



THE EPISCOPAL DIOCESE OF PITTSBURGH

AUDITED FINANCIAL STATEMENTS

Years ended December 31, 2025 and 2024

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THE EPISCOPAL DIOCESE OF PITTSBURGH

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INDEPENDENT AUDITOR'S REPORT

To the Diocesan Council and Board of Trustees
The Episcopal Diocese of Pittsburgh

Opinion

We have audited the accompanying financial statements of The Episcopal Diocese of Pittsburgh, which comprise the statements of financial position as of December 31, 2025 and 2024, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of The Episcopal Diocese of Pittsburgh as of December 31, 2025 and 2024, 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.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America ("U.S. GAAS"). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are required to be independent of The Episcopal Diocese of Pittsburgh and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about The Episcopal Diocese of Pittsburgh's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

INDEPENDENT AUDITOR'S REPORT

(continued)

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with U.S. GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with U.S. GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of The Episcopal Diocese of Pittsburgh's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about The Episcopal Diocese of Pittsburgh's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

SisterSon & Co LLP

July 16, 2026

THE EPISCOPAL DIOCESE OF PITTSBURGH

STATEMENTS OF FINANCIAL POSITION

	December 31,	
	2025	2024
<u>ASSETS</u>		
Cash and cash equivalents	\$ 2,342,043	\$ 2,274,406
Assessments receivable		
Parishes	1,832,787	1,724,976
Less allowance for credit losses	(1,832,787)	(1,724,976)
Total assessments receivable, net	--	--
Other receivables	70,690	26,395
Loans receivable, net of allowance for credit losses of \$82,426 (Note 3)	1,096,410	1,079,385
Operating lease right-of-use asset, net (Note 10)	77,684	114,800
Prepaid expenses	1,127	7,466
Trusts held by others, at fair value	5,833,246	5,375,314
Investments, at fair value (Note 4)	38,414,614	34,266,012
Fixed assets, net (Note 7)	15,550	115,618
Property held for sale (Note 1)	69,665	--
Total assets	\$ 47,921,029	\$ 43,259,396
<u>LIABILITIES AND NET ASSETS</u>		
Liabilities		
Accounts payable and accrued expenses	\$ 156,242	\$ 79,832
Operating lease liability (Note 10)	80,684	117,800
Funds held for others	4,656,346	4,085,523
Total liabilities	4,893,272	4,283,155
Net Assets (Notes 12 and 13)		
Without donor restrictions		
Undesignated	5,943,825	5,939,836
Board designated	19,057,495	16,911,503
	25,001,320	22,851,339
With donor restrictions	18,026,437	16,124,902
Total net assets	43,027,757	38,976,241
Total liabilities and net assets	\$ 47,921,029	\$ 43,259,396

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

THE EPISCOPAL DIOCESE OF PITTSBURGH

STATEMENTS OF ACTIVITIES

	December 31,	
	2025	2024
Changes in net assets without donor restrictions		
Operating revenues and other support		
Parish assessments	\$ 650,529	\$ 661,140
Investment return designated for current operations	569,279	704,263
Contributions and grants	288,533	240,510
Total operating revenues and other support	1,508,341	1,605,913
Operating expenses		
Program expenses		
Beyond the Diocese	168,252	169,330
Formation and mission	375,732	437,007
Office of the Bishop	504,384	240,045
Financial assistance - parishes	219,604	225,878
Administration and support	509,772	534,896
Total operating expenses	1,777,744	1,607,156
Net loss from operations	(269,403)	(1,243)
Other revenue (expense)		
Investment return	2,679,406	1,819,090
Spending policy transfers	925,701	491,798
Other revenues	421,638	318,241
Grants and contributions to others	(1,039,916)	(776,660)
Other trustee expenses	(243,596)	(96,997)
Depreciation	(30,403)	(31,304)
Net assets released from donor restrictions	216,162	90,725
Total other revenue	2,928,992	1,814,893
Increase in net assets without donor restrictions	2,659,589	1,813,650
Changes in net assets with donor restrictions		
Contributions and grants	269,839	86,109
Investment return	2,263,951	1,044,947
Spending policy transfers	(925,701)	(491,798)
Net assets released from donor restrictions	(216,162)	(90,725)
Increase in net assets with donor restrictions	1,391,927	548,533
Total increase in net assets	4,051,516	2,362,183
Net assets, beginning of year	38,976,241	36,614,058
Net assets, end of year	\$ 43,027,757	\$ 38,976,241

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

THE EPISCOPAL DIOCESE OF PITTSBURGH

STATEMENT OF FUNCTIONAL EXPENSES

Year ended December 31, 2025

	Program expenses					Administration and support	Total
	Beyond the Diocese	Formation and mission	Office of the Bishop	Financial support to parishes	Total program expenses		
Salaries and cash housing	\$ --	\$ 257,900	\$ 353,180	\$ --	\$ 611,080	\$ 237,648	\$ 848,728
Grants and support to parishes	--	--	--	219,434	219,434	--	219,434
National Church (TEC) assessment	159,108	--	--	--	159,108	--	159,108
Pension	--	51,877	66,796	--	118,673	33,189	151,862
Employee benefits and allowances	--	29,025	67,360	--	96,385	38,110	134,495
Formation and ministry support	--	33,468	746	--	34,214	23,772	57,986
Rent and cleaning for office space	--	--	--	--	--	40,000	40,000
Audit fee	--	--	--	--	--	24,999	24,999
SECA and FICA taxes	--	962	4,303	--	5,265	18,000	23,265
Employee transportation expenses	--	--	--	--	--	20,863	20,863
Other office supplies and expenses	--	--	--	170	170	18,142	18,312
Employee travel and ministry expenses	--	--	11,999	--	11,999	6,237	18,236
Insurance	--	--	--	--	--	17,606	17,606
Website and IT services	--	--	--	--	--	15,853	15,853
Returned property expenses	--	--	--	--	--	11,891	11,891
Outreach and ecumenical support	9,144	2,500	--	--	11,644	--	11,644
Legal expenses	--	--	--	--	--	3,462	3,462
	<u>\$ 168,252</u>	<u>\$ 375,732</u>	<u>\$ 504,384</u>	<u>\$ 219,604</u>	<u>\$ 1,267,972</u>	<u>\$ 509,772</u>	<u>\$ 1,777,744</u>

The accompanying notes are an integral part of this financial statement.

THE EPISCOPAL DIOCESE OF PITTSBURGH

STATEMENT OF FUNCTIONAL EXPENSES

Year ended December 31, 2024

	Program expenses					Administration and support	Total
	Beyond the Diocese	Formation and mission	Office of the Bishop	Financial support to parishes	Total program expenses		
Salaries and cash housing	\$ --	\$ 292,672	\$ 165,397	\$ 35,683	\$ 493,752	\$ 273,530	\$ 767,282
Grants and support to parishes	--	--	--	183,772	183,772	--	183,772
National Church (TEC) assessment	140,809	--	--	--	140,809	--	140,809
Pension	--	52,689	29,772	6,423	88,884	35,776	124,660
Employee benefits and allowances	--	34,864	33,606	--	68,470	43,121	111,591
Rent and cleaning for office space	--	--	--	--	--	40,000	40,000
Formation and ministry support	--	29,841	2,439	--	32,280	7,163	39,443
Insurance	--	--	--	--	--	24,164	24,164
Outreach and ecumenical support	8,027	14,875	--	--	22,902	--	22,902
Employee travel and ministry expenses	--	11,132	8,831	--	19,963	2,517	22,480
Other office supplies and expenses	--	--	--	--	--	22,430	22,430
SECA and FICA taxes	--	934	--	--	934	20,925	21,859
Deputies - General convention and Province 3	20,494	--	--	--	20,494	--	20,494
Audit fee	--	--	--	--	--	19,700	19,700
Legal expenses	--	--	--	--	--	14,070	14,070
Employee transportation expenses	--	--	--	--	--	13,978	13,978
Website and IT services	--	--	--	--	--	9,842	9,842
Returned property expenses	--	--	--	--	--	6,585	6,585
Consultants and communications expense	--	--	--	--	--	1,095	1,095
	<u>\$ 169,330</u>	<u>\$ 437,007</u>	<u>\$ 240,045</u>	<u>\$ 225,878</u>	<u>\$ 1,072,260</u>	<u>\$ 534,896</u>	<u>\$ 1,607,156</u>

The accompanying notes are an integral part of this financial statement.

THE EPISCOPAL DIOCESE OF PITTSBURGH

STATEMENTS OF CASH FLOWS

	Year ended December 31,	
	2025	2024
Cash flows from operating activities		
Increase in net assets	\$ 4,051,516	\$ 2,362,183
Adjustments to reconcile increase in net assets to net cash used in operating activities		
Realized and unrealized gain on investments	(5,079,919)	(3,236,952)
Change in fair value of trusts held by others	(457,932)	(331,348)
Amortization of operating lease right-of-use asset	37,116	35,036
Depreciation expense	30,403	31,304
Increase (decrease) in cash from changes in		
Other receivables	(44,295)	14,420
Loans receivable	(17,025)	214,633
Prepaid expense	6,339	6,713
Accrued interest receivable	--	28,380
Accounts payable and accrued expenses	76,410	(65,998)
Operating lease liability	(37,116)	(35,036)
Net cash used in operating activities	(1,434,503)	(976,665)
Cash flows from investing activities		
Purchases of investments	(35,296,880)	(35,800,942)
Proceeds from sales of investments	36,799,020	38,144,148
Net cash provided by investing activities	1,502,140	2,343,206
Cash Flows From Financing Activities		
Payments on mortgage payable	--	(1,139,876)
Net increase in cash and cash equivalents	67,637	226,665
Cash and cash equivalents, beginning of year	2,274,406	2,047,741
Cash and cash equivalents, end of year	\$ 2,342,043	\$ 2,274,406
Supplemental disclosure of cash flow activity		
Cash paid for interest	\$ --	\$ 48,159

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

THE EPISCOPAL DIOCESE OF PITTSBURGH

NOTES TO FINANCIAL STATEMENTS

NOTE 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 of the Diocese 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 the lower of cost 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. As of December 31, 2025, the Diocese held one property for sale with a carrying amount of approximately \$70,000. The property was sold during 2026 for approximately \$308,000. There were no properties held for sale as of December 31, 2024.

NOTE 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.

Basis of accounting

The financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America ("U.S. GAAP"). The financial operations of individual parishes and institutions distinct from the Diocese are not reflected in these financial statements.

THE EPISCOPAL DIOCESE OF PITTSBURGH

NOTES TO FINANCIAL STATEMENTS

(continued)

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Basis of presentation

Under U.S. GAAP, the Diocese is required to report information regarding its financial position and activities according to two classes of net assets, as follows:

Without donor restrictions

Net assets without donor restrictions are not subject to donor-imposed stipulations.

The Board designates certain net assets without donor restrictions. As of December 31, 2025 and 2024, these assets include investments of \$13,193,104 and \$11,753,129, respectively, which are appropriated for distribution based on a spending policy to support the operations of the Diocese (see Note 5).

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. 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. 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.

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, investment 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.

Cash and cash equivalents

Cash and cash equivalents include all highly liquid instruments with maturities of three months or less when purchased. Deposits maintained by the Diocese at institutions at any one time during the year could exceed federally insured limits. Management does not believe the Diocese is exposed to any significant risk from this concentration.

THE EPISCOPAL DIOCESE OF PITTSBURGH

NOTES TO FINANCIAL STATEMENTS

(continued)

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Receivables, revenue and revenue recognition

Parish assessments receivable relate primarily to charges to parishes that consider themselves no longer affiliated with the Diocese as described in Note 15. The Diocese continues to assess those parishes based on information prior to the self-declared disaffiliation but fully allows for non-collection of those assessments due to the high level of uncertainty that the amounts will be collected. The receivables are stated at their unpaid balances less estimated allowances for credit losses. As of January 1, 2024, assessments receivable, net of allowance for credit losses was \$0. The allowance for credit losses as of January 1, 2024 was \$1,617,165.

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 the parish's most recent year's normal operating income 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.

Contributions, including unconditional promises to give, are recognized as revenue 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. Contributions of assets other than cash are recorded at their estimated fair value.

Other receivable

The Diocese receives settlement payments from the parishes in the Anglican Church in North America ("ACNA Diocese") (see Note 15). The portion of other receivables related to these settlement payments for the years ended December 31, 2025 and 2024, were \$31,307 and \$28,351, respectively.

Investments, risks, and uncertainties

Investments are reported 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.

THE EPISCOPAL DIOCESE OF PITTSBURGH

NOTES TO FINANCIAL STATEMENTS

(continued)

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Investments, risks, and uncertainties (continued)

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.

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 the lower of cost or appraised value at the date of donation. Depreciation is provided by the straight-line method over the estimated useful lives of the respective assets, which approximates 20 years for buildings and 10 years for vehicles. Lease improvements are amortized over the shorter of the term of the related lease or useful life.

Repairs and maintenance that do not extend the lives of the applicable assets are charged to expense as incurred. Any gains or losses resulting from retirement or other disposition of fixed assets are included in the statements of activities.

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 2025 or 2024.

THE EPISCOPAL DIOCESE OF PITTSBURGH

NOTES TO FINANCIAL STATEMENTS

(continued)

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Right-of-use assets and lease liabilities

In accordance with Financial Accounting Standards Board Accounting Standards Codification ("FASB ASC") Topic 842, *Leases*, the Diocese evaluates all leases at their inception for either operating or finance lease treatment. The Diocese records a right-of-use asset and lease liability for the estimated present value of the lease payments over the term of the lease. Lease renewal options that are reasonably certain to be exercised are included in the lease term. The Diocese has elected to use a risk-free discount rate for the period commensurate with the lease term as of inception, in determining the lease liability for all classes of assets for leases that do not have an implicit interest rate. The Diocese has also made an election not to apply the recognition requirements under FASB ASC Topic 842 to short-term leases with terms under twelve months.

Trusts held by others

The Diocese has been named as an irrevocable beneficiary of several perpetual trusts held and administered by independent trustees. Perpetual trusts provide for the distribution of the net income of the trusts to the Diocese; however, the Diocese will never receive the assets of the trusts. At the date the Diocese receives notice of a beneficial interest, a contribution with donor restrictions of a perpetual nature is recorded in the statements of activities and a beneficial interest in perpetual trust is recorded in the statements of financial position at the fair value of the underlying trust assets. Thereafter, beneficial interests in the trusts are reported at the fair value of the trusts' assets in the statements of financial position, with trust distributions and change in fair value recognized in the statements of activities.

Upon receipt of trust distributions or expenditures, or both, in satisfaction of the donor-restricted purpose, if any, net assets with donor-imposed time or purpose restrictions are released to net assets without donor restrictions.

Functional allocation of expenses

The costs of program and supporting services activities have been summarized on a functional basis in the statements of activities. The statements of functional expenses present the natural classification detail of expenses by function. Accordingly, certain costs have been allocated among the program(s) and supporting services benefited. The financial statements report certain categories of expenses that are attributed to more than one program or supporting function. Therefore, expenses require allocation on a reasonable basis that is consistently applied. The expenses that are allocated include salaries and related benefits, ministry expenses, and formation and support. These expenses are allocated based on actual time spent.

THE EPISCOPAL DIOCESE OF PITTSBURGH

NOTES TO FINANCIAL STATEMENTS

(continued)

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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 an organization 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 as of December 31, 2025 or 2024.

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.

Reclassifications

Certain amounts previously reported in the 2024 financial statements have been reclassified to conform to the 2025 presentation.

Use of estimates

The preparation of financial statements in conformity with U.S. GAAP 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.

THE EPISCOPAL DIOCESE OF PITTSBURGH

NOTES TO FINANCIAL STATEMENTS

(continued)

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Subsequent events

Subsequent events have been evaluated through the Independent Auditor's Report date of July 16, 2026, which is the date the financial statements were available to be issued.

NOTE 3 - LOANS RECEIVABLE

The Diocese makes loans to its related parishes for a variety of reasons. Based on a specific identified review, and when loans have been determined to not be performing, management will estimate the allowance for loan credit losses. At this point, interest on the loan stops accruing. No unpaid interest has been accrued on outstanding loans receivable balances.

The following table reflects loans receivable, presented at amortized cost, net of allowance for credit losses as of December 31:

	<u>2025</u>	<u>2024</u>
Principal balance, beginning of year	\$ 1,161,811	\$ 648,769
Additions	80,000	527,780
Principal payments	<u>(62,975)</u>	<u>(14,738)</u>
Principal balance, end of year	1,178,836	1,161,811
Less allowance for credit losses	<u>(82,426)</u>	<u>(82,426)</u>
Net amortized cost, end of year	<u>\$ 1,096,410</u>	<u>\$ 1,079,385</u>

The following table reflects the allowance for loan credit losses as of December 31:

	<u>2025</u>	<u>2024</u>
Allowance for credit losses, beginning of year	\$ 82,426	\$ 128,274
Changes to provision for credit losses	<u>--</u>	<u>(45,848)</u>
Allowance for credit losses, end of year	<u>\$ 82,426</u>	<u>\$ 82,426</u>

As of December 31, 2025 and 2024, the Diocese had six and seven loans outstanding, respectively. Repayments on the loans are fixed monthly amounts with interest ranging from 1.5% to 3.0%, with repayment terms from two to twenty-nine years. Loans outstanding as of December 31, 2025, mature between 2027 and 2054.

Loans are considered to be performing if they are less than 90 days delinquent and still accruing interest. As of December 31, 2025 and 2024, no loans were nonperforming or on non-accrual status.

THE EPISCOPAL DIOCESE OF PITTSBURGH

NOTES TO FINANCIAL STATEMENTS

(continued)

NOTE 3 - LOANS RECEIVABLE (continued)

Credit quality indicators

As part of the ongoing monitoring of the credit quality of the loan portfolio, the Diocese reviews loans on an annual basis based on the borrower's financial condition criteria. A watch list is created of borrowers that represent a credit risk to the Diocese. Criteria for loan issuances include project budget and projected cash flow, credit reports and references, evaluation of collateral, community assessment, and historical financial statements as appropriate.

Loan modifications

An assessment of whether a borrower is experiencing financial difficulty is made on the date of modification. Because the effect of most modifications made to borrowers experiencing financial difficulty is already included in the allowance for credit losses methodology, a change to the allowance for credit losses is generally not recorded upon modification. Typical concessions of loan modification include extension of loan term and extension of interest-only payment period.

During 2025, one loan was modified to extend the maturity date and change the monthly payment amounts. There were no loan modifications during 2024.

NOTE 4 - INVESTMENTS

Investments were held in the following accounts as of December 31:

	<u>2025</u>	<u>2024</u>
State Street, Pool 1	\$ 34,374,165	\$ 30,729,980
State Street, Pool 2	4,009,816	3,493,831
Mellon Pooled Income Fund	29,559	41,127
Morgan Stanley, Donegal Property Sale Proceeds	<u>1,074</u>	<u>1,074</u>
	<u>\$ 38,414,614</u>	<u>\$ 34,266,012</u>

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

	<u>2025</u>	<u>2024</u>
Interest and dividend Income	\$ 432,717	\$ 331,348
Net realized and unrealized gains	<u>5,079,919</u>	<u>3,236,952</u>
Total investment income	<u>\$ 5,512,636</u>	<u>\$ 3,568,300</u>

THE EPISCOPAL DIOCESE OF PITTSBURGH

NOTES TO FINANCIAL STATEMENTS

(continued)

NOTE 4 - INVESTMENTS (continued)

Investment fees are reported in investment returns, net, in the accompanying statements of activities.

The fair values of investments for which market quotations are available are based on the quoted market prices of such investments. Cash and funds held for others, are measured and reported at fair value.

The fair values of all other investments are estimated in good faith by management due to the absence of quoted market values. These estimates are made primarily by using information provided by the fund managers of these investments. Additionally, these estimates are generally computed based on the fair value of the underlying assets. The Diocese has not adjusted any of the fair values provided by the fund managers. Because of the inherent uncertainty of valuation, those estimated fair values may differ significantly from the values that would have been used had a ready market for those investments existed, and the differences could be material.

Investments measured and reported at fair value, except those measured and reported using net asset value ("NAV") as a practical expedient, are classified and disclosed in one of the following categories based on the extent of market price observability:

Level I – Quoted prices are available in active markets for identical investments as of the reporting date. The types of investments in Level I include short-term investments, which represents portfolio cash and cash equivalents and marketable equity funds and certain fixed income funds.

Level II – Pricing inputs are other than quoted market prices included in Level I, however, are observable either directly or indirectly for the investment. The Diocese does not hold any Level II investments as of December 31, 2025 and 2024.

Level III – Pricing inputs are unobservable for the investment and include situations where there is little, if any, market activity for the investment. The inputs into the determination of fair value require significant management judgment or estimation. The types of investments in Level III include beneficial interests in perpetual trusts.

THE EPISCOPAL DIOCESE OF PITTSBURGH

NOTES TO FINANCIAL STATEMENTS

(continued)

NOTE 4 - INVESTMENTS (continued)

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:

	2025			Investments measured at NAV	Total
	Level I	Level II	Level III		
Investments					
Equity funds	\$ 6,081,105	\$ --	\$ --	\$ 21,737,840	\$ 27,818,945
Fixed income funds	29,225	--	--	10,349,361	10,378,586
Total	6,110,330	--	--	32,087,201	38,197,531
Cash and cash equivalents	217,083	--	--	--	217,083
Total investments	\$ 6,327,413	\$ --	\$ --	\$ 32,087,201	\$ 38,414,614
Trusts held by others:					
Beneficial interest in perpetual trusts	\$ --	\$ --	\$ 5,833,246	\$ --	\$ 5,833,246
	2024			Investments Measured at NAV	Total
	Level I	Level II	Level III		
Investments					
Equity funds	\$ 4,914,838	\$ --	\$ --	\$ 17,522,910	\$ 22,437,748
Fixed income funds	40,493	--	--	10,646,015	10,686,508
Total	4,955,331	--	--	28,168,925	33,124,256
Cash and cash equivalents	1,141,756	--	--	--	1,141,756
Total investments	\$ 6,097,087	\$ --	\$ --	\$ 28,168,925	\$ 34,266,012
Trusts held by others:					
Beneficial interest in perpetual trusts	\$ --	\$ --	\$ 5,375,314	\$ --	\$ 5,375,314

There were transfers of \$42,119 and \$154,723 out of Level III assets during the years ended December 31, 2025 and 2024, respectively. There were no purchases of Level III assets during the years ended December 31, 2025 or 2024.

THE EPISCOPAL DIOCESE OF PITTSBURGH

NOTES TO FINANCIAL STATEMENTS

(continued)

NOTE 4 - INVESTMENTS (continued)

The following additional information is provided regarding the Diocese's investments valued at NAV as a practical expedient included in the above tables.

Type	Fair value		Redemption frequency (if currently eligible)	Redemption notice
	Dec. 31, 2025	Dec. 31, 2024		
Common trust funds (a)	\$ 32,087,201	\$ 28,168,925	daily	n/a

(a) These common trust funds provide diversified exposure seeking to provide long-term capital appreciation and income through broadly diversified investment strategies that track or seek to outperform designated market indices or sectors. The Diocese has no outstanding commitments to invest further in these investments

NOTE 5 - ENDOWMENTS

Endowments consist of various investment funds established primarily for operating needs of the Diocese and includes donor-restricted and board designated endowment funds. As required by U.S. GAAP, 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 EPISCOPAL DIOCESE OF PITTSBURGH

NOTES TO FINANCIAL STATEMENTS
(continued)

NOTE 5 - ENDOWMENTS (continued)

The following represents donor-restricted and Board designated endowment fund activity by net asset type for the years ended December 31, 2025 and 2024:

	Without Donor Restrictions	Without Donor Restrictions - Board designated	With Donor Restrictions - Perpetuity	Total
Balance, January 1, 2024	\$ --	\$ 9,719,444	\$ 10,467,067	\$ 20,186,511
Investment return, net	--	1,452,208	888,847	2,341,055
Amounts appropriated for expenditures	491,798	(245,178)	(246,620)	--
Other activity	--	826,655	(718,507)	108,148
Amounts expended	<u>(491,798)</u>	<u>--</u>	<u>--</u>	<u>(491,798)</u>
Balance, December 31, 2024	\$ <u>--</u>	\$ <u>11,753,129</u>	\$ <u>10,390,787</u>	\$ <u>22,143,916</u>
Investment return, net	--	1,970,265	1,745,545	3,715,810
Contributions	--	3,172	5,953	9,125
Amounts appropriated for expenditures	719,314	(458,376)	(260,938)	--
Other activity	--	(75,086)	(118,471)	(193,556)
Amounts expended	<u>(719,314)</u>	<u>--</u>	<u>--</u>	<u>(719,314)</u>
Balance, December 31, 2025	\$ <u>--</u>	\$ <u>13,193,104</u>	\$ <u>11,762,876</u>	\$ <u>24,955,980</u>

THE EPISCOPAL DIOCESE OF PITTSBURGH

NOTES TO FINANCIAL STATEMENTS

(continued)

NOTE 6 - LIQUIDITY AND AVAILABILITY

The following reflects the Diocese's financial assets as of December 31, 2025 and 2024, reduced by amounts not available for general use within one year of the statements of financial position date due to contractual or donor-imposed restrictions or designations made by the Board.

Financial assets, as of December 31:

	<u>2025</u>	<u>2024</u>
Cash	\$ 2,342,043	\$ 2,274,406
Other receivables	70,690	26,395
Investments	<u>38,414,614</u>	<u>34,266,012</u>
	40,827,347	36,566,813
Less those unavailable for general expenditures within one year, due to:		
Board-designated	(19,057,495)	(16,911,503)
Funds held for others	(4,656,346)	(4,085,523)
Restricted by donor with time or purpose restrictions	(430,315)	(356,034)
Investments held in perpetuity	<u>(11,762,876)</u>	<u>(10,390,787)</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 4,920,315</u>	<u>\$ 4,822,966</u>

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.

NOTE 7 - FIXED ASSETS

Fixed assets consist of the following as of December 31:

	<u>2025</u>	<u>2024</u>
Buildings	\$ --	\$ 557,322
Land	7,556	7,556
Vehicles	18,052	18,052
Leasehold Improvements	<u>240,670</u>	<u>240,670</u>
	266,278	823,600
Less: accumulated depreciation and amortization	<u>(250,728)</u>	<u>(707,982)</u>
	<u>\$ 15,550</u>	<u>\$ 115,618</u>

THE EPISCOPAL DIOCESE OF PITTSBURGH

NOTES TO FINANCIAL STATEMENTS

(continued)

NOTE 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 provided that the residence may be utilized by the Bishop and his wife until death. The agreement contained provisions requiring the Bishop to make 360 monthly payments of \$1,597, which began on December 16, 2007. The residence was vacated in March 2025 and was subsequently sold by the Diocese during 2026.

NOTE 9 - LOANS PAYABLE

During 2012, the Diocese began to make the payments on a parish's mortgage that was payable to First National Bank. During 2014, the Diocese obtained a portfolio loan account with Morgan Stanley. In November 2016, the mortgage was refinanced with Morgan Stanley, using the portfolio loan account. The loan account allowed for borrowings up to a maximum of \$1,225,000. The loan account was secured by a pledged account included in the Diocese's investments at Morgan Stanley. The interest rate was 2.96% and monthly payments of principal and interest were \$5,263, with a balloon payment scheduled to be due in 2023. The Diocese made an agreement with Morgan Stanley to extend the loan without requiring the balloon payment to be made until a final decision was determined by the Diocese on how to refinance the loan. The Diocese paid the note in full during 2024 and established a loan receivable from the respective parish.

In addition to the financed amount noted above, the Diocese also borrowed \$612,730 on behalf of another parish. In June 2016, the parish began making interest only payments at a rate of 1.75% above the current one-month London Interbank Offered Rate. In February 2017, a fixed rate of 3.59% was locked in. The Diocese paid the note in full during 2024 and established a loan receivable from the respective parish.

THE EPISCOPAL DIOCESE OF PITTSBURGH

NOTES TO FINANCIAL STATEMENTS

(continued)

NOTE 10 - OPERATING LEASE

The Diocese leases office space within Trinity Episcopal Cathedral, a parish of the Diocese. In January 2023, the Diocese and Trinity Episcopal Cathedral signed a new five-year agreement for the office space. The Diocese will pay \$3,167 per month (\$38,000 annually) for rent of the office space and the annual payment will increase by \$1,000 each succeeding year.

Total operating lease costs for the years ended December 31, 2025 and 2024, were \$40,000 and \$39,000, respectively, and are included within rent and cleaning for office space on the statements of functional expenses. As of December 31, 2025, the weighted average remaining lease term for the operating lease was 2 years and the weighted average discount rate was 3.00%. As of December 31, 2024, the weighted average remaining lease term for operating leases was 3 years and the weighted average discount rate was 3.00%.

Future undiscounted lease payments for the Diocese's operating lease are as follows as of December 31, 2025:

	2026	\$ 41,000
	2027	<u>42,000</u>
Total undiscounted lease payments		83,000
Less: amount representing interest		<u>2,316</u>
Operating lease liability		<u>\$ 80,684</u>

NOTE 11 - 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 \$33,190 and \$35,776 for the years ended December 31, 2025 and 2024, 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"). Total pension expense under this Plan, as assessed by the administrator of the church-wide defined benefit pension plan, was \$118,673 and \$82,461 for the years ended December 31, 2025 and 2024, respectively, which does not exceed 5% of total Plan contributions from all employers.

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.

THE EPISCOPAL DIOCESE OF PITTSBURGH

NOTES TO FINANCIAL STATEMENTS

(continued)

NOTE 12 - NET ASSETS WITHOUT DONOR RESTRICTIONS

In addition to the undesignated net assets without donor restrictions of \$5,943,825 and \$5,939,836, as of December 31, 2025 and 2024, respectively; the net assets and certain income derived therefrom have been designated by the Board or General Convention for the following purposes as of December 31:

	<u>2025</u>	<u>2024</u>
Plant Fund	\$ 5,224,391	\$ 4,649,109
Growth Fund	5,059,932	4,616,409
Community Service Fund	3,686,990	3,347,620
Bishop's Fund	1,736,490	1,539,326
Church Multiplication Fund	519,427	479,968
Bishop's Residence Fund	492,376	438,653
Clergy Relief	339,127	300,622
Seminarian Aid	150,427	135,535
Other	<u>1,848,335</u>	<u>1,404,261</u>
Total	<u>\$ 19,057,495</u>	<u>\$ 16,911,503</u>

The majority of these Board designated funds, including a portion of the plant fund are available for distribution/spending in accordance with the spending policy adopted by the Board (4.5% per year).

THE EPISCOPAL DIOCESE OF PITTSBURGH

NOTES TO FINANCIAL STATEMENTS

(continued)

NOTE 13 - NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions as of December 31, 2025 and 2024 are available for the following purposes:

	<u>2025</u>	<u>2024</u>
Time and/or purpose:		
Bishop's discretionary and other funds	\$ 272,391	\$ 35,393
Baur funds for formation	<u>157,924</u>	<u>320,641</u>
Total time and/or purpose	<u>430,315</u>	<u>356,034</u>
Perpetual in nature (held in investments and perpetual trusts):		
Episcopal support	8,140,806	7,384,125
Parish and mission support	4,755,918	4,212,620
Bishop's Fund	912,145	809,602
Chaplaincy programs	782,253	693,962
Episcopal Church Women	712,375	632,362
Parish and mission grants and loans	674,452	599,700
Seminarian support	412,798	366,207
Charitable and religious purposes	384,116	340,762
Other	<u>821,259</u>	<u>729,528</u>
Total perpetual in nature	<u>17,596,122</u>	<u>15,768,868</u>
Total Net Assets with Donor Restrictions	<u>\$ 18,026,437</u>	<u>\$ 16,124,902</u>

Net assets released from donor restriction by satisfying the restricted purposes as reflected in the statements of activities are as follows for the years ended December 31:

	<u>2025</u>	<u>2024</u>
Spending policy distributions	\$ 925,701	\$ 491,798
Purpose restrictions being met	<u>216,162</u>	<u>90,725</u>
	<u>\$ 1,141,863</u>	<u>\$ 582,523</u>

NOTE 14 - RELATED PARTY TRANSACTION

The individual that provides legal services to the Diocese is also a member of two governing bodies (Diocesan Council and the Commission on Constitution and Canons). During 2025 and 2024, the Diocese paid \$3,462 and \$14,070, respectively, to the member's law firm for legal services.

THE EPISCOPAL DIOCESE OF PITTSBURGH

NOTES TO FINANCIAL STATEMENTS

(continued)

NOTE 15 - LEGAL MATTERS

During 2019, the Diocese reached an agreement with one of the remaining ACNA 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.

The Order of the Court of Common Pleas dated January 29, 2010 had incorporated restrictions that required the Episcopal Diocese to seek Court approval before selling any of the real property identified in the Special Master's Report, removing current occupants from the buildings, or selling or transferring any altar artifacts. On July 19, 2021, the Court granted an Unopposed Motion to Modify the Court Order of January 29, 2010, by removing those restrictions. The Order of January 29, 2010 otherwise remains in effect.

In the normal course of operations, the Diocese is subject to potential claims or lawsuits. In the opinion of management and legal counsel, there are no current potential liabilities to be accrued and no material adverse effect on the Diocese's financial position to be considered.