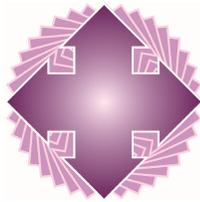




**GROSSMAN YANAK & FORD** LLP  
Certified Public Accountants and Consultants

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**ANGLICAN DIOCESE OF PITTSBURGH**

**Financial Statements for the Years Ended December 31, 2013  
and 2012 and Independent Auditors' Report**

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# ANGLICAN DIOCESE OF PITTSBURGH

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## **INDEPENDENT AUDITORS' REPORT**

To the Board of Trustees of  
Anglican Diocese of Pittsburgh

We have audited the accompanying financial statements of Anglican Diocese of Pittsburgh (the "Diocese") (a nonprofit organization), which comprise the statements of financial position as of December 31, 2013 and 2012, and the related statements of activities and changes in net assets, 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.

### **Auditors' 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 auditors' 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 auditors consider 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, 2013 and 2012, 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.

*Grossman Yanak + Fero LLP*

Pittsburgh, Pennsylvania  
December 4, 2014

**ANGLICAN DIOCESE OF PITTSBURGH**

**STATEMENTS OF FINANCIAL POSITION  
DECEMBER 31, 2013 AND 2012**

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<u>ASSETS</u>	<u>2013</u>	<u>2012</u>
Cash	\$ 463,961	\$ 553,743
Receivables, net	117,433	121,073
Prepaid expenses and other assets	47,076	33,684
Vehicle, net	<u>12,691</u>	<u>16,317</u>
<b>TOTAL ASSETS</b>	<b><u>\$ 641,161</u></b>	<b><u>\$ 724,817</u></b>
<u>LIABILITIES AND NET ASSETS</u>		
Accounts payable	\$ 27,499	\$ 31,125
Accrued other liabilities	3,774	1,341
Funds held for others	105,146	141,295
Deferred revenue	79,519	100,795
Notes payable	<u>213,780</u>	<u>217,141</u>
<b>TOTAL LIABILITIES</b>	<b><u>429,718</u></b>	<b><u>491,697</u></b>
<b>NET ASSETS:</b>		
Unrestricted	16,682	64,334
Temporarily restricted	<u>194,761</u>	<u>168,786</u>
<b>Net assets</b>	<b><u>211,443</u></b>	<b><u>233,120</u></b>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b><u>\$ 641,161</u></b>	<b><u>\$ 724,817</u></b>

See notes to financial statements.

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**ANGLICAN DIOCESE OF PITTSBURGH**

**STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS  
FOR THE YEAR ENDED DECEMBER 31, 2013**

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	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Totals</u>
REVENUE AND OTHER SUPPORT:			
Parish Godly Share	\$ 972,407		\$ 972,407
Contributions and grants	80,975	\$ 173,746	254,721
Miscellaneous income		323	323
Net assets released from restrictions	<u>148,094</u>	<u>(148,094)</u>	<u>-</u>
Total	<u>1,201,476</u>	<u>25,975</u>	<u>1,227,451</u>
EXPENSES:			
Office of the Bishop	236,790		236,790
Congregational mission	277,200		277,200
Beyond the Diocese	122,239		122,239
Transformational networks	173,947		173,947
Office of administration	<u>364,835</u>		<u>364,835</u>
Total operating expenses	<u>1,175,011</u>	<u>-</u>	<u>1,175,011</u>
OTHER EXPENSES:			
Legal	312		312
Donations	14,961		14,961
Other	<u>58,844</u>		<u>58,844</u>
Total other expense	<u>74,117</u>	<u>-</u>	<u>74,117</u>
Total expenses	<u>1,249,128</u>	<u>-</u>	<u>1,249,128</u>
INCREASE (DECREASE) IN NET ASSETS	(47,652)	25,975	(21,677)
NET ASSETS, BEGINNING OF YEAR	<u>64,334</u>	<u>168,786</u>	<u>233,120</u>
NET ASSETS, END OF YEAR	<u>\$ 16,682</u>	<u>\$ 194,761</u>	<u>\$ 211,443</u>

See notes to financial statements.

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## ANGLICAN DIOCESE OF PITTSBURGH

### STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS FOR THE YEAR ENDED DECEMBER 31, 2012

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	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Totals</u>
REVENUE AND OTHER SUPPORT:			
Parish Godly Share	\$ 960,263		\$ 960,263
Contributions and grants	92,855	\$ 153,971	246,826
Miscellaneous income	1,781	1,156	2,937
Net assets released from restrictions	<u>112,743</u>	<u>(112,743)</u>	<u>-</u>
Total	<u>1,167,642</u>	<u>42,384</u>	<u>1,210,026</u>
EXPENSES:			
Office of the Bishop	271,751	-	271,751
Congregational mission	249,701	-	249,701
Beyond the Diocese	138,618	-	138,618
Transformational networks	99,830	-	99,830
Office of administration	<u>330,277</u>	<u>-</u>	<u>330,277</u>
Total operating expenses	<u>1,090,177</u>	<u>-</u>	<u>1,090,177</u>
OTHER EXPENSES:			
Legal	29,952	-	29,952
Donations	25,175	-	25,175
Other	<u>32,688</u>	<u>-</u>	<u>32,688</u>
Total other expense	<u>87,815</u>	<u>-</u>	<u>87,815</u>
Total expenses	<u>1,177,992</u>	<u>-</u>	<u>1,177,992</u>
INCREASE (DECREASE) IN NET ASSETS	(10,350)	42,384	32,034
NET ASSETS, BEGINNING OF YEAR	<u>74,684</u>	<u>126,402</u>	<u>201,086</u>
NET ASSETS, END OF YEAR	<u>\$ 64,334</u>	<u>\$ 168,786</u>	<u>\$ 233,120</u>

See notes to financial statements.

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**ANGLICAN DIOCESE OF PITTSBURGH**

**STATEMENTS OF CASH FLOWS  
FOR THE YEARS ENDED DECEMBER 31, 2013 AND 2012**

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	<u>2013</u>	<u>2012</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Increase (decrease) in net assets	\$ (21,677)	\$ 32,034
Adjustments to reconcile changes in net assets to net cash used in operating activities:		
Depreciation	3,626	1,813
(Increase) decrease in:		
Receivables	3,640	(52,347)
Prepaid expenses and other assets	(13,392)	4,685
Increase (decrease) in:		
Accounts payable	(3,626)	(72,585)
Accrued other liabilities	2,433	(5,844)
Funds held for others	(36,149)	41,295
Deferred revenue	<u>(21,276)</u>	<u>(965)</u>
Net cash used in operating activities	<u>(86,421)</u>	<u>(51,914)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>		
Repayment of notes payable	<u>(3,361)</u>	<u>(989)</u>
NET DECREASE IN CASH	(89,782)	(52,903)
CASH, BEGINNING OF YEAR	<u>553,743</u>	<u>606,646</u>
CASH, END OF YEAR	<u>\$ 463,961</u>	<u>\$ 553,743</u>

**SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:**

Cash paid for interest	<u>\$ 764</u>	<u>\$ 290</u>
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**SUPPLEMENTAL DISCLOSURE OF NONCASH  
INVESTING AND FINANCING ACTIVITIES:**

During 2012, the Diocese purchased a vehicle in exchange for a note payable of \$18,130.

See notes to financial statements.

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## ANGLICAN DIOCESE OF PITTSBURGH

### NOTES TO FINANCIAL STATEMENTS FOR THE YEARS ENDED DECEMBER 31, 2013 AND 2012

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#### 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

*Reporting Entity* - The Anglican Diocese of Pittsburgh (the "Diocese") was formed on October 20, 2009 and is affiliated with the Anglican Province in the United States, The Anglican Church in North America ("ACNA"). The Diocese provides religious assistance, guidance and governance to 93 parishes, most of which are member parishes in the greater Pittsburgh area.

The financial statements of the Diocese reflect the combination of the Operating and Other Funds of the Diocese including unrestricted funds, the Bishop and Canon's Funds, Diocesan Growth Fund, and other temporarily restricted funds.

*Tax-Exempt Status* - The Diocese has been classified as a tax-exempt, non-profit organization under Section 501(a) of the Internal Revenue Code. Accordingly, no provision for federal income tax is required.

*Basis of Accounting* - The accounts of the Diocese are maintained on the accrual basis.

*Use of Estimates* - The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the dates of the financial statements and the reported amounts of revenues and expenses during the reporting periods. Actual results could differ from these estimates.

*Financial Statement Presentation* - The Diocese reports information regarding its financial position and activities according to three classes of net assets: unrestricted, temporarily restricted and permanently restricted.

Unrestricted net assets are the net assets that are neither permanently nor temporarily restricted by donor or grantor-imposed stipulations.

Temporarily restricted net assets result from contributions or other inflows of assets limited by donor stipulations that either expire by the passage of time or can be fulfilled and removed by actions of the Diocese pursuant to those stipulations. When the restriction expires, temporarily restricted assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

The Diocese had no permanently restricted net assets at December 31, 2013 and 2012.

*Parish Godly Share Revenue* – Member parishes and mission fellowships support the Diocese through contributions, which are recognized as revenue during the year to which the contribution pertains at their estimated net realizable value. Such support is typically a tithe of a parish's operating income and reflects a spiritual commitment of the parish. Parish Godly Share revenue also includes adjustments to previous years' estimates of collectible receivables, as well as amounts received in fiscal 2014 and 2013 for support of activities in fiscal 2013 and fiscal 2012, respectively.

*Cash* - The Diocese maintains, at financial institutions, cash which may exceed federally insured limits at times and which may at times exceed statement of financial position amounts due to outstanding checks.

*Receivables* - The Diocese regularly extends credit to its member parishes for insurance billings. A valuation allowance is provided for those accounts for which collection is doubtful; uncollectible accounts are written off and charged against the allowance. Increases in the allowance are charged to other expense. Accounts are judged to be delinquent principally based on management's estimate of the parish's ability to pay. While the allowance for doubtful accounts represents management's estimate, it is at least reasonably possible that the allowance will be revised in the near term and that actual results could differ from this estimate.

*Vehicle* - The Diocese capitalizes fixed asset purchases and major improvements and betterments that are valued at \$5,000 or more and have a useful life greater than one year. At December 31, 2013 and 2012, the Diocese has capitalized one vehicle, which is presented at cost net of accumulated depreciation. Depreciation is provided on the straight-line method based on the vehicle's estimated useful life of five years. Depreciation expense was \$3,626 and \$1,813 for the years ended December 31, 2013 and 2012, respectively. Accumulated depreciation was \$5,439 and \$1,813 at December 31, 2013 and 2012, respectively.

*Deferred Revenue* - Receipts of Parish Godly Share in advance of the year to which they pertain are reflected as deferred revenue in the statements of financial position.

*Functional Expense Classification* - The general and administrative expenses of the Diocese are presented on the statements of activities as "Office of administration." All other operating expense line items are considered to be program-related.

*Subsequent Events* - Management has evaluated subsequent events through December 4, 2014, the date which the financial statements were available to be issued.

**2. RECEIVABLES**

Receivables consist of the following at December 31, 2013 and 2012:

	<u>2013</u>	<u>2012</u>
Godly Share receivable	\$ 20,924	\$ 13,910
Insurance receivables from parishes	65,800	85,376
Loans to parishes and clergy	25,354	28,453
Other	5,355	6,334
Allowance for doubtful accounts	<u>-</u>	<u>(13,000)</u>
Receivables, net	<u>\$ 117,433</u>	<u>\$ 121,073</u>

**3. OPERATING LEASES**

The Diocese leases office space and equipment under operating leases that expire at various dates through April 2017. Rent expense was \$76,334 and \$77,100 for the years ended December 31, 2013 and 2012, respectively.

The minimum future lease obligations for years subsequent to 2013 are as follows:

2014	\$ 79,862
2015	81,163
2016	79,045
2017	77,659
2018	76,966
Thereafter	<u>70,552</u>
Total	<u>\$ 465,247</u>

**4. NOTES PAYABLE**

The Diocese is party to a noninterest-bearing note payable to a parish. The proceeds from the note are to be used to support the legal efforts of the Diocese. The note is to be repaid when the Diocesan assets are restored or when the Diocesan finances allow. During 2011, the Diocese paid the parish \$100,000, however, the parish requested that the funds be held by the Diocese on their behalf.

During 2012, the Diocese entered into a note payable in the amount of \$18,130 that was for the purchase of, and is collateralized by, a vehicle. The note is payable in monthly installments of \$342, including interest at 4.89%, through August 2017.

**5. RETIREMENT PLANS**

The Diocese maintains a 401(k) plan for all eligible lay employees that have completed one year of service (at least 1,000 hours). Participants in the plan are allowed to contribute a portion of their eligible compensation, not to exceed IRS maximums. The Diocese contributed 11% of all participant's eligible compensation and matched employee contributions up to 4% of the participant's eligible compensation. The Diocese's contributions to the plan during the years ended December 31, 2013 and 2012 were \$28,678 and \$41,506, respectively. Employer and employee contributions are immediately vested.

The clergy in the Diocesan office participate in the ACNA Plan, a church-wide pension plan. Total contributions by the Diocese were \$70,838 and \$46,532 for the years ended December 31, 2013 and 2012, respectively.

**6. DIOCESAN INSURANCE PROGRAM**

Through its insurance program, the Diocese seeks to minimize its medical, property, directors and officers and workers' compensation insurance costs through central management and placement of insurance coverage. The pro rata share of the cost of insurance premiums is billed to participating parishes and other participating Diocesan organizations.

Billings to the participating parishes and other affiliated organizations for medical, property, directors and officers, and workers' compensation insurances were approximately \$642,000 and \$661,000 for the years ended December 31, 2013 and 2012, respectively. At December 31, 2013 and 2012, net receivables of \$65,800 and \$72,376, respectively, were outstanding related to the insurance program, including credits due from the insurance providers of approximately \$36,000 and \$11,000, respectively.

**7. UNRESTRICTED NET ASSETS**

Unrestricted net assets at December 31, 2013 and 2012 consisted of the following:

	<u>2013</u>	<u>2012</u>
Operating fund	\$ 38,852	\$ 113,802
Unrestricted reserve funds	124,235	124,235
Bishop's and canon's funds	15,983	8,352
Provincial assembly delegates fund	10,454	8,375
Staying faithful defense fund	(167,823)	(167,511)
Other funds	<u>(5,019)</u>	<u>(22,919)</u>
Total	<u>\$ 16,682</u>	<u>\$ 64,334</u>

**8. TEMPORARILY RESTRICTED NET ASSETS**

Temporarily restricted net assets are available for the following purposes:

	<u>2013</u>	<u>2012</u>
Growth fund	\$ 92,972	\$ 62,607
Assistant bishop	42,149	75,943
Housing relief	23,498	23,498
Mission Bequest Fund	20,000	-
Deacon formation	1,864	2,064
Other programs	<u>14,278</u>	<u>4,674</u>
Total	<u>\$ 194,761</u>	<u>\$ 168,786</u>

**9. CONTINGENCIES**

In a letter dated September 18, 2012, the Episcopal Diocese of Pittsburgh (the "Episcopal Diocese") advised the Diocese that it was continuing to study and evaluate information provided by the Diocese regarding the use of certain property that was previously in dispute. The letter also reaffirmed the Episcopal Diocese's right to seek further relief regarding such property pursuant to the Court of Common Pleas of Allegheny County Order dated January 29, 2010. Although the Episcopal Diocese cited several beliefs regarding inappropriate use of the property by the Diocese, no formal claims have been levied against the Diocese as of the date of this report, and it is unknown if the Episcopal Diocese will pursue any such claims.

**10. SHARED SERVICES**

The Diocese provides staff support from the Office of the Bishop for the mission of ACNA. Accordingly, the Diocese received reimbursements of approximately \$124,000 and \$125,000 for the years ended December 31, 2013 and 2012, respectively, for such expenses incurred on behalf of ACNA. The reimbursements reduce the Office of the Bishop expense reflected in the statements of activities.

**11. PROVINCIAL SUPPORT**

The Diocese supports the mission of ACNA through a tithe of its operating income and other contributions. The Diocese contributed approximately \$105,000 and \$129,000 to ACNA for the years ended December 31, 2013 and 2012, respectively, which was included in Beyond the Diocese expense in the statement of activities.