<td>164,535</td>
</tr>
</tbody>
</table>

#### Cash Flows From Financing Activities:

<table>
<thead>
<tr>
<th>Description</th>
<th>2018</th>
<th>2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>Payments on mortgage</td>
<td>(40,277)</td>
<td>(38,953)</td>
</tr>
</tbody>
</table>

#### Net Increase (Decrease) in Cash and Cash Equivalents

<table>
<thead>
<tr>
<th>Description</th>
<th>2018</th>
<th>2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>Net Increase (Decrease) in Cash and Cash Equivalents</td>
<td>102,509</td>
<td>(248,153)</td>
</tr>
</tbody>
</table>

#### Cash and Cash Equivalents:

<table>
<thead>
<tr>
<th>Description</th>
<th>2018</th>
<th>2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>Beginning of year</td>
<td>705,945</td>
<td>954,098</td>
</tr>
<tr>
<td>End of year</td>
<td>$808,454</td>
<td>$705,945</td>
</tr>
</tbody>
</table>

See accompanying notes to financial statements.
1. **Nature of Operations**

The Episcopal Diocese of Pittsburgh (Diocese) is a nonprofit diocese of the Episcopal Church in the United States of America in support of member parishes located in Southwestern Pennsylvania and faith communities. The Diocese, through its parishes, provides worship services for its members. In addition, the Diocese provides various social services to the community. The Diocese is supported primarily through assessments from its parish congregations and through investment income.

Parish churches and the capital assets of affiliated institutions returned to the Diocese subsequent to 2010 are not included in the Diocese financial statements, with the exception of when the sale of a closed parish is approved. At that time, the parish property is recorded on the books of the Diocese. Land, buildings, and equipment, including property recorded by the Diocese from closed parishes are recorded at cost or appraised value at the date of donation or return to the Diocese (for closed parishes). Fixed assets include the Donegal property, which is classified as held for sale at December 31, 2018, and related equipment, the Avalon property and related equipment, leasehold improvements, and furniture. Closed parishes that the Diocese intends to sell are recorded as property held for sale.

2. **Summary of Significant Accounting Policies**

**Reporting Entity**

The financial statements of the Diocese reflect the combination of Operating and Program Funds, Trust and Endowment Funds, and the Plant Fund.

The Operating and Program Funds finance the operations of the Diocese and include the General Budget and Budget Reserve Funds, Bishop’s Residence Fund, Diocesan Growth Fund, Designated Funds, Reserve Funds, and Undesignated Funds.

Trust and Endowment Funds represent accumulated gifts, bequests, and donations that are invested in income-producing securities. These funds have varying degrees of restriction on income and/or principal usage and types of investment options available. The Board of Trustees (Board) must consider these factors in the administration of the affairs of the Diocese.
Method of Accounting

The financial statements of the Diocese are presented on the accrual basis of accounting and are prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as promulgated by the Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC).

Basis of Presentation

In accordance with accounting principles generally accepted in the United States of America, the accompanying financial statements are prepared using the accrual basis of accounting and include the assets, liabilities, net assets, and financial operations of the activities of the Diocese. Accordingly, revenues are recorded when earned and expenses are recognized when the liabilities are incurred. The financial operations of individual parishes and institutions distinct from the Diocese are not reflected in these financial statements.

The Diocese adopted ASU 2016-14, “Not-for-Profit Entities (Topic 958): Presentation of Financial Statement of Not-for-Profit Entities.” This standard aims to improve how a nonprofit organization classifies its net assets and provides information in its financial statements and notes about its financial performance, cash flow, and liquidity. The ASU changes the net asset classification, requires presentation of expenses both by nature and function, requires investment return reported net of investment expenses, requires placed-in-service approach for gifts of/for long-lived assets and provides enhanced disclosures for: governing body restrictions; composition of net assets with donor restrictions; qualitative and quantitative information on liquidity; methods to allocate costs among program and support functions; and underwater donor-restricted endowment.
THE EPISCOPAL DIOCESE OF PITTSBURGH

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2018 AND 2017

<table>
<thead>
<tr>
<th>January 1, 2017 net assets before adoption</th>
<th>Unrestricted</th>
<th>Temporarily Restricted</th>
<th>Permanently Restricted</th>
<th>With Donor Restrictions</th>
<th>Without Donor Restrictions</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>$ 15,307,228</td>
<td>$ 974,358</td>
<td>$ 12,352,555</td>
<td>$</td>
<td>$</td>
<td>$ 28,634,141</td>
</tr>
<tr>
<td>Transfers between classes as a result of adoption</td>
<td>(15,307,228)</td>
<td>(974,358)</td>
<td>(12,352,555)</td>
<td>13,326,913</td>
<td>15,307,228</td>
<td>-</td>
</tr>
<tr>
<td>January 1, 2017 net assets</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>13,326,913</td>
<td>15,307,228</td>
<td>28,634,141</td>
</tr>
<tr>
<td>Change in net assets, December 31, 2017</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>1,115,259</td>
<td>1,746,976</td>
<td>2,862,235</td>
</tr>
<tr>
<td>January 1, 2018 net assets</td>
<td>$ -</td>
<td>$ -</td>
<td>$ -</td>
<td>$ 14,442,172</td>
<td>$ 17,054,204</td>
<td>$ 31,496,376</td>
</tr>
</tbody>
</table>

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Basis of Net Assets

Contributions received, including unconditional promises to give, are recognized as increases in net assets in the period received at their fair values. The Diocese displays its activities and net assets in two classes as follows: net assets without donor restrictions and net assets with donor restrictions.

Net Assets without Donor Restrictions – Net assets that are not subject to donor-imposed stipulations over which the Board has discretionary control.

Net Assets with Donor Restrictions – Net assets that are subject to donor-imposed stipulations that may or will be met either by actions of the Diocese and/or the passage of time. Also included in net assets with donor restrictions are amounts subject to donor-imposed or other legal restrictions that the principal be held in perpetuity by the Diocese. When a restriction expires, net assets with donor restrictions are reclassified to net assets
without donor restrictions and reported in the statements of activities as net assets released from restrictions.

The statements of activities present changes in net assets without donor restrictions from operations separately from other changes in net assets without donor restrictions. Changes in net assets from operations include revenues and expenses for which the Diocese prepares its operating budget. The operating budget is prepared on a cash basis and does not include items such as grants paid directly from endowments or other restricted non-operating accounts, provisions for loan losses, investments income, depreciation, and releases from restrictions on net assets.

Revenues are reported as increases in net assets without donor restrictions unless use of the related assets is limited by donor-imposed restrictions. Expenses are reported as decreases in net assets without donor restrictions. Expirations of restrictions on net assets, that is, the donor-imposed stipulated purposes have been accomplished and/or the stipulated time period has elapsed, are reported as reclassifications between the applicable classes of net assets.

Contributions, including unconditional promises to give, are recognized as revenues in the period received. Contributions subject to donor-imposed stipulations that are met in the same reporting period are reported as support without donor restrictions. Contributions to give that are scheduled to be received after the financial position date are shown as increases in net assets with donor restrictions and are reclassified to net assets without donor restrictions when the purpose and time restrictions are met. Contributions to give subject to donor-imposed stipulations that the corpus be maintained in perpetuity are recognized as increases in net assets with donor restrictions held in perpetuity. Conditional promises to give are not recognized until they become unconditional, that is, when the conditions on which they depend are substantially met. Contributions of assets other than cash are recorded at their estimated fair value. Contributions to be received after one year, if any, are discounted at the appropriate rate commensurate with the risks involved.

**Liquidity and Availability**

The Diocese regularly monitors the availability of liquid resources required to meet its operating needs and other commitments while striving to maximize the investment of its available funds. The Diocese operates with a balanced budget and anticipates collecting sufficient revenue to cover operating and other expenditures.
The following reflects the Diocese’s financial assets (cash and cash equivalents, net assessments receivable, grants and bequests receivable, and investments) as of December 31, 2018 expected to be available within one year to meet the cash needs for general expenditures.

<table>
<thead>
<tr>
<th>Description</th>
<th>2018</th>
<th>2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>Financial assets, at year-end</td>
<td>$ 25,303,997</td>
<td>$ 28,162,112</td>
</tr>
<tr>
<td>Less: those unavailable for general expenditures</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Restricted by donor with time or purpose restrictions</td>
<td>(843,674)</td>
<td>(972,117)</td>
</tr>
<tr>
<td>Investments held in perpetuity</td>
<td>(12,094,289)</td>
<td>(13,470,055)</td>
</tr>
<tr>
<td>Financial assets available to meet cash needs for general</td>
<td></td>
<td></td>
</tr>
<tr>
<td>expenditures within one year</td>
<td>$ 12,366,034</td>
<td>$ 13,719,940</td>
</tr>
</tbody>
</table>

**Statements of Cash Flows**

For purposes of the statements of cash flows, cash and cash equivalents include all highly liquid instruments with maturities of three months or less when purchased.

**Investments, Risks, and Uncertainties**

Investments are carried at fair value and consist primarily of equity and fixed income securities. Gains and investment income are recognized in the period earned and are classified as net assets without donor restrictions and net assets with donor restrictions with respect to stipulations by the donor at the date of the donation.

Investment securities are exposed to various risks such as interest rate, market, and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the value of investment securities will occur in the near term and that such change could materially affect the amounts reported in the financial statements and the accompanying notes. The Diocese mitigates this risk by engaging a professional third-party investment manager of its investments, whose advice and activities are regularly monitored by the Finance and Investment Committee of the Board. On the statements of financial position, funds held for others are included in the investments.
Concentrations

Deposits maintained by the Diocese at institutions at any one time during the year could exceed FDIC limits; however, management does not believe that this represents a significant risk.

Grants Receivable

Grants receivable for the years ended December 31, 2018 and 2017 are $0 and $130,127, respectively.

Bequests Receivable

Bequests receivable for the years ended December 31, 2018 and 2017 are $0 and $1,000,000, respectively.

Other Receivable

The Diocese receives settlement payments from the parishes in the Anglican Church in North America (ACNA Diocese) (see Note 17). Other receivable for the years ended December 31, 2018 and 2017 are $163,601 and $0, respectively.

Fixed Assets

Property and equipment are recorded at cost. The Diocese capitalizes all new assets with a value over $5,000 and a useful life over three years. Land, buildings, and equipment transferred onto the books of the Diocese from closed parishes are recorded at appraised value at the date recorded.

Provision for depreciation is based on the estimated useful lives of the respective assets and is computed using the straight-line method.

The estimated useful lives are as follows:

<table>
<thead>
<tr>
<th>Asset Type</th>
<th>Life</th>
</tr>
</thead>
<tbody>
<tr>
<td>Building</td>
<td>20 Years</td>
</tr>
<tr>
<td>Vehicles</td>
<td>5 Years</td>
</tr>
<tr>
<td>Lease Improvements</td>
<td>5 Years</td>
</tr>
</tbody>
</table>
Repairs and maintenance that do not extend the lives of the applicable assets are charged to expense as incurred. Gains or losses resulting from retirement or other disposition of assets are included in the change in net assets.

**Property Held for Sale**

The Diocese has recorded property from closed parishes that are being held for sale at net realizable value, which represents the estimated fair value of the property less estimated costs to sell at $727,500 and $87,800, respectively, as of December 31, 2018 and 2017.

**Donated Property and Equipment**

Donations of property and equipment are recorded as support at their estimated fair value at the date of donation. Absent donor stipulations regarding how long those donated assets must be maintained, the Diocese reports expirations of donor restrictions when the donated or acquired assets are placed in service as instructed by the donor. The Diocese reclassifies net assets with donor restrictions to net assets without donor restrictions at that time.

**Impairment of Long-Lived Assets**

Long-lived assets are reviewed for impairment when circumstances indicate the carrying value of an asset may not be recoverable. For assets that are to be held and used, impairment is recognized when the estimated undiscounted cash flows associated with the asset or group of assets is less than their carrying value. If impairment exists, an adjustment is made to write the asset down to its fair value, and a loss is recorded as the difference between the carrying value and fair value. Fair values are determined based on quoted market values, discounted cash flows, or internal and external appraisals, as applicable. The Diocese did not recognize impairment of any of their long-lived assets in 2018 and 2017.

**Trusts Held by Others**

The Diocese has been designated the beneficiary for certain income from funds held in trust, the assets of which are neither in the possession of, nor under the control of, the Diocese. The estimated portion of the fair value of the underlying assets of these trusts and the net realized and unrealized gain (loss) of funds held in trust by others are reported as net assets with donor restrictions. Under the terms of these split-interest trust agreements, the Diocese receives periodic payments from the trusts.
Income Taxes

The Diocese is exempt from federal income tax under the provisions of Section 501(a) of the Internal Revenue Code. In addition, the Diocese qualifies for the charitable contribution deduction under Section 170(b)(1)(A) and has been classified as a Diocese that is not a private foundation under Section 509(a)(2). The Diocese is not required to file a Form 990 but can be subject to unrelated business income tax that must be filed on a Form 990-T. The Diocese does not believe it has any uncertain tax positions at December 31, 2018 and 2017.

Contingencies

Certain conditions may exist as of the date the financial statements are issued, which may result in a loss to the Diocese, but which will only be resolved when one or more future events occur or fail to occur. Management of the Diocese and its legal counsel assess such contingent liabilities, and such assessment inherently involves an exercise of judgment. In assessing loss contingencies related to any legal proceedings that are pending against the Diocese or unasserted claims that may result in such proceedings, the Diocese's legal counsel evaluates the perceived merits of any legal proceedings or unasserted claims as well as the perceived merits of the amount of relief sought or expected to be sought therein.

If the assessment of a contingency indicates that it is probable that a material loss has been incurred and the amount of the liability can be estimated, then the estimated liability would be accrued in the financial statements. If the assessment indicates that a potentially material loss contingency is not probable, but is reasonably possible, or is probable but cannot be estimated, then the nature of the contingent liability, together with an estimate of the range of possible loss if determinable and material, would be disclosed.

Loss contingencies considered remote are generally not disclosed unless they involve guarantees, in which case the guarantees would be disclosed.

Statement of Functional Expenses Comparative Information

The statement of functional expenses includes prior year summarized comparative information by natural expense classification but not by functional category. Prior year functional expense totals are presented on the statements of activities.
Pending Pronouncements

ASU 2016-02, “Leases (Topic 842),” is effective for the Diocese’s financial statements for the year ending December 31, 2020. This standard will require lessees to recognize assets and liabilities on the statement of financial position for the rights and obligations created by all leases with terms of more than twelve months. Disclosures also will be required by lessees to meet the objective of enabling users of financial statements to assess the amount, timing, and uncertainty of cash flows arising from leases.

ASU 2016-13, “Financial Instruments-Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments,” is effective for the Diocese’s financial statements for the year ending December 31, 2021. This amendment requires a financial asset (or a group of financial assets) measured at amortized cost basis to be presented at the net amount expected to be collected. This includes loans, debt securities, trade receivables, net investments in leases, off-balance-sheet credit exposures, reinsurance receivables, and any other financial assets not excluded from the scope that have the contractual right to receive cash.

ASU 2016-18, “Statement of Cash Flows (Topic 230): Restricted Cash,” is effective for the financial statements for the year beginning ending December 31, 2019. This amendment requires that the statement of cash flows explain the change during the period in the total cash, cash equivalents, and amounts generally described as restricted cash or restricted cash equivalents.

Subsequent Events

Subsequent events have been evaluated through the Independent Auditor’s Report date, which is the date the financial statements were available to be issued.

3. Parish Assessments and Loan Losses

The provision for parish assessment and loan losses, which is charged to current operations, reflects the amount necessary, in management’s judgment, to establish an adequate allowance to absorb possible losses on assessments and loans. Management’s judgment is based on a continuing review of the parish assessments and loan portfolios, past collection experience, and current economic conditions. While management uses available information to recognize losses, future additions to the allowance may be necessary based on changes in economic conditions. Once loans have been determined to be not performing, management will estimate the allowance for loan loss. At this point, interest
4. Notes Receivable

In August 2011, the Diocese finalized a court-approved agreement with an unaffiliated congregation to sell a parish property in exchange for a promissory note. The sale was recognized in 2011 and the resulting note receivable held is due in 120 monthly installments of $4,307 each, which includes interest at the rate of 3.0% per annum, followed by 60 installments of $4,415 each, which includes interest at the rate of 4.0% per annum. The final payment was originally due in August 2026. The loan was repaid at an accelerated rate. As of December 31, 2018 and 2017, the balance was $0 and $189,173, respectively.

In June 2016, the Diocese finalized an agreement with an unaffiliated congregation to sell a parish property in exchange for mortgage note. The sale was recognized in 2016 and the resulting note receivable held is due in 60 monthly installments of $3,574 each, which includes interest at the rate of 3.0% per annum, followed by 60 installments of $3,747 each, which includes interest at the rate of 4.0% per annum, followed by 60 installments of $3,793 each, which includes interest at the rate of 4.5% per annum. The final payment is due in April 2032. As of December 31, 2018 and 2017, the balance was $453,345 and $499,100, respectively.

In April 2016, the Diocese finalized an agreement with a parish related to a mortgage loan guaranteed by the Diocese and a growth fund loan for a total amount of $612,858. Effective March 1, 2017, the note was amended with the following payment terms: During the first 36 months of the seven-year term the borrower will make monthly payments of interest only. During the fourth year, beginning March 1, 2020 through February 1, 2021, the borrower will make monthly payments of interest plus 25% of the principal that would be due if the principal sum of the amended note was being fully amortized at an interest rate of 3.59% and a 20 year amortization schedule. During the fifth, sixth, and seventh years of the term, the borrower will make monthly payments of interest plus 50%, 75%, and
100%, respectively, of the principal amount that would be due if the principal sum of the amended note was being fully amortized at an interest rate of 3.59% and a 20-year amortization schedule. As of December 31, 2018 and 2017, the balance was $612,730.

In March 2017, the Diocese finalized an agreement with an unaffiliated congregation to sell a parish property in exchange for a promissory note. The sale was recognized in 2016 and the resulting note receivable of $170,000. Principal and interest payments began in May 2017, with interest being paid at a rate of 3% for the first two years, increasing to 3.5% for the following three years, and then increasing to 4% for the following two years. The note concludes with a payment of all remaining principal after 84 months. As of December 31, 2018 and 2017, the balance was $164,025 and $167,348, respectively.

In May 2017, the Diocese finalized an agreement with an unaffiliated congregation to sell a parish property in exchange for a promissory note. The sale was recognized in 2016 and the resulting note receivable of $90,000. Principal and interest payments began in May 2017, with interest being paid at a rate of 4.5% for the ten-year life of the note. As of December 31, 2018 and 2017, the balance was $82,598 and $87,505, respectively.

In March 2018, the Diocese finalized an agreement with an unaffiliated congregation to sell a parish property in exchange for a promissory note. The sale was recognized in 2018 and the resulting note receivable of $32,000. Principal and interest payments began in April 2018, with interest being paid at a rate of 5.0% for the five-year life of the note. As of December 31, 2018 and 2017, the balance was $28,180 and $0, respectively.
5. Investments

Investments consist of the following at December 31:

<table>
<thead>
<tr>
<th></th>
<th>2018</th>
<th>2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash and cash equivalents</td>
<td>$1,466,483</td>
<td>$1,389,590</td>
</tr>
<tr>
<td>Equity securities:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Basic materials</td>
<td>703,520</td>
<td>1,376,594</td>
</tr>
<tr>
<td>Consumer goods</td>
<td>1,488,325</td>
<td>1,383,454</td>
</tr>
<tr>
<td>Energy</td>
<td>1,425,480</td>
<td>1,714,760</td>
</tr>
<tr>
<td>Financial</td>
<td>1,585,097</td>
<td>1,748,182</td>
</tr>
<tr>
<td>Healthcare</td>
<td>1,695,883</td>
<td>2,018,659</td>
</tr>
<tr>
<td>Industrial goods</td>
<td>950,148</td>
<td>1,369,687</td>
</tr>
<tr>
<td>Materials</td>
<td>674,532</td>
<td>1,008,092</td>
</tr>
<tr>
<td>Real Estate</td>
<td>13,935</td>
<td>15,432</td>
</tr>
<tr>
<td>Technology</td>
<td>1,371,804</td>
<td>2,109,483</td>
</tr>
<tr>
<td>Telecommunication services</td>
<td>1,510,409</td>
<td>921,734</td>
</tr>
<tr>
<td>Utilities</td>
<td>841,205</td>
<td>757,550</td>
</tr>
<tr>
<td>Other</td>
<td>1,636,743</td>
<td>1,579,844</td>
</tr>
<tr>
<td>Fixed Income and Prefereds:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Ultra Short Term Fixed Income</td>
<td>317,356</td>
<td>90,651</td>
</tr>
<tr>
<td>Short Term Fixed Income</td>
<td>777,534</td>
<td>1,488,266</td>
</tr>
<tr>
<td>US Fixed Income Taxable</td>
<td>4,071,209</td>
<td>3,670,491</td>
</tr>
<tr>
<td>International Fixed Income</td>
<td>856,988</td>
<td>-</td>
</tr>
<tr>
<td>High Yield Fixed Income</td>
<td>-</td>
<td>1,523,253</td>
</tr>
<tr>
<td>Preferred Securities</td>
<td>115,815</td>
<td>68,478</td>
</tr>
<tr>
<td>Global Fixed Income</td>
<td>1,110,482</td>
<td>249,801</td>
</tr>
<tr>
<td>Alternative Investments</td>
<td>1,880,036</td>
<td>1,837,416</td>
</tr>
<tr>
<td>Total investments</td>
<td>$24,492,984</td>
<td>$26,321,417</td>
</tr>
</tbody>
</table>
Investments were held in the following accounts at December 31:

<table>
<thead>
<tr>
<th>Account</th>
<th>2018</th>
<th>2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>Morgan Stanley, Pool 1</td>
<td>$22,133,631</td>
<td>$24,334,095</td>
</tr>
<tr>
<td>Morgan Stanley, Pool 2</td>
<td>2,301,748</td>
<td>1,927,440</td>
</tr>
<tr>
<td>Mellon Pooled Income Fund</td>
<td>45,780</td>
<td>47,654</td>
</tr>
<tr>
<td>Mellon Seed Account</td>
<td>11,825</td>
<td>12,228</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>$24,492,984</strong></td>
<td><strong>$26,321,417</strong></td>
</tr>
</tbody>
</table>

Net investment income consists of the following for the years ended December 31:

<table>
<thead>
<tr>
<th></th>
<th>2018</th>
<th>2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>Interest and dividend Income</td>
<td>$505,076</td>
<td>$433,014</td>
</tr>
<tr>
<td>Net realized and unrealized (losses) gains</td>
<td>(2,677,440)</td>
<td>2,659,607</td>
</tr>
<tr>
<td><strong>Total net investment income</strong></td>
<td>$(2,172,364)</td>
<td>$3,092,621</td>
</tr>
</tbody>
</table>

The Fair Value Measurements topic of the ASC establishes a fair value hierarchy that prioritizes the inputs used to determine fair value and requires the Diocese to classify assets and liabilities carried at fair value based on observability of these inputs. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities and the lowest priority to unobservable inputs. The three levels of fair value hierarchy defined by the topic are:

Level 1: Quoted prices are available in active markets for identical assets or liabilities as of the reported date. Financial assets utilizing Level 1 inputs include active exchange-traded equity securities.

Level 2: Pricing inputs are other than the quoted prices in active markets, which are either directly or indirectly observable as of the reported date. The nature of these assets and liabilities includes items for which quoted prices are available but traded less frequently and items that are fair-valued using other financial instruments, the parameters of which can be directly observed.

Level 3: Assets and liabilities that have little to no pricing observability as of reported date. These items do not have two-way markets and are measured using...
management’s best estimate of fair value, where the inputs into the determination of fair value require significant management judgment or estimation. Level 3 inputs include all inputs that do not meet the requirements of Level 1 or Level 2.

**Determination of Fair Value**

The Diocese measures fair value based upon market price, where available. For Level 3 items, the Diocese’s valuation is determined by the market value of the underlying investments for interests in charitable remainder and perpetual trusts provided by the trustee as they have no significant observable inputs. Quantitative unobservable inputs of Level 3 items are not developed by the Diocese for measuring fair value. Due to the absence of readily determinable fair values and the inherent uncertainty of valuations, the estimated fair values for private investments may differ significantly from values that would have been used had a ready market for the securities existed. For Level 2 items, fair value estimates include (1) the market approach, (2) the income approach, and (3) cost for a period of time after an acquisition. These valuation methodologies involve significant degree of judgment.

The following represents the fair value hierarchy of the Diocese’s financial assets that were recognized at fair value on a recurring basis as of December 31, 2018:

<table>
<thead>
<tr>
<th>Fair Value Measurements at Reporting Date Using Quoted Prices in Active Markets for Identical Assets (Level 1)</th>
<th>Significant Other Observable Inputs (Level 2)</th>
<th>Significant Unobservable Inputs (Level 3)</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Investments:</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cash and cash equivalents</td>
<td>$1,466,483</td>
<td>$</td>
<td>$</td>
</tr>
<tr>
<td>Equity securities</td>
<td>$13,897,081</td>
<td>$</td>
<td>$</td>
</tr>
<tr>
<td>Fixed income and preferreds</td>
<td>$</td>
<td>$7,249,384</td>
<td>$</td>
</tr>
<tr>
<td>Alternative investments</td>
<td>$</td>
<td>$1,880,036</td>
<td>$</td>
</tr>
<tr>
<td>Total investments</td>
<td>$15,363,564</td>
<td>$9,129,420</td>
<td>$</td>
</tr>
<tr>
<td>Trusts held by others:</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Beneficial interest in remainder trusts</td>
<td>$</td>
<td>$666,258</td>
<td>$</td>
</tr>
<tr>
<td>Beneficial interest in perpetual trusts</td>
<td></td>
<td>$3,737,663</td>
<td></td>
</tr>
<tr>
<td>Total trusts held by others</td>
<td>$</td>
<td>$4,403,921</td>
<td></td>
</tr>
</tbody>
</table>
The following represents the fair value hierarchy of the Diocese’s financial assets that were recognized at fair value on a recurring basis as of December 31, 2017:

<table>
<thead>
<tr>
<th>Fair Value Measurements at Reporting Date Using</th>
<th>Quoted Prices in Active Markets for Identical Assets (Level 1)</th>
<th>Significant Other Observable Inputs (Level 2)</th>
<th>Significant Unobservable Inputs (Level 3)</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Investments:</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cash and cash equivalents</td>
<td>$ 1,389,590</td>
<td>$ -</td>
<td>$ -</td>
<td>$ 1,389,590</td>
</tr>
<tr>
<td>Equity securities</td>
<td>16,003,471</td>
<td>-</td>
<td>-</td>
<td>16,003,471</td>
</tr>
<tr>
<td>Fixed income and preferreds</td>
<td>-</td>
<td>7,090,940</td>
<td>-</td>
<td>7,090,940</td>
</tr>
<tr>
<td>Alternative investments</td>
<td>-</td>
<td>1,837,416</td>
<td>-</td>
<td>1,837,416</td>
</tr>
<tr>
<td>Total investments</td>
<td>$ 17,393,061</td>
<td>$ 8,928,356</td>
<td>$ -</td>
<td>$ 26,321,417</td>
</tr>
<tr>
<td>Trusts held by others:</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Beneficial interest in remainder trusts</td>
<td>$ -</td>
<td>$ -</td>
<td>$ 740,165</td>
<td>$ 740,165</td>
</tr>
<tr>
<td>Beneficial interest in perpetual trusts</td>
<td></td>
<td>$ -</td>
<td>$ 4,031,256</td>
<td>$ 4,031,256</td>
</tr>
<tr>
<td>Total trusts held by others</td>
<td>$ -</td>
<td>$ -</td>
<td>$ 4,771,421</td>
<td>$ 4,771,421</td>
</tr>
</tbody>
</table>

A reconciliation for years ended December 31 of fair value measures categorized as Level 3 follows:

<table>
<thead>
<tr>
<th></th>
<th>2018</th>
<th>2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>Fair value, beginning of year</td>
<td>$ 4,771,421</td>
<td>$ 4,251,676</td>
</tr>
<tr>
<td>Investment income from beneficial interest in</td>
<td></td>
<td></td>
</tr>
<tr>
<td>remainder and perpetual trusts</td>
<td>153,273</td>
<td>111,493</td>
</tr>
<tr>
<td>Distributions from beneficial interest in</td>
<td></td>
<td></td>
</tr>
<tr>
<td>remainder and perpetual trusts</td>
<td>(153,273)</td>
<td>(111,493)</td>
</tr>
<tr>
<td>Valuation (loss) gain, beneficial interest in</td>
<td></td>
<td></td>
</tr>
<tr>
<td>remainder trusts</td>
<td>(73,906)</td>
<td>86,254</td>
</tr>
<tr>
<td>Valuation (loss) gain, beneficial interest in</td>
<td></td>
<td></td>
</tr>
<tr>
<td>perpetual trusts</td>
<td>(293,594)</td>
<td>433,491</td>
</tr>
<tr>
<td>Balance, end of year</td>
<td>$ 4,403,921</td>
<td>$ 4,771,421</td>
</tr>
</tbody>
</table>

The valuation (loss) gain on the trusts held by others is included in the statements of activities.

The carrying amounts of cash and cash equivalents, which are included in investments, approximate fair value due to the short-term nature of these instruments.
Certificates of deposit, which are included in investments, are valued at fair value by discounting the related cash flows based on current yields of similar instruments with comparable durations considering the credit-worthiness of the issuer.

Mutual funds and equity securities, which are included in investments, are valued at fair value, which are the amounts reported in the statements of financial position, based on quoted market prices for identical securities in active markets that the Diocese has the ability to access at the measurement date.

Corporate debt securities and U.S. government obligations, which are included in investments, are valued at fair value, which are the amounts reported in the statements of financial position, based on quoted market prices for similar securities in active markets that the Diocese has the ability to access at the measurement date.

The beneficial interest in the remainder trusts is valued at fair value, which is the amount reported in the statements of financial position, based on the Diocese's beneficial interest in the closing prices of the underlying assets of the trusts, with incorporation of the donor's life expectancy in the calculation used to discount the future benefit to present value.

The beneficial interest in perpetual trusts is valued at fair value, which is the amount reported in the statements of financial position, based on the Diocese's interest in the fair value of the assets held by the trusts.

For Level 3 investments of the beneficial interest in perpetual trusts as of December 31, 2018 and 2017, the principal valuation technique utilized is market value of the underlying investments, with an unobservable input of percentage share, and a significant input value ranging from 5% to 100%.

6. Endowments

Endowments consist of various investment funds established primarily for operating needs of the Diocese and includes donor-restricted endowment funds. As required by accounting principles generally accepted in the United States of America, net assets associated with endowment funds are classified and reported based on Pennsylvania state law and the existence or absence of donor-imposed restrictions.

Investment Return Objectives, Risk Parameters, and Strategies - The Diocese has adopted written investment and spending policies, approved by the Board, for endowment assets
that attempt to provide a predictable stream of funding to programs supported by its endowment funds while also maintaining the purchasing power of those endowment assets over the long-term. Investment risk is measured in terms of the total endowment fund. Investment assets and allocation between asset classes and strategies are managed to not expose the fund to unacceptable levels of risk. Endowment assets are managed by a committee of the Board and are invested in a well-diversified asset mix, which includes equity and debt securities.

Spending Policy - The Diocese is governed by the Commonwealth of Pennsylvania's Act 141. Act 141 is a total return policy that allows a nonprofit to treat a percentage of the average market value of the endowment's investments as income each year. The Diocese established a policy of appropriating for distribution each year 4.5% of the average monthly value of the endowment assets over the prior four years. In establishing these policies, the Diocese considered the long-term expected return on its investment assets, the nature and duration of the individual endowment funds, many of which must be maintained in perpetuity because of donor restrictions, and the possible effects of inflation.

The following schedules represent the change in donor-restricted endowment funds by net asset type for the years ended December 31, 2018 and 2017:

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Endowment assets, beginning of year</td>
<td>$ 8,438,799</td>
<td>$ 9,438,799</td>
<td>$ 9,438,799</td>
<td>$ 8,704,001</td>
<td>$ 9,704,001</td>
<td>$ 9,704,001</td>
</tr>
<tr>
<td>Investment return, net</td>
<td>-</td>
<td>(860,511)</td>
<td>(860,511)</td>
<td>-</td>
<td>951,992</td>
<td>951,992</td>
</tr>
<tr>
<td>Amounts appropriated for expenditures</td>
<td>174,794</td>
<td>(174,794)</td>
<td>-</td>
<td>170,589</td>
<td>(170,589)</td>
<td>-</td>
</tr>
<tr>
<td>Amounts expended</td>
<td>(174,794)</td>
<td>(46,868)</td>
<td>(221,662)</td>
<td>(170,589)</td>
<td>(46,605)</td>
<td>(217,194)</td>
</tr>
<tr>
<td>Endowment assets, end of year</td>
<td>$ 8,356,626</td>
<td>$ 8,356,626</td>
<td>$ 8,356,626</td>
<td>$ 8,704,001</td>
<td>$ 9,438,799</td>
<td>$ 9,438,799</td>
</tr>
</tbody>
</table>

2017
7. Fixed Assets

Fixed assets as of December 31, 2018 and 2017 include:

<table>
<thead>
<tr>
<th></th>
<th>2018</th>
<th>2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>Land and buildings</td>
<td>$1,553,854</td>
<td>$2,328,414</td>
</tr>
<tr>
<td>Vehicles</td>
<td>$11,715</td>
<td>$11,715</td>
</tr>
<tr>
<td>Leasehold Improvements</td>
<td>$240,670</td>
<td>$240,670</td>
</tr>
<tr>
<td></td>
<td>$1,806,239</td>
<td>$2,580,799</td>
</tr>
<tr>
<td>Accumulated depreciation</td>
<td>(1,217,588)</td>
<td>(1,082,203)</td>
</tr>
<tr>
<td></td>
<td>$ 588,651</td>
<td>$ 1,498,596</td>
</tr>
</tbody>
</table>

8. Bishop’s Residence

During 2007, the Diocese constructed a residence for its then incumbent Bishop, and entered into an agreement with that Bishop and his wife, which provides that the residence may be utilized by the Bishop and his wife until death. The agreement contains provisions requiring the Bishop to make 360 monthly payments of $1,597, which began on December 16, 2007. The agreement is being accounted for as an operating lease. The agreement contains put and call provisions that give the Bishop the right and option to require the Diocese to reimburse certain amounts if he and his wife vacate the property prior to 2037.

9. Commitments

The Diocese guaranteed multiple debts in the original principal amount of $4,848,516 for certain parishes within the Diocese. These notes mature through 2033 and interest rates range from approximately 3% to 5%. Each parish’s building serves as underlying collateral for the loans. The amount of guaranteed debt outstanding as of December 31, 2018 and 2017 is $1,353,692 and $2,025,689, respectively, and the debt to one of the parishes in the amount of $0 and $631,720 at December 31, 2018 and 2017 is not reported per the Diocese financial statements.

Beginning in April 2012, the Diocese came forward to make the monthly payments for a guaranteed mortgage as one parish was unable to make the payments directly. See Note
10. In November 2016, this mortgage loan was refinanced with Morgan Stanley through the Diocese’s portfolio loan account in the amount of $823,628. The Diocese has continued to make monthly payments and to guarantee the debt, which will mature in 2023.

In April 2016, the Diocese financed a parish mortgage loan for a parish that was previously guaranteed, along with a Growth Fund loan, with Morgan Stanley through the Diocese’s variable rate line of credit in the amount of $612,858. The Diocese has continued to guarantee the debt and interest-only payments are being made. Effective March 1, 2017, the note was amended with the following payment terms: During the first 36 months of the seven-year term the borrower (parish) will make monthly payments of interest only. During the fourth year, beginning March 1, 2020 through February 1, 2021, the borrower will make monthly payments of interest plus 25% of the principal that would be due if the principal sum of the amended note was being fully amortized at an interest rate of 3.59% and a 20-year amortization schedule. During the fifth, sixth, and seventh years of the term, the borrower, St. Brendan’s Episcopal Church, will make monthly payments of interest plus 50%, 75%, and 100%, respectively, of the principal amount that would be due if the principal sum of the amended note was being fully amortized at an interest rate of 3.59% and a 20-year amortization schedule.

Prior to February 2020, the parties will review the payment terms of this note and determine whether it is possible for the borrower to make additional principal payments in excess of the note’s payment terms. Additionally, on or before January 2024, the parties will review possible financing options and determine whether to negotiate another loan with Morgan Stanley or whether the lender and borrower should negotiate a permanent mortgage with another third-party lender.
10. Mortgage Payable and Line of Credit

During 2012, the Diocese began to make the payments on a parish’s mortgage with a balance of $1,005,781 that was payable to First National Bank. In November 2016, the mortgage was refinanced with Morgan Stanley, using the portfolio loan account. The interest rate is 2.96% and monthly payments are $5,263, with a balloon payment due in 2023. The proceeds from the Morgan Stanley note were used to pay off the First National Bank mortgage. The future scheduled debt payments (which the Diocese expects the parish to resume as soon as it is able to do so) are as follows:

<table>
<thead>
<tr>
<th>Year</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>2019</td>
<td>$ 41,501</td>
</tr>
<tr>
<td>2020</td>
<td>42,704</td>
</tr>
<tr>
<td>2021</td>
<td>44,061</td>
</tr>
<tr>
<td>2022</td>
<td>45,401</td>
</tr>
<tr>
<td>2023</td>
<td>567,295</td>
</tr>
<tr>
<td>Total</td>
<td>$ 740,962</td>
</tr>
</tbody>
</table>

During 2014, the Diocese obtained a portfolio loan account with Morgan Stanley. The loan account allows for borrowings to a maximum of $14,943,000 for the years ended December 31, 2018 and 2017. The loan account is secured by the Diocese’s investments at Morgan Stanley. In addition to the financed amount noted above, the Diocese also borrowed $612,858 on behalf of a parish with $612,730 outstanding as of December 31, 2018. The parish began making interest-only payments at a rate of 1.75% above the current one-month London Interbank Offered Rate beginning in June 2016. In February 2017, a fixed rate of 3.59% was locked in as indicated in the amended agreement dated March 1, 2017 (see Note 9).

<table>
<thead>
<tr>
<th>Year</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>2019</td>
<td>-</td>
</tr>
<tr>
<td>2020</td>
<td>4,308</td>
</tr>
<tr>
<td>2021</td>
<td>9,477</td>
</tr>
<tr>
<td>2022</td>
<td>14,647</td>
</tr>
<tr>
<td>2023</td>
<td>19,816</td>
</tr>
<tr>
<td>Thereafter</td>
<td>564,482</td>
</tr>
<tr>
<td>Total</td>
<td>$ 612,730</td>
</tr>
</tbody>
</table>

The amount outstanding on the portfolio loan account at December 31, 2018 and 2017 was $1,353,692 and $1,393,969, respectively.
11. Operating Lease

The Diocese leased one vehicle under a non-cancelable operating lease, which requires monthly payments. Future minimum rentals under the non-cancelable operating lease are $2,756 for 2017 and 2018, and $1,148 for 2019.

In 2015, the Diocesan offices moved to space within Trinity Episcopal Cathedral. The formal lease agreement was signed May 2015 and is effective until June 30, 2020. Beginning January 1, 2016 and continuing until June 30, 2020, the Diocese will pay $2,917 per month ($35,000 annually) for rent of the space. The future rent payments are as follows:

<table>
<thead>
<tr>
<th>Year</th>
<th>Rent</th>
</tr>
</thead>
<tbody>
<tr>
<td>2019</td>
<td>$35,000</td>
</tr>
<tr>
<td>2020</td>
<td>$17,500</td>
</tr>
<tr>
<td>Total</td>
<td>$52,500</td>
</tr>
</tbody>
</table>

12. Functional Expenses

The Diocese’s expenses are summarized on a functional basis as follows:

<table>
<thead>
<tr>
<th></th>
<th>2018</th>
<th>2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>Program</td>
<td>$812,429</td>
<td>$598,477</td>
</tr>
<tr>
<td>Administrative</td>
<td>412,919</td>
<td>740,232</td>
</tr>
<tr>
<td>Total functional expenses</td>
<td>$1,225,348</td>
<td>$1,338,709</td>
</tr>
</tbody>
</table>

The costs of providing the various programs and other activities have been allocated among program and administrative based primarily upon direct charges.

13. Pension Plans

The Diocese contributes to a church-wide defined contribution pension plan for eligible lay employees called The Episcopal Church Lay Employees’ Retirement Plan (Retirement Plan). The Diocese contributes 11% of the participant’s eligible compensation with an additional 4% match. Pension expense under this Retirement Plan was $29,176 and $27,755 for the years ended December 31, 2018 and 2017, respectively.
The Diocese also contributes to a church-wide defined benefit pension plan for the clergy called the Church Pension Fund Clergy Pension Plan (Plan). This Plan’s EIN number is 13-5562193 and does not have a separate plan number. A funded status ratio in excess of 100% indicates that there are sufficient reserves as of the reporting date to pay currently accumulated benefits. The Diocese contributes 18% of the clergy’s eligible compensation. Total pension expense under this Plan, as assessed by the administrator of the church-wide defined benefit pension plan, was $66,957 and $57,954 for the years ended December 31, 2018 and 2017, respectively, which does not exceed 5% of total Plan contributions from all employers.

<table>
<thead>
<tr>
<th>Actuarial Valuation *:</th>
<th>March 31, 2019</th>
<th>March 31, 2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Actuarial Value of Assets</td>
<td>$10,200,000,000</td>
<td>$9,900,000,000</td>
</tr>
<tr>
<td>Actuarial Accrued Liability</td>
<td>$6,600,000,000</td>
<td>$6,500,000,000</td>
</tr>
<tr>
<td>Excess of Assets Over Liabilities</td>
<td>$3,600,000,000</td>
<td>$3,400,000,000</td>
</tr>
<tr>
<td>Funded Ratio</td>
<td>155%</td>
<td>152%</td>
</tr>
</tbody>
</table>

Expiration of Collective-bargaining Agreement | N/A | N/A |
Implemented rehabilitation plan | N/A | N/A |
Employer surcharge | N/A | N/A |
Future minimum contributions | 18% of salary annually | 18% of salary annually |

* - Amounts represent the Church Pension Fund Clergy Pension Plan

Participation in multi-employer benefit plans includes the risk that the Diocese contributions could be used to provide benefit payments of other participating employers or for unfunded obligations of the plan.

Additional information for the Church Pension fund is available in The Church Pension Group Annual Report - 2018 at: [https://www.cpg.org](https://www.cpg.org).
14. Net Assets without Donor Restrictions

Board-designated net assets and certain income derived therefrom have been designated by the Board or General Convention for the following purposes at December 31:

<table>
<thead>
<tr>
<th>Fund</th>
<th>2018</th>
<th>2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>Community Service Fund</td>
<td>$2,675,570</td>
<td>$2,985,622</td>
</tr>
<tr>
<td>Plant Fund</td>
<td>3,377,798</td>
<td>3,900,675</td>
</tr>
<tr>
<td>Growth Fund</td>
<td>2,798,595</td>
<td>2,964,641</td>
</tr>
<tr>
<td>Bishop's Fund</td>
<td>1,273,227</td>
<td>1,439,173</td>
</tr>
<tr>
<td>Church Multiplication Fund</td>
<td>395,013</td>
<td>447,861</td>
</tr>
<tr>
<td>Bishop's Residence Fund</td>
<td>388,789</td>
<td>436,676</td>
</tr>
<tr>
<td>Clergy Relief</td>
<td>248,654</td>
<td>281,063</td>
</tr>
<tr>
<td>Seminarian Aid</td>
<td>113,733</td>
<td>125,477</td>
</tr>
<tr>
<td>Other</td>
<td>595,544</td>
<td>549,414</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>$11,866,923</strong></td>
<td><strong>$13,130,602</strong></td>
</tr>
</tbody>
</table>

The funds held in the Endowment Fund (Community Service Fund, Bishop’s Fund, Church Multiplication Fund, Clergy Relief Fund, and a portion of the Plant Fund, Bishop’s Residence Fund, Seminarian Aid Fund, and Other Funds) and Growth Fund are available for distribution/spending in accordance with the spending policy adopted by the Board of Trustees (4.5% per year). Amounts in the other funds are available for use in any amount pending Board approval.
15. Net Assets with Donor Restrictions

Net assets with donor restrictions at December 31, 2018 and 2017 are available for the following purposes:

<table>
<thead>
<tr>
<th>Time and/or purpose:</th>
<th>2018</th>
<th>2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>Beneficial interest in charitable remainder trusts</td>
<td>$666,258</td>
<td>$740,165</td>
</tr>
<tr>
<td>Bishop's discretionary and other funds</td>
<td>127,416</td>
<td>115,285</td>
</tr>
<tr>
<td>Grants receivable</td>
<td>50,000</td>
<td>116,667</td>
</tr>
<tr>
<td><strong>Total time and/or purpose:</strong></td>
<td><strong>843,674</strong></td>
<td><strong>972,117</strong></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Perpetual in nature:</th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Episcopal support</td>
<td>5,334,081</td>
<td>5,858,950</td>
</tr>
<tr>
<td>Parish and mission support</td>
<td>3,345,479</td>
<td>3,754,293</td>
</tr>
<tr>
<td>Bishop's Fund</td>
<td>669,584</td>
<td>756,992</td>
</tr>
<tr>
<td>Chaplaincy programs</td>
<td>573,999</td>
<td>648,811</td>
</tr>
<tr>
<td>Episcopal Church Women</td>
<td>526,875</td>
<td>596,516</td>
</tr>
<tr>
<td>Parish and mission grants and loans</td>
<td>491,206</td>
<td>555,599</td>
</tr>
<tr>
<td>Seminarian support</td>
<td>299,277</td>
<td>338,283</td>
</tr>
<tr>
<td>Charitable and religious purposes</td>
<td>281,855</td>
<td>318,591</td>
</tr>
<tr>
<td>Other</td>
<td>571,933</td>
<td>642,020</td>
</tr>
<tr>
<td><strong>Total perpetual in nature</strong></td>
<td><strong>12,094,289</strong></td>
<td><strong>13,470,055</strong></td>
</tr>
</tbody>
</table>

**Total Net Assets with Donor Restrictions**

<table>
<thead>
<tr>
<th></th>
<th>2018</th>
<th>2017</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Total Net Assets with Donor Restrictions</strong></td>
<td><strong>$12,937,963</strong></td>
<td><strong>$14,442,172</strong></td>
</tr>
</tbody>
</table>

16. Related Party Transaction

A member of the Diocese’s board of trustees provides legal services to the Diocese. During 2018 and 2017, the Diocese paid $51,091 and $133,198 to the member’s law firm for those services.

17. Legal Matters

In October 2008, a vote led by certain former leaders of the Diocese at the annual Diocesan convention resulted in resolutions to amend the Diocesan constitution and canons to
withdraw the Diocese from The Episcopal Church and align it with the Anglican Province of the Southern Cone. The validity and legal effect of this withdrawal vote remains in dispute. The former leaders, identifying themselves as the Anglican Diocese of Pittsburgh, referred to hereafter as the ACNA Diocese, retained control of Diocesan assets and asserted their position that a 2005 stipulation required the ACNA Diocese to continue to hold and administer the Diocesan property even though its members had left The Episcopal Church. In October 2009, the Court of Common Pleas of Allegheny County, Pennsylvania disagreed with the ACNA Diocese’s contention and ruled that the Episcopal Diocese of Pittsburgh of The Episcopal Church of the United States of America is the rightful trustee of the stipulated property and ordered the appointment of a special master to identify the real and personal property subject to the stipulation. The court did not need to rule on the validity or legal effect of the 2008 withdrawal vote, but did rule that even if the withdrawal vote was valid, it could not extinguish the diocese created and recognized by the Episcopal Church. On January 27, 2010, the Court of Common Pleas of Allegheny County, Pennsylvania accepted and adopted the report of the special master regarding the scope of the property to be held and administered by the Diocese.

The ACNA Diocese filed an appeal with the Commonwealth Court of Pennsylvania and on February 2, 2011, the Commonwealth Court of Pennsylvania affirmed the order of the Court of Common Pleas of Allegheny County, Pennsylvania in all respects. The ACNA Diocese filed a petition for re-argument which the Commonwealth Court of Pennsylvania denied on March 29, 2011. On April 28, 2011, the ACNA Diocese filed a petition for allowance of an appeal to the Supreme Court of Pennsylvania, which that Court denied by an order dated October 17, 2011. There are no further rights of appeal.

These now final court rulings apply, among other property, to the real property used by 24 congregations that had identified themselves as part of the ACNA Diocese rather than the Diocese. In 2011 and 2012, the Diocese and two of these 24 congregations signed agreements for the acquisition of the property from the Diocese on terms reviewed by the Office of the Attorney General and approved by the Board and the Court of Common Pleas. Since 2011, congregations at seven of the affected parishes have returned to active participation in the Diocese. The Diocese has encouraged the rest of the affected congregations to remain in the property pending further study, but some have elected to leave. Where this has occurred, the Diocese is seeking alternative short-term uses of the property or has decided to sell the property. In addition, there are approximately 14 parishes that have identified themselves as part of the ACNA Diocese where the existing court rulings are not fully dispositive because the real estate was titled in the name of the respective parish. The Diocese has consistently maintained the position that these parishes and each of these properties remains with the Episcopal Diocese of Pittsburgh, and that
both the parishes and the properties (real and personal) are subject to the authority and canons of the Diocese and a trust interest for the benefit of the Diocese and Episcopal Church. On February 28, 2018, the Episcopal Diocese and nine of these parishes announced that they had reached an agreement amicably resolving disputed questions over the ownership and use of the church property that have lingered since the congregations voted to leave the Episcopal Church in October 2008. The agreement was reached with the assistance of two mediators and it defines the respective rights, obligations and expectations of the parties relative to the historic real and personal property of each of the parishes. The parties sought and obtained a “No Objection” letter from the Office of the Attorney General which was issued on October 24, 2018. The parties also sought and obtained approval of the agreement from the Court of Common Pleas of Allegheny County, which was issued in an Order of Court dated December 4, 2018. As a result of the agreement, the parishes and the Episcopal Diocese can now move forward to focus on their respective missions, knowing what is expected from each other in their new relationship under the agreement.

This leaves a small number of parishes where the real property remains in the name of the parish and the issues described above have not been resolved. The Episcopal Diocese remains open to a negotiated resolution of these issues with the remaining parishes. Currently, management is unable to evaluate the likelihood of an unfavorable outcome to these negotiations regarding parish property or the possibility that litigation will become necessary in the future.