The Episcopal Diocese of Pittsburgh

Financial Statements

Years Ended December 31, 2019 and 2018
with Independent Auditor's Report

MaherDuessel

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THE EPISCOPAL DIOCESE OF PITTSBURGH

YEARS ENDED DECEMBER 31, 2019 AND 2018

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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, 2019 and 2018, and the related statements of activities, functional expenses, and cash flows for the years then ended, 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, 2019 and 2018, 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.

Maher Duessel

Pittsburgh, Pennsylvania
August 24, 2020

THE EPISCOPAL DIOCESE OF PITTSBURGH

STATEMENTS OF FINANCIAL POSITION

DECEMBER 31, 2019 AND 2018

	2019	2018
Assets		
Cash and cash equivalents	$ 1,125,810	$ 808,454
Assessments receivable:		
Parishes	1,216,334	1,334,179
Less allowance for doubtful accounts	(1,214,796)	(1,331,620)
Total assessments receivable, net	1,538	2,559
Loans receivable:		
Parishes and missions - growth fund	498,343	523,103
Bishop's residence fund	27,000	27,000
Less allowance for loan losses	(156,274)	(156,274)
Total loans receivable, net	369,069	393,829
Other receivable	12,095	163,601
Notes receivable	1,085,491	1,340,878
Accrued interest receivable	25,917	86,745
Prepaid expenses	10,180	7,291
Property held for sale	306,250	727,500
Trusts held by others at fair value	5,198,372	4,403,921
Investments at fair value	29,006,118	24,492,984
Fixed assets (net of accumulated depreciation)	493,107	588,651
Total Assets	$ 37,633,947	$ 33,016,413
Liabilities and Net Assets		
Liabilities:		
Accounts payable and accrued expenses	$ 336,055	$ 319,876
Mortgage payable	1,312,191	1,353,692
Funds held for others	3,419,959	2,931,412
Total Liabilities	5,068,205	4,604,980
Net Assets:		
Without donor restrictions:		
Undesignated	4,683,103	3,606,547
Board-designated	13,006,251	11,866,923
Total net assets without donor restrictions	17,689,354	15,473,470
With donor restrictions	14,876,388	12,937,963
Total Net Assets	32,565,742	28,411,433
Total Liabilities and Net Assets	$ 37,633,947	$ 33,016,413

See accompanying notes to financial statements.

THE EPISCOPAL DIOCESE OF PITTSBURGH

STATEMENTS OF ACTIVITIES

YEARS ENDED DECEMBER 31, 2019 AND 2018

	2019	2018
Net Assets without Donor Restrictions:		
Operating revenues and other support:		
Parish assessments	$ 656,624	$ 639,359
Investment returns designated for current operations	450,000	516,000
Contributions and grants	147,505	216,062
Total operating revenues and other support	1,254,129	1,371,421
Operating expenses:		
Office of Administration	396,845	412,919
Office of the Bishop	240,401	239,673
Reopened parish, property, and other expenses	79,969	85,610
Beyond the Diocese	164,958	163,613
Formation and mission	333,838	323,533
Total operating expenses	1,216,011	1,225,348
Net gain (loss) from operations	38,118	146,073
Other revenues (expenses):		
Spending policy transfers	167,655	174,794
Released from restriction	161,380	124,110
Other revenues	250,476	96,042
Other non-operating contributions	29,795	169,694
Grants and contributions to others	(675,146)	(594,606)
Other trustee expenses	(8,031)	(17,410)
Investment (loss) income	2,080,871	(1,460,307)
Gain (loss) on property transactions	266,310	(83,739)
Depreciation	(95,544)	(135,385)
Total other revenues (expenses)	2,177,766	(1,726,807)
Change in Net Assets without Donor Restrictions	2,215,884	(1,580,734)
Net Assets with Donor Restrictions:		
Contributions and grants	115,224	22,752
Investment (loss) income	2,152,236	(1,228,057)
Spending policy transfers	(167,655)	(174,794)
Released from restriction	(161,380)	(124,110)
Change in Net Assets with Donor Restrictions	1,938,425	(1,504,209)
Total Change in Net Assets	4,154,309	(3,084,943)
Net Assets:		
Beginning of year	28,411,433	31,496,376
End of year	$ 32,565,742	$ 28,411,433

See accompanying notes to financial statements.

THE EPISCOPAL DIOCESE OF PITTSBURGH

STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED DECEMBER 31, 2019

	Program Expenses						
	Beyond the Diocese	Formation and Mission	Office of the Bishop	Reopened Churches	Total Program Expenses	Administration and Support	Total
Salaries and cash housing	$ -	$ 123,151	$ 164,424	$ -	$ 287,575	$ 146,600	$ 434,175
Employee benefits and allowances	-	9,924	30,842	-	40,766	34,814	75,580
Pension	-	28,505	29,596	-	58,101	21,990	80,091
SECA and FICA taxes	-	4,476	-	-	4,476	12,579	17,055
Consultants/communications expense	-	400	-	-	400	28,920	29,320
Employee travel and ministry expenses	-	12,859	11,512	-	24,371	2,063	26,434
Grants/support to parishes	-	93,603	-	79,969	173,572	-	173,572
National Church (TEC) assessment	136,411	-	-	-	136,411	-	136,411
Legal expenses	-	-	-	-	-	31,241	31,241
Outreach and ecumenical support	6,609	39,500	-	-	46,109	-	46,109
Rent/cleaning for office space	-	-	-	-	-	37,696	37,696
Insurance	-	-	-	-	-	22,719	22,719
Deputies - Gen'l Convention/Province 3	21,938	-	-	-	21,938	-	21,938
Formation and ministry support	-	21,420	4,027	-	25,447	1,253	26,700
Returned property expenses	-	-	-	-	-	25,814	25,814
Audit fee	-	-	-	-	-	14,800	14,800
Website/IT services	-	-	-	-	-	8,338	8,338
Other office supplies/expenses	-	-	-	-	-	8,018	8,018
	$ 164,958	$ 333,838	$ 240,401	$ 79,969	$ 819,166	$ 396,845	$ 1,216,011

See accompanying notes to financial statements.

THE EPISCOPAL DIOCESE OF PITTSBURGH

STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED DECEMBER 31, 2018

	Program Expenses						
	Beyond the Diocese	Formation and Mission	Office of the Bishop	Reopened Churches	Total Program Expenses	Administration and Support	Total
Salaries and cash housing	$ -	$ 105,393	$ 164,424	$ -	$ 269,817	$ 128,956	$ 398,773
Employee benefits and allowances	-	8,577	30,642	-	39,219	35,357	74,576
Pension	-	28,358	29,596	-	57,954	19,055	77,009
SECA and FICA taxes	-	5,180	-	-	5,180	11,004	16,184
Consultants/communications expense	-	-	-	-	-	42,714	42,714
Employee travel and ministry expenses	-	17,192	11,391	-	28,583	3,681	32,264
Grants/support to parishes	-	100,179	-	85,610	185,789	-	185,789
National Church (TEC) assessment	136,740	-	-	-	136,740	-	136,740
Legal expenses	-	-	-	-	-	51,091	51,091
Outreach and ecumenical support	6,424	44,500	-	-	50,924	-	50,924
Rent/cleaning for office space	-	-	-	-	-	37,544	37,544
Insurance	-	-	-	-	-	28,578	28,578
Deputies - Gen'l Convention/Province 3	20,449	-	-	-	20,449	-	20,449
Formation and ministry support	-	14,154	3,620	-	17,774	1,137	18,911
Returned property expenses	-	-	-	-	-	18,625	18,625
Audit fee	-	-	-	-	-	14,800	14,800
Website/IT services	-	-	-	-	-	11,326	11,326
Other office supplies/expenses	-	-	-	-	-	9,051	9,051
	$ 163,613	$ 323,533	$ 239,673	$ 85,610	$ 812,429	$ 412,919	$ 1,225,348

See accompanying notes to financial statements.

THE EPISCOPAL DIOCESE OF PITTSBURGH

STATEMENTS OF CASH FLOWS

YEARS ENDED DECEMBER 31, 2019 AND 2018

	2019	2018
Cash Flows from Operating Activities:		
Change in net assets	$ 4,154,309	$ (3,084,943)
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Realized and unrealized (gain) loss on investments	(3,913,900)	2,677,440
Loss (gain) on trusts held by others	(794,451)	367,500
Loss (gain) on funds held for others	488,547	(353,261)
Allowance for uncollectible assessments	(116,824)	71,800
Depreciation expense	95,544	135,385
Loss (gain) on sale of asset	(266,310)	83,739
Change in operating assets and liabilities:		
Assessment receivables	117,845	(69,736)
Change in allowance	-	(307,450)
Grants and bequest receivable	-	1,130,127
Other receivable	151,506	(163,601)
Prepaid expense	(2,889)	3,485
Accrued interest receivable	60,828	(78,164)
Accounts payable and accrued expenses	16,179	(45,592)
Net cash provided by (used in) operating activities	(9,616)	366,729
Cash Flows From Investing Activities:		
Purchase of investments	(11,137,162)	(16,138,194)
Sale of investments	10,537,928	15,289,187
Decrease in Growth Fund loans receivable	24,760	358,965
Issuance of notes receivable	-	(32,000)
Payments received on note receivable	255,387	246,978
Proceeds from the sale of asset held for sale	687,560	51,121
Net cash provided by (used in) investing activities	368,473	(223,943)
Cash Flows From Financing Activities:		
Payments on mortgage	(41,501)	(40,277)
Net Increase (Decrease) in Cash and Cash Equivalents	317,356	102,509
Cash and Cash Equivalents:		
Beginning of year	808,454	705,945
End of year	$ 1,125,810	$ 808,454
Supplemental Disclosures:		
Interest paid	$ 43,902	$ 45,127

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 lower of costs or appraised value at the date of donation or return to the Diocese (for closed parishes). Closed parishes that the Diocese intends to sell are recorded as property held for sale. St. Andrew's Church, Allegheny Township property, and Greene County coal rights, are classified as held for sale at December 31, 2019.

2. Summary of Significant Accounting Policies

<u>Reporting Entity</u>

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.

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

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.

Revenue, Receivables and Revenue Recognition

Parish assessment income is recorded as revenue in the year the parishes are assessed. Such revenue is calculated and assessed based upon the lower of most recent year or the average of the preceding three years. The required assessments are remitted to the Diocese on a monthly basis. The Diocese invoices parishes for their annual parish assessments. The receivables are stated at their unpaid balances less estimated allowances for doubtful accounts.

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, that is, those with a measurable performance or other barrier, and a right of return, are not recognized until the conditions on which they depend have been 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, and investments) as of December 31, 2019 and 2018 expected to be available within one year to meet the cash needs for general expenditures.

	2019	2018
Financial assets, at year-end	$ 30,133,466	$ 25,303,997
Less: those unavailable for general expenditures within one year, due to:		
Board designated	(13,006,251)	(11,866,923)
Funds held for others	(3,419,959)	(2,931,412)
Restricted by donor with time or purpose restrictions	(954,626)	(843,674)
Investments held in perpetuity less trusts held by others	(8,723,390)	(7,690,368)
Financial assets available to meet cash needs for general expenditures within one year	$ 4,029,240	$ 1,971,620

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, the investments include invested amounts by other entities (primarily parishes) with an offsetting liability of funds held for others.

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.

Other Receivable

The Diocese receives settlement payments from the parishes in the Anglican Church in North America (ACNA Diocese) (see Note 16). Other receivable related to these settlement payments for the years ended December 31, 2019 and 2018 is $12,095 and $163,601, 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 lower of costs or appraised value at the date of donation.

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:

Building	20 Years
Vehicles	5 Years
Lease Improvements	5 Years

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 $306,250 and $727,500, respectively, as of December 31, 2019 and 2018.

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 2019 and 2018.

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, 2019 and 2018.

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.

Adopted Accounting Standards Update

The provisions of these Accounting Standards Updates (ASU) have been adopted and incorporated into these financial statements.

ASU 2014-09, "*Revenue from Contracts with Customers (Topic 606)*." The amendments provide guidance for revenue recognition related to contracts involving the transfer of promised goods or services to customers and the related disclosures. The provisions of the standard had no material impact on the financial statements.

ASU 2018-08, *"Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made (Topic 958)."* The amendments provide guidance for characterizing grants and similar contracts with government agencies and others as reciprocal transactions (exchanges) or nonreciprocal transactions (contributions) and distinguishing between conditional and unconditional contributions. The provisions of the standard had no material impact on the financial statements.

Pending Accounting Standards Updates

FASB has issued Accounting Standards Updates (individually and collectively, ASU) that will become effective in future years as outlined below. Management has not yet determined the impact of these updates on the financial statements.

ASU 2016-02, *"Leases (Topic 842),"* is effective, as delayed, for the financial statements for the year beginning after December 15, 2021. These amendments and related amendments 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, as delayed, for the financial statements for the year beginning after December 15, 2022. These amendments and related amendments require 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 2018-13, *"Changes to the Disclosure Requirements for Fair Value Measurement (Topic 820),"* is effective for the financial statements for the year beginning after December 15, 2019. The amendments remove and modify certain fair value hierarchy leveling disclosures.

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 on the loan stops accruing. During the years ended December 31, 2019 and 2018, the Diocese charged $(116,824) and $71,800, respectively, to the allowance for doubtful accounts related to parish assessment, and had no write-offs. There was no change in the allowance account for loan receivable relating to the parishes in the Anglican Church in North America (ACNA Diocese) (see Note 16). No interest had been accrued on assessments or loans receivable balances as further described in Note 16 as of December 31, 2019 and 2018.

Interest rates on parish loans range from 3.00% to 5.00% and the loans have maturity dates ranging from 2020 to 2031.

4. Notes Receivable

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, 2019 and 2018, the balance was $372,614 and $453,345, respectively, as payments were made at an accelerated rate in 2019 and 2018.

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, 2019 and 2018, 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. The loan was repaid at an accelerated rate. As of December 31, 2019 and 2018, the balance was $0 and $164,025, 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, 2019 and 2018, the balance was $77,940 and $82,598, 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, 2019 and 2018, the balance was $22,207 and $28,180, respectively.

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 was originally 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, the balance was paid off.

5. Investments

Investments consist of the following at December 31:

	2019	2018
Cash and cash equivalents	$ 1,924,723	$ 1,466,483
Equity securities:		
Basic materials	911,408	703,520
Consumer goods	1,288,421	1,488,325
Energy	1,439,238	1,425,480
Financial	2,346,569	1,585,097
Healthcare	2,625,262	1,695,883
Industrial goods	1,368,674	950,148
Materials	770,372	674,532
Real Estate	21,947	13,935
Technology	1,994,739	1,371,804
Telecommunication services	1,869,870	1,510,409
Utilities	864,002	841,205
Other	2,192,154	1,636,743
Fixed income and preferreds:		
Ultra Short Term Fixed Income	269,889	317,356
Short Term Fixed Income	679,629	777,534
US Fixed Income Taxable	4,663,840	4,071,209
International Fixed Income	321,176	856,988
Preferred Securities	144,578	115,815
Global Fixed Income	1,852,308	1,110,482
Alternative investments	1,457,319	1,880,036
Total investments	$ 29,006,118	$ 24,492,984

Investments were held in the following accounts at December 31:

	2019	2018
Morgan Stanley, Pool 1	$ 26,038,543	$ 22,133,631
Morgan Stanley, Pool 2	2,660,699	2,301,748
Mellon Pooled Income Fund	48,443	45,780
Mellon Seed Account	12,500	11,825
Morgan Stanley, Donegal Property Sale Proceeds	245,933	-
	$ 29,006,118	$ 24,492,984

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

	2019	2018
Interest and dividend Income	$ 769,207	$ 505,076
Net realized and unrealized gains (losses)	3,913,900	(2,677,440)
Total net investment income	$ 4,683,107	$ (2,172,364)

The Fair Value Measurements topic (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, 2019:

	Fair Value Measurements at Reporting Date Using			
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total
Investments:				
Cash and cash equivalents	$ 1,924,723	$ -	$ -	$ 1,924,723
Equity securities	17,692,656	-	-	17,692,656
Fixed income and preferreds	-	7,931,420	-	7,931,420
Alternative investments	-	1,457,319	-	1,457,319
Total investments	$ 19,617,379	$ 9,388,739	$ -	$ 29,006,118
Trusts held by others:				
Beneficial interest in remainder trusts	$ -	$ -	$ 771,150	$ 771,150
Beneficial interest in perpetual trusts	-	-	4,427,222	4,427,222
Total trusts held by others	$ -	$ -	$ 5,198,372	$ 5,198,372

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:

	Fair Value Measurements at Reporting Date Using			
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total
Investments:				
Cash and cash equivalents	$ 1,466,483	$ -	$ -	$ 1,466,483
Equity securities	13,897,081	-	-	13,897,081
Fixed income and preferreds	-	7,249,384	-	7,249,384
Alternative investments	-	1,880,036	-	1,880,036
Total investments	$ 15,363,564	$ 9,129,420	$ -	$ 24,492,984
Trusts held by others:				
Beneficial interest in remainder trusts	$ -	$ -	$ 666,258	$ 666,258
Beneficial interest in perpetual trusts	-	-	3,737,663	3,737,663
Total trusts held by others	$ -	$ -	$ 4,403,921	$ 4,403,921

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

	2019	2018
Fair value, beginning of year	$ 4,403,921	$ 4,771,421
Investment income from beneficial interest in remainder and perpetual trusts	169,325	153,273
Distributions from beneficial interest in remainder and perpetual trusts	(169,325)	(153,273)
Valuation (loss) gain, beneficial interest in remainder trusts	104,892	(73,906)
Valuation (loss) gain, beneficial interest in perpetual trusts	689,559	(293,594)
Balance, end of year	$ 5,198,372	$ 4,403,921

The valuation (loss) gain on the trusts held by others is included in the investment income under net assets with donor restrictions on 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, 2019 and 2018, 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, 2019 and 2018:

	2019		
	Without Donor Restrictions	With Donor Restrictions	Total
Endowment assets, beginning of year	$ -	$ 8,356,626	$ 8,356,626
Investment return, net	-	1,351,513	1,351,513
Amounts appropriated for expenditures	167,655	(167,655)	-
Amounts expended	(167,655)	(45,944)	(213,599)
Endowment assets, end of year	$ -	$ 9,494,540	$ 9,494,540

	2018		
	Without Donor Restrictions	With Donor Restrictions	Total
Endowment assets, beginning of year	$ -	$ 9,438,799	$ 9,438,799
Investment return, net	-	(860,511)	(860,511)
Amounts appropriated for expenditures	174,794	(174,794)	-
Amounts expended	(174,794)	(46,868)	(221,662)
Endowment assets, end of year	$ -	$ 8,356,626	$ 8,356,626

7. Fixed Assets

Fixed assets as of December 31, 2019 and 2018 include:

	2019	2018
Land and buildings	$ 1,076,878	$ 1,553,854
Vehicles	-	11,715
Leasehold Improvements	240,670	240,670
	1,317,548	1,806,239
Accumulated depreciation	(824,441)	(1,217,588)
	$ 493,107	$ 588,651

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, 2019 and 2018 is $1,312,191 and $1,353,692, respectively.

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:

2020	$	42,704
2021		44,061
2022		45,401
2023		567,295
Total	$	699,461

During 2014, the Diocese obtained a portfolio loan account with Morgan Stanley. The loan account allows for borrowings to a maximum of $1,312,000 and $14,943,000 for the years ended December 31, 2019 and 2018, respectively. The loan account is secured by a pledged account included in 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, 2019. 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).

2020	$	4,308
2021		9,477
2022		14,647
2023		19,816
2024		564,482
Total	$	612,730

The amount outstanding on the portfolio loan account at December 31, 2019 and 2018 was $1,312,191 and $1,353,692, 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 as follows:

2020	$	3,560
2021		3,560
2022		1,483
Total	$	8,603

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. As of December 31, 2019, no new lease agreement has been signed, however, the Diocese and Trinity Episcopal Cathedral reached an agreement to extend the lease until June 30, 2021. The Diocese will pay $2,917 per month ($35,000 annually) for rent of the space. The future rent payments are as follows:

2020	$	35,000
2021		17,500
Total	$	52,500

12. 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 $27,214 and $29,176 for the years ended December 31, 2019 and 2018, 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 $67,954 and $66,957 for the years ended December 31, 2019 and 2018, respectively, which does not exceed 5% of total Plan contributions from all employers.

Actuarial Valuation *:	March 31, 2020	March 31, 2019
Actuarial Value of Assets	$ 8,800,000,000	$ 10,200,000,000
Actuarial Accrued Liability	$ 7,300,000,000	$ 6,600,000,000
Excess of Assets Over Liabilities	$ 1,500,000,000	$ 3,600,000,000
Funded Ratio	121%	155%
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 - 2020 at: https://www.cpg.org.

13. Net Assets without Donor Restrictions

In addition to the undesignated net assets without donor restrictions of $4,683,103, the net assets and certain income derived therefrom have been designated by the Board or General Convention for the following purposes at December 31:

	2019	2018
Community Service Fund	$ 3,035,616	$ 2,675,570
Plant Fund	3,091,810	3,377,798
Growth Fund	3,101,058	2,798,595
Bishop's Fund	1,441,675	1,273,227
Church Multiplication Fund	448,547	395,013
Bishop's Residence Fund	437,820	388,789
Clergy Relief	281,551	248,654
Seminarian Aid	129,597	113,733
Other	1,038,577	595,544
Total	$ 13,006,251	$ 11,866,923

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 (4.5% per year). Amounts in the other funds are available for use in any amount pending Board approval.

14. Net Assets with Donor Restrictions

Net assets with donor restrictions at December 31, 2019 and 2018 are available for the following purposes:

	2019	2018
Time and/or purpose:		
Beneficial interest in charitable remainder trusts	$ 771,150	$ 666,258
Bishop's discretionary and other funds	183,476	127,416
Grants receivable	-	50,000
Total time and/or purpose	954,626	843,674
Perpetual in nature (held in investments and perpetual trusts):		
Episcopal support	6,221,162	5,334,081
Parish and mission support	3,829,471	3,345,479
Bishop's Fund	758,301	669,584
Chaplaincy programs	649,939	573,999
Episcopal Church Women	597,520	526,875
Parish and mission grants and loans	556,781	491,206
Seminarian support	338,871	299,277
Charitable and religious purposes	319,145	281,855
Other	650,572	571,933
Total perpetual in nature	13,921,762	12,094,289
Total Net Assets with Donor Restrictions	$ 14,876,388	$ 12,937,963

15. Related Party Transaction

A member of the Diocese’s Board provides legal services to the Diocese. During 2019 and 2018, the Diocese paid $31,241 and $51,091 to the member’s law firm for those services.

16. 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.

During 2019, the Diocese reached an agreement with one of the remaining congregations where the real property had been titled in the name of the parish, resulting in the transfer of title to the property to the Diocese and a release of any further claims against the congregation. The Diocese sold this real property to a third party in early 2020.

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.

17. Subsequent Event

In early 2020, an outbreak of a novel strain of coronavirus was identified and infections have been found in a number of countries around the world, including the United States. The coronavirus and its associated impacts on supply chains, travel, employee productivity, and other economic activities has had, and may continue to have, a material effect on financial markets and economic activity. To conform to the order by the Governor of the Commonwealth of Pennsylvania, the Diocese closed its doors to the public as of March 17, 2020 and that closure continued into June 2020. The extent of the negative impact of the coronavirus on the Diocese's operational and financial performance is currently uncertain and cannot be predicted and will depend on certain developments, including, among others, the duration and spread of the outbreak, its impact on the Diocese's funders, employees, parishes, and vendors, and governmental, regulatory, and other responses to the coronavirus.

A $132,957 Small Business Administration loan was received in April 2020 through the federal government's Paycheck Protection Program (PPP) that resulted from the COVID-19 pandemic. It is anticipated that the majority of this loan will be forgiven, pending submission and approval of loan forgiveness application. The interest rate of any unforgiven portion is 1% and payable over a 60-month period with deferral of principal and interest payments until the amount of forgiveness is established.