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THE EPISCOPAL DIOCESE OF SAN DIEGO

FINANCIAL STATEMENTS

DECEMBER 31, 2024 AND 2023

Leaf & Cole, LLP
Certified Public Accountants
A Partnership of Professional Corporations

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Independent Auditor's Report

To the Board of Directors
The Episcopal Diocese of San Diego

Opinion

We have audited the accompanying financial statements of the Episcopal Diocese of San Diego (a nonprofit organization), which comprise the statements of financial position as of December 31, 2024 and 2023, 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 San Diego as of December 31, 2024 and 2023, 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. 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 San Diego, 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 San Diego's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

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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 generally accepted auditing standards 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, including omissions, 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 generally accepted auditing standards, 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 San Diego'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 San Diego'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.

Leaf & Cole LLP

San Diego, California
September 8, 2025

THE EPISCOPAL DIOCESE OF SAN DIEGO
STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2024 AND 2023

ASSETS

	2024	2023
Assets: (Notes 2 and 4 to 13)		
Cash and cash equivalents	$ 894,024	$ 771,467
Accounts receivable	25,532	79,225
Contributions receivable, net	305,795	226,200
Investments	11,090,097	10,495,365
Prepaid expenses and deposits	20,795	36,753
Notes receivable, net	3,770,581	3,978,063
Charitable remainder unitrusts	665,906	614,095
Pooled income fund	6,976	8,151
Investment in limited partnership	338,677	338,003
Property and equipment, net	2,335,850	2,381,284
Property for Missions and Parishes	987,036	987,036
Beneficial interests in endowment funds	542,103	519,133
TOTAL ASSETS	$ 20,983,372	$ 20,434,775

LIABILITIES AND NET ASSETS

	2024	2023
Liabilities: (Notes 2 and 14)		
Accounts payable and accrued expenses	$ 157,343	$ 207,649
Other liabilities	17,711	24,567
Custodial funds	466,766	531,992
Total Liabilities	641,820	764,208
Commitments and Contingency (Note 18)		
Net Assets: (Notes 2, 15, 16 and 17)		
Without Donor Restrictions:		
Undesignated	6,360,588	6,401,388
Board designated funds	5,319,285	5,327,244
Board designated endowment	2,426,252	2,298,114
Total Net Assets Without Donor Restrictions	14,106,125	14,026,746
With Donor Restrictions:		
Purpose restrictions	2,523,182	2,007,250
Time restrictions	6,976	8,151
Perpetual in nature	3,705,269	3,628,420
Total Net Assets With Donor Restrictions	6,235,427	5,643,821
Total Net Assets	20,341,552	19,670,567
TOTAL LIABILITIES AND NET ASSETS	$ 20,983,372	$ 20,434,775

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

THE EPISCOPAL DIOCESE OF SAN DIEGO
STATEMENTS OF ACTIVITIES
FOR THE YEARS ENDED DECEMBER 31, 2024 AND 2023

	2024			2023		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
Revenue and Support:						
Mission giving	$ 1,804,859	$ -	$ 1,804,859	$ 1,774,175	$ -	$ 1,774,175
Contributions	483,515	711,228	1,194,743	891,929	318,770	1,210,699
In-kind contributions	133,198	-	133,198	78,287	-	78,287
Rental income	95,303	-	95,303	89,522	-	89,522
Conferences and conventions	64,442	-	64,442	60,491	-	60,491
Other income	11,118	-	11,118	15,855	-	15,855
Net assets released from restrictions, net of transfers	882,067	(882,067)	-	171,537	(505,906)	(334,369)
Total Revenue and Support	3,474,502	(170,839)	3,303,663	3,081,796	(187,136)	2,894,660
Expenses:						
Program Expenses:						
Evangelism, Discipleship and Service	1,255,027	-	1,255,027	664,267	-	664,267
Stewardship	755,946	-	755,946	650,446	-	650,446
Episcopate and Bishop’s Office	682,743	-	682,743	595,695	-	595,695
Leadership and Congregational Development	595,139	-	595,139	613,749	-	613,749
Total Program Expenses	3,288,855	-	3,288,855	2,524,157	-	2,524,157
Supporting Services:						
Administration and governance	420,456	-	420,456	416,482	-	416,482
Fundraising	98,896	-	98,896	95,885	-	95,885
Total Supporting Services	519,352	-	519,352	512,367	-	512,367
Total Expenses	3,808,207	-	3,808,207	3,036,524	-	3,036,524
Change in Net Assets Before Other Income	(333,705)	(170,839)	(504,544)	45,272	(187,136)	(141,864)
Other Income:						
Investment income, net	413,084	762,445	1,175,529	463,126	754,544	1,217,670
Total Other Income	413,084	762,445	1,175,529	463,126	754,544	1,217,670
Change in Net Assets	79,379	591,606	670,985	508,398	567,408	1,075,806
Net Assets at Beginning of Year	14,026,746	5,643,821	19,670,567	13,518,348	5,076,413	18,594,761
NET ASSETS AT END OF YEAR	$ 14,106,125	$ 6,235,427	$ 20,341,552	$ 14,026,746	$ 5,643,821	$ 19,670,567

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

THE EPISCOPAL DIOCESE OF SAN DIEGO
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2024

	Program Expenses					Supporting Services			
	Evangelism, Discipleship and Service	Stewardship	Episcopate and Bishop's Office	Leadership and Congregational Development	Total Program Expenses	Administration and Governance	Fundraising	Total Supporting Services	Total
Salaries and Related Expenses:									
Salaries and wages	$ 397,209	$ 144,601	$ 247,917	$ 209,700	$ 999,427	$ 228,725	$ 53,655	$ 282,380	$ 1,281,807
Payroll taxes	30,578	12,907	4,999	284	48,768	16,664	4,662	21,326	70,094
Employee benefits	106,165	22,973	67,730	74,623	271,491	84,928	5,215	90,143	361,634
Total Salaries and Related Expenses	533,952	180,481	320,646	284,607	1,319,686	330,317	63,532	393,849	1,713,535
Nonsalary Related Expenses:									
Contract services	28,055	123,609	135,890	10,418	297,972	37,307	1,199	38,506	336,478
Copying, printing and postage	2,719	392	12,681	-	15,792	400	9,331	9,731	25,523
Depreciation	36,709	13,364	22,912	19,380	92,365	21,138	4,958	26,096	118,461
Facility and equipment	8,074	63,001	27,082	-	98,157	-	-	-	98,157
Grants and other support	529,391	326,915	33,327	163,918	1,053,551	-	-	-	1,053,551
Insurance	4,965	28,462	530	(183)	33,774	-	-	-	33,774
Other expenses	250	521	16,818	73,525	91,114	10,502	9,036	19,538	110,652
Supplies	25,386	9,198	10,077	1,648	46,309	5	-	5	46,314
Telephone and IT	19,982	8,693	12,225	528	41,428	19,908	10,286	30,194	71,622
Travel and meeting	65,544	1,310	90,555	41,298	198,707	879	554	1,433	200,140
Total Nonsalary Related Expenses	721,075	575,465	362,097	310,532	1,969,169	90,139	35,364	125,503	2,094,672
Total Expenses	$ 1,255,027	$ 755,946	$ 682,743	$ 595,139	$ 3,288,855	$ 420,456	$ 98,896	$ 519,352	$ 3,808,207

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

THE EPISCOPAL DIOCESE OF SAN DIEGO
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2023

	Program Expenses					Supporting Services			
	Evangelism, Discipleship and Service	Stewardship	Episcopate and Bishop's Office	Leadership and Congregational Development	Total Program Expenses	Administration and Governance	Fundraising	Total Supporting Services	Total
Salaries and Related Expenses:									
Salaries and wages	$ 382,807	$ 114,211	$ 238,051	$ 207,563	$ 942,632	$ 237,017	$ 48,604	$ 285,621	$ 1,228,253
Payroll taxes	27,401	7,917	5,884	956	42,158	28,211	4,129	32,340	74,498
Employee benefits	84,161	36,706	62,263	88,003	271,133	71,654	4,849	76,503	347,636
Total Salaries and Related Expenses	494,369	158,834	306,198	296,522	1,255,923	336,882	57,582	394,464	1,650,387
Nonsalary Related Expenses:									
Contract services	7,451	29,072	92,069	11,619	140,211	38,559	1,199	39,758	179,969
Copying, printing and postage	3,251	122	12,907	-	16,280	552	3,600	4,152	20,432
Depreciation	26,362	24,090	33,812	19,529	103,793	14,193	2,746	16,939	120,732
Facility and equipment	1,053	88,136	22,161	50	111,400	956	-	956	112,356
Grants and other support	58,628	336,618	46,444	231,834	673,524	-	1,123	1,123	674,647
Insurance	3,902	679	8,850	-	13,431	1,739	-	1,739	15,170
Other expenses	429	158	12,743	-	13,330	3,835	12,671	16,506	29,836
Supplies	17,855	8,435	8,698	10,745	45,733	226	-	226	45,959
Telephone and IT	10,571	3,405	23,426	369	37,771	16,588	16,964	33,552	71,323
Travel and meeting	40,396	897	28,387	43,081	112,761	2,952	-	2,952	115,713
Total Nonsalary Related Expenses	169,898	491,612	289,497	317,227	1,268,234	79,600	38,303	117,903	1,386,137
Total Expenses	$ 664,267	$ 650,446	$ 595,695	$ 613,749	$ 2,524,157	$ 416,482	$ 95,885	$ 512,367	$ 3,036,524

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

THE EPISCOPAL DIOCESE OF SAN DIEGO
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2024 AND 2023

	2024	2023
Cash Flows From Operating Activities:		
Change in net assets	$ 670,985	$ 1,075,806
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	118,461	120,732
Net realized and unrealized gain on investments	(285,085)	(329,757)
Change in value of charitable remainder unitrusts	(51,811)	85,635
Change in value of pooled income fund	1,175	(34)
Endowment contributions	(9,782)	(215,000)
Endowment investment gain	(57,773)	(69,191)
Endowment distributions	24,187	25,314
(Increase) Decrease in:		
Accounts receivable	53,693	(62,124)
Contributions receivable, net	(79,595)	(226,200)
Prepaid expenses and deposits	15,958	(8,145)
Increase (Decrease) in:		
Accounts payable and accrued expenses	(50,306)	66,040
Other liabilities	(6,856)	13,258
Net Cash Provided by Operating Activities	343,251	476,334
Cash Flows From Investing Activities:		
Purchase of investments, net	(309,647)	(1,285,682)
Repayments of notes receivable	207,482	272,879
Change in investment in limited partnership	(337)	(169,002)
Purchases of property and equipment	(73,027)	-
Change in beneficial interest in endowment funds	(22,970)	(33,902)
Net Cash Used in Investing Activities	(198,499)	(1,215,707)
Cash Flows From Financing Activities:		
Custodial funds	(65,563)	222,339
Endowment contributions	9,782	215,000
Endowment investment gain	57,773	69,191
Endowment distributions	(24,187)	(25,314)
Net Cash (Used in) Provided by Financing Activities	(22,195)	481,216
Net Increase (Decrease) in Cash and Cash Equivalents	122,557	(258,157)
Cash and Cash Equivalents at Beginning of Year	771,467	1,029,624
CASH AND CASH EQUIVALENTS AT END OF YEAR	$ 894,024	$ 771,467

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

Note 1 - Organization:

The Episcopal Diocese of San Diego (the "Diocese") was organized in December 1973, as a nonprofit corporation, to acquire, hold, manage, and administer property and funds of the Diocese and its constituents, parishes, missions, and congregations. The Diocese conducts ministerial programs of its own through the office of the bishop, support to individual congregations and clergy members, administrative support for diocesan programs and ministries at the congregational level, and support of the wider Church beyond the diocese. The Episcopal churches under its jurisdiction are located throughout San Diego and Imperial Counties, California and in a portion of Riverside County, California, and Yuma County, Arizona. The Diocese is subject to the Constitution and Canons of the Episcopal Church and the Constitution and Canons of The Episcopal Diocese of San Diego.

The Diocese provided the following program services:

Evangelism, Discipleship, and Service

Administered through the office of the Canon for Mission, this program area focuses on outreach and growth. The program group cultivates a sense of mission across congregations in the diocese that focus on developing deeper Christian spirituality for members and assisting members in reaching beyond current membership to spread the Good News of the Gospel. This includes Service and Advocacy programs such as Border and Refugee ministries, Advocacy ministries, and homeless ministries. Other ministries in this program group include Youth Ministry, Campus Ministry, and Armed Forces Ministry.

Stewardship

The Stewardship program group utilizes resources of the diocese to further the ministry and mission of the Church and is primarily administered by the Chief Financial Officer. The costs of this group include contributions to outside organizations (such as the Episcopal Church), maintenance of real estate investments, and the property maintenance of the diocesan Ocean Beach offices.

The Episcopate and Bishop's Office

The Bishop (Episcopate) is the primary apostle, chief priest, and chief pastor of the diocese and responsible for guarding the faith, unity, and discipline of the whole Church. The bishop leads by fostering relationships with people and congregations throughout the diocese, traveling frequently across the region to preach, meet with local congregational leadership, and provide sacramental services. The bishop's office includes administrative support for program administration for the diocese, information technology costs for the diocesan offices, and costs of governance including diocesan convention.

Leadership and Congregational Development

The Diocese provides support to congregations and clergy in the diocese. Primarily administered through the office of the Canon to the Ordinary, Congregations in Transition (who are between priests) are provided guidance and support as they seek new leadership. The diocese also provides grants to congregations to support mission, operation, and property needs. This program group also records costs of support to clergy leadership through support for the ordination process, pastoral care, retiree benefits, and educational and wellness activities.

Note 2 - Significant Accounting Policies:

Method of Accounting

The financial statements of the Diocese have been prepared on the accrual basis of accounting which is in accordance with accounting principles generally accepted in the United States of America (GAAP), and, accordingly, reflect all significant receivables, payables, and other liabilities.

Financial Statement Presentation

Net assets, revenues, gains, and losses are classified based on the existence or absence of donor or grantor-imposed restrictions. Accordingly, net assets and changes thereon are classified and reported as follows:

- Net Assets Without Donor Restrictions - Net assets available for use in general operations and not subject to donor (or certain grantor) restrictions. The governing board has designated, from net assets without donor restrictions, a board-designated endowment.
- Net Assets With Donor Restrictions - Net assets subject to donor (or certain grantor) imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Donor-imposed restrictions are released when a restriction expires—that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both.

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 disclosure 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.

Risks and Uncertainties

The Diocese invests in various types of investment securities which 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 values of investment securities will occur in the near-term, and such changes could materially affect the amounts reported in the statements of financial position.

Fair Value Measurements

Fair value accounting standards define fair value, establish a framework for measuring fair value, outline a fair value hierarchy based on inputs used to measure fair value, and enhance disclosure requirements for fair value measurements. The fair value hierarchy distinguishes between market participant assumptions based on market data obtained from sources independent of the reporting entity (observable inputs that are classified within Level 1 or 2 of the hierarchy) and the reporting entity's own assumptions about market participant assumptions (unobservable inputs classified within Level 3 of the hierarchy).

Note 2 - Significant Accounting Policies: (Continued)

Fair Value Measurements (Continued)

- Level 1 inputs are quoted prices in active markets for identical investments that the investment manager has the ability to access at the measurement date.
- Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for the investment, either directly or indirectly.
- Level 3 inputs are unobservable inputs for the investment.

The Diocese's statements of financial position includes the following financial instruments that are required to be measured at fair value on a recurring basis:

- Investments in mutual and exchange traded funds and common stock are considered Level 1 assets, and are reported at fair value based on quoted prices in active markets for identical assets at the measurement date. Investments in certain mutual, index and exchange traded funds are considered Level 2 assets and are reported at fair value based on the fair value of the underlying assets in the funds as reported by the fund managers since these funds are valued monthly by the fund manager and are not traded in an active market.
- Investments in U.S. Treasury notes are considered Level 2 assets, and are reported at fair value based on quoted prices in active markets for similar assets at the measurement date.
- Investments held at Episcopal Church Foundation and Church Investment Group are considered Level 2 assets, and are reported at fair value based on the fair value of the underlying assets in the funds as reported by the fund manager, Episcopal Church Foundation and Church Investment Group, since these funds are valued by the fund manager and are not traded in an active market.
- Beneficial interest in split interest agreements (charitable remainder unitrusts and pooled income fund) are considered Level 3 assets, and are reported at fair value based on management's assumptions about the expected investment return on the underlying trust assets, an applicable discount rate, and the life expectancy of the donor.
- Beneficial interests in endowment funds are considered Level 3 assets, and are reported at fair value based on the fair value of the underlying assets as provided by the fund manager.

Allowance for Credit Losses

The Diocese recognizes an allowance for credit losses on accounts receivable to present the net amount expected to be collected as of the statements of financial position date. Such allowance is based on the credit losses expected to arise over the life of the asset which is based on the expectation as of the statements of financial position date, aging reports and historical information. Accounts receivable are written off when the Diocese determines such receivables are deemed uncollectible. Write-offs are recognized as a deduction from the allowance for credit losses. Management believes that all accounts receivable were fully collectible; therefore, no allowance for credit losses on accounts receivable were recorded at December 31, 2024 and 2023.

Allowance for Uncollectible Contributions Receivable

Bad debts are recognized on the allowance method, based on historical experience and management's evaluation of contributions receivable. The allowance for uncollectible contributions receivable totaled $16,094 and $11,790 at December 31, 2024 and 2023, respectively.

Note 2 - Significant Accounting Policies: (Continued)

Notes Receivable

The Diocese has made loans to various parishes and missions for the acquisition, expansion or repair of real property. These loans are partially collateralized by the real property.

Bad debts are recognized on the allowance method based on historical experience and management's evaluation of outstanding notes receivable. The allowance for doubtful notes receivable totaled $73,524 and $-0- at December 31, 2024 and 2023, respectively.

Capitalization and Depreciation

The Diocese capitalizes all expenditures in excess of $5,000 for property and equipment at cost, while donations of property and equipment are recorded at their estimated fair values. Such donations are reported as support without donor restrictions, unless the donor has restricted the donated asset to a specific purpose. Assets donated with explicit restrictions regarding their use, and contributions of cash that must be used to acquire property and equipment, are reported as support with donor restrictions. Absent donor stipulations regarding how 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. Property and equipment is depreciated using the straight-line method over the estimated useful asset lives as follows:

Buildings and improvements	7 - 30 years
Equipment	3 - 7 years
Vehicles	5 - 7 years

Depreciation totaled $118,461 and $120,732 for the years ended December 31, 2024 and 2023, respectively.

Maintenance and repairs are charged to operations as incurred. Upon sale or disposition of property or equipment, the asset account is reduced by the cost and the accumulated depreciation account is reduced by the depreciation taken prior to the sale. Any resultant gain or loss is then recorded as income or expense.

Impairment of Real Estate

The Diocese reviews its investment in real estate for impairment whenever events and changes in circumstances indicate that the carrying value of such property may not be recoverable. Recoverability is measured by a comparison of the carrying amount of the real estate to the estimated proceeds from the eventual disposition of the real estate. If the real estate is considered to be impaired, the impairment to be recognized is measured at the amount by which the carrying amount of real estate exceeds the fair value of such property. There was no impairment loss recognized in 2024 and 2023.

Compensated Absences

Accumulated unpaid vacation totaling $102,760 and $86,204 at December 31, 2024 and 2023, respectively, is accrued when incurred, and included in accounts payable and accrued expenses.

Note 2 - Significant Accounting Policies: (Continued)

Revenue Recognition

Common Life Share (Mission Giving)

Annually, churches within the Diocese make a promise to give to the Diocese per Canon 4.2.03 of The Episcopal Diocese of San Diego. Per the canon, the pledge is to be paid in 12 equal installments. The Diocese recognizes the revenue for Common Life Share (Mission giving) on a monthly basis.

Contributions

Contributions are recognized when the donor makes a promise to give to the Diocese that is in substance, unconditional. Contributions that are restricted by the donor are reported as increases in net assets without donor restrictions if the restrictions expire in the fiscal year in which the contributions are recognized. All other donor-restricted contributions are reported as increases in net assets with donor restrictions depending on the nature of the restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions. Contributions to be received in future periods are discounted at an appropriate discount rate. Amortization of discounts is recorded as additional contribution revenue in accordance with donor-imposed restrictions, if any, on the contributions.

Rental Income

Revenue from facility rentals is recognized as performance obligations are satisfied, and any non-refundable portion of the contract is recorded as revenue upon receipt.

Conference and Convention

Conference and convention income is recognized as revenue in the month the event occurs.

Donated Services

The Diocese utilizes the services of many volunteers throughout the year. This contribution of services by the volunteers is not recognized in the financial statements, unless the services received (a) create or enhance nonfinancial assets, or (b) require specialized skills, which are provided by individuals possessing those skills and would typically need to be purchased if not provided by donation.

The donated services totaled $133,198 and $78,287 for the years ended December 31, 2024 and 2023, respectively.

2024

Items Donated	Revenue Recognized	Utilization in Programs/Activities	Donor Restrictions	Valuation Techniques and Inputs
Legal services	$133,198	Various services	No associated donor restrictions	Donated services from attorneys are valued at the estimated fair value based on current rates for similar legal services.

Note 2 - Significant Accounting Policies: (Continued)

Donated Services (Continued)

2023				
Items Donated	**Revenue Recognized**	**Utilization in Programs/Activities**	**Donor Restrictions**	**Valuation Techniques and Inputs**
Legal services	$78,287	Various services	No associated donor restrictions	Donated services from attorneys are valued at the estimated fair value based on current rates for similar legal services.

Functional Allocation of Expenses

The statements of functional expenses present expenses by function and natural classification. Expenses directly attributable to a specific functional area are reported as expenses of those functional areas. A portion of expenses that benefit multiple functional areas have been allocated between programs and supporting services, based on a cost allocation plan that allocates costs primarily based on the proportion of full-time employee equivalents of a program or supporting service versus the total Diocese full-time employee equivalents.

Income Taxes

The Diocese has been designated as a tax-exempt entity by the Internal Revenue Service, except to the extent of the unrelated business taxable income as defined under IRC Sections 511 through 515 and the California Franchise Tax Board under Sections 501(c)(3) and 23701(d), respectively. The Diocese’s unrelated business activity did not generate taxable income and no tax liability has been recorded at December 31, 2024 and 2023. The Diocese believes that it has appropriate support for any tax positions taken, and, as such, does not have any uncertain tax positions that are material to the financial statements.

The Diocese’s Return of Organization Exempt from Income Tax and Exempt Organization Business Income Tax Returns for the year ended December 31, 2024 is subject to examination by Internal Revenue Service and State taxing authorities, generally three to four years after the returns were filed.

Concentration of Credit Risk

The Diocese maintains its cash and investments in bank deposit accounts and brokerage accounts which, at times, may exceed federally insured limits. The Diocese has not experienced any losses in such accounts. The Diocese believes it is not exposed to any significant credit risk on cash and cash equivalents.

Cash and Cash Equivalents

For purposes of the statements of cash flows, the Diocese considers all highly liquid investments available for current use with an initial maturity of three months or less to be cash equivalents.

Note 2 - Significant Accounting Policies: (Continued)

Subsequent Events

The Diocese's management has evaluated subsequent events and transactions for potential recognition or disclosure through September 8, 2025, which is the date the financial statements were available for issuance, and concluded that there were no events or transactions that needed to be disclosed except as disclosed in Note 20.

Reclassification

The Diocese has reclassified certain prior year information to conform with the current year presentation.

Note 3 - Liquidity and Availability:

The Diocese regularly monitors the availability of resources required to meet its operating needs and other contractual commitments, while also striving to maximize the investment of its available funds. The Diocese considers investment income without donor restrictions, appropriated earnings from donor-restricted endowments and board-designated endowments, contributions without donor restrictions, and contributions with donor restrictions for use in current programs which are ongoing, major, and central to its annual operations to be available to meet cash needs for general expenditures. For purposes of analyzing resources available to meet general expenditures over a 12-month period, the Diocese considers all expenditures related to its ongoing activities, as well as the conduct of services undertaken to support those activities, to be general expenditures.

The table below presents financial assets available for general expenditures within one year at December 31:

	2024	2023
Financial assets at year-end:		
Cash and cash equivalents	$ 894,024	$ 771,467
Accounts receivable	25,532	79,225
Contributions receivable, net	305,795	226,200
Investments	11,090,097	10,495,365
Total financial assets	12,315,448	11,572,257
Less assets unavailable for general expenditures:		
Cash and investments held for board-designated purposes	(7,745,537)	(7,625,358)
Cash and investments held for donor-specified purposes	(2,523,182)	(2,007,250)
Custodial funds	(466,766)	(531,992)
Donor-restricted endowment funds	(3,163,166)	(3,109,287)
Total financial assets not available to be used within one year	(13,898,651)	(13,273,887)
Financial assets available to meet cash needs for general expenditures within one year	$ (1,583,203)	$ (1,701,630)

In addition to financial assets available to meet general expenditures over the next 12 months, the Diocese operates with a balanced budget and anticipates collecting sufficient revenue to cover general expenditures.

The Diocese's governing board has designated a portion of its unrestricted resources for various purposes as described in Note 15. These amounts are not expected to be used within one year for general expenditures and have been included as a reduction in assets available for general expenditures in the table above. These may be spent at the discretion of the Board of Directors. The Diocese's governing board has designated a portion of its unrestricted resources for endowment purposes. These funds are invested for long-term appreciation and current income but remain available and may be spent at the discretion of the Board of Directors. Appropriations of board-designated endowment fund earnings are made at the discretion of the Board of Directors.

Note 3 - Liquidity and Availability: (Continued)

Endowment funds consist of donor-restricted endowments. Income from donor-restricted endowments is restricted for specific purposes, with the exception of the amounts available for general use. Appropriations of endowment fund earnings are made in accordance with the spending policy as described in Note 17. Donor-restricted endowment funds that must be held in perpetuity are not available for general expenditure.

Note 4 - Fair Value Measurements:

The following table summarizes assets measured at fair value by classification within the fair value hierarchy at December 31:

	2024			
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Balance as of December 31, 2024
Mutual, index and exchange traded funds	$ 5,731,422	$ -	$ -	$ 5,731,422
U.S. Treasury notes	-	1,953,930	-	1,953,930
Episcopal Church Foundation	-	3,404,745	-	3,404,745
Charitable remainder unitrusts (Note 8)	-	-	665,906	665,906
Pooled income fund (Note 9)	-	-	6,976	6,976
Beneficial Interest in endowment funds (Note 13)	-	-	542,103	542,103
	$ 5,731,422	$ 5,358,675	$ 1,214,985	$ 12,305,082

	2023			
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Balance as of December 31, 2023
Mutual, index and exchange traded funds	$ 5,353,195	$ -	$ -	$ 5,353,195
Corporate stock	733	-	-	733
U.S. Treasury notes	-	2,027,250	-	2,027,250
Church Investment Group	-	1,381,009	-	1,381,009
Episcopal Church Foundation	-	1,733,178	-	1,733,178
Charitable remainder unitrusts (Note 8)	-	-	614,095	614,095
Pooled income fund (Note 9)	-	-	8,151	8,151
Beneficial Interest in endowment funds (Note 13)	-	-	519,133	519,133
	$ 5,353,928	$ 5,141,437	$ 1,141,379	$ 11,636,744

The reconciliation for financial instruments measured at fair value on a recurring basis as significant unobservable inputs (Level 3) are included in the Notes as indicated above.

Note 4 - Fair Value Measurements: (Continued)

The following table represents the Diocese's Level 3 financial instruments, the valuation techniques used to measure the fair value of those financial instruments, and the significant unobservable inputs and the range of values for those inputs for the years ended December 31:

2024

Instrument	Fair Value	Principal Valuation Technique	Unobservable Inputs	Significant Input Values
Charitable remainder unitrusts	$ 665,906	Present value of expected cash flows	Discount rate Payout rate	3.60% 6%-9%
Pooled income fund	$ 6,976	Present value of expected cash flows	Discount rate	2.74%
Beneficial interest in endowment funds	$ 542,103	Valuation of underlying assets as provided by fund manager	Base price	N/A

2023

Instrument	Fair Value	Principal Valuation Technique	Unobservable Inputs	Significant Input Values
Charitable remainder unitrusts	$ 614,095	Present value of expected cash flows	Discount rate Payout rate	3.60% 6%-9%
Pooled income fund	$ 8,151	Present value of expected cash flows	Discount rate	2.74%
Beneficial interest in endowment funds	$ 519,133	Valuation of underlying assets as provided by fund manager	Base price	N/A

Note 5 - Investments:

Investments consist of the following at December 31:

	2024	2023
Mutual and exchange traded funds	$ 5,731,422	$ 5,353,195
Corporate stock	-	733
U.S. Treasury notes	1,953,930	2,027,250
Church Investment Group	-	1,381,009
Episcopal Church Foundation	3,404,745	1,733,178
Total Investments	$ 11,090,097	$ 10,495,365

The investments held at Episcopal Church Foundation are held in an investment pool, which is structured for long-term, total return consisting of 42% domestic equities, 26% international equities, 25% fixed income, 3% real estate funds and 4% cash and cash equivalents.

Note 5 - Investments: (Continued)

The following schedule summarizes the investment income and its classification in the statements of activities for the years ended December 31:

	2024		
	Without Donor Restrictions	With Donor Restrictions	Total
Realized and unrealized gain on investments	$ 285,085	$ 656,218	$ 941,303
Interest and dividend income	79,657	162,459	242,116
Investment fees	(23,393)	(56,232)	(79,625)
Interest income on notes receivable	71,735	-	71,735
Net Investment Income	$ 413,084	$ 762,445	$ 1,175,529

	2023		
	Without Donor Restrictions	With Donor Restrictions	Total
Realized and unrealized gain on investments	$ 329,757	$ 671,030	$ 1,000,787
Interest and dividend income	95,789	122,843	218,632
Investment fees	(24,193)	(39,329)	(63,522)
Interest income on notes receivable	61,773	-	61,773
Net Investment Income	$ 463,126	$ 754,544	$ 1,217,670

Note 6 - Contributions Receivable:

Contributions receivable consist of the following at December 31:

	2024	2023
Receivables due in less than one year	$ 181,889	$ 97,990
Receivables due in one year	140,000	140,000
Total Contributions Receivable	321,889	237,990
Less: Allowance for doubtful accounts	(16,094)	(11,790)
Contributions Receivable, Net	$ 305,795	$ 226,200

Note 7 - Notes Receivable:

Notes receivable consist of the following at December 31:

	2024	2023
Susan Snook and Thomas Snook, original principal of $600,000, due upon the earlier of a "repayment event" as defined in the shared appreciation loan agreement or December 1, 2050, secured by deed of trust.	$ 600,000	$ 600,000
From Episcopal Churches		
St. Thomas, Temecula, original principal of $3,071,000; refinanced in 2016 to an interest rate of 5% per annum; principal and interest payable in monthly installments of $10,355 through September 2023; secured by a deed of trust. Subsequent to year-end, the promissory note was refinanced to an interest rate of 1% increasing by 1% annually to a maximum of 5%; principal and interest payable in monthly installments ranging from $1,250 to $4,296 through June 2037.	482,404	498,245
St. John's, Chula Vista, original principal of $399,841; amended and restated in December 2017; principal of $1,287,164; interest at 5%, principal and interest payable in monthly installments of $11,905 through January 2030; secured by deed of trust.	682,608	785,204
St. Thomas, Temecula, Secondary Note, original principal of $551,212; non-interest bearing; due July 1, 2027.	888,778	888,778
St. Timothy's, San Diego, original principal of $688,209; non-interest bearing; due July 2026.	688,209	688,209
St. Timothy's, San Diego, original principal of $700,000; refinanced in 2016 to an interest rate of 5% per annum; principal and interest payable in monthly installments of $5,661 through September 2026.	177,313	177,313
St. Mark's, original principal of $353,000; interest at 5.5% per annum; principal and interest payable in monthly installments of $1,775 (modified on March 1, 2019 to $200 and no interest through October 31, 2020) through September 2025; secured by a deed of trust.	250,569	260,092
St. Columba's, Santee, original principal of $145,000; interest at 4.15% per annum; principal and interest payable in monthly installments of $968 through September 16, 2024.	74,224	78,324
St. John's, Indio, original principal of $26,500; interest at 5.00% per annum; principal and interest payable in monthly installments of $500 through May 1, 2024. Paid in full.	-	1,898
Total Notes Receivable	3,844,105	3,978,063
Less: Allowance for doubtful notes receivable	(73,524)	-
Total Notes Receivable, Net	$ 3,770,581	$ 3,978,063

Note 8 - Charitable Remainder Unitrusts:

The Diocese has been named as the remainder beneficiary of charitable remainder unitrusts (the "Trusts") which are reported at fair value. These Trusts are established and funded by the donors and provide for a distribution annually to the donors during their lifetimes. Upon the death of the donors, the remaining value of the Trusts will be distributed to the Diocese subject to donor restrictions. The assets held in the Trusts totaling $993,042 and $960,143 at December 31, 2024 and 2023, respectively, have been discounted to their present values of the remainder interest using a discount rate ranging from 1.60% to 5.20%, for the years ended December 31, 2024 and 2023.

The activity of the charitable remainder unitrusts consisted of the following for the years ended December 31:

	2024	2023
Balance at Beginning of Year	$ 614,095	$ 699,730
Change in discount and fair value	51,811	(85,635)
Balance at End of Year	$ 665,906	$ 614,095

Note 9 - Pooled Income Fund:

The Diocese's Pooled Income Fund is held in a Trust administered by Union Bank as the Trustee. Assets donated to the Trust by donors provide income to the donors for the remainder of the donor's life. Upon the death of the donors, the assets are transferred to the Diocese subject to the donor's restrictions, if any. The pooled income fund amounts have been discounted to their present value of remainder interest using a discount rate of 2.74% at the years ended December 31, 2024 and 2023. The activity of the pooled income fund consisted of the following for the years ended December 31:

	2024	2023
Balance at Beginning of Year	$ 8,151	$ 8,117
Change in discount and fair value	(1,175)	34
Balance at End of Year	$ 6,976	$ 8,151

Note 10 - Investment in Limited Partnership:

The Diocese received a 4% interest in a limited partnership. This ownership interest is accounted for using the equity method. The investment totaled $338,677 and $338,003 at December 31, 2024 and 2023, respectively. St. Paul's Cathedral, San Diego is due to receive 50 percent of this investment which is included in custodial funds.

Note 11 - Property and Equipment:

Property and equipment consist of the following at December 31:

	2024	2023
Land	$ 680,678	$ 680,678
Buildings and improvements	2,920,954	2,847,927
Equipment	115,237	115,237
Vehicles	97,491	97,491
Subtotal	3,814,360	3,741,333
Less: Accumulated depreciation	(1,478,510)	(1,360,049)
Property and Equipment, Net	$ 2,335,850	$ 2,381,284

Note 12 - Property for Missions and Parishes:

Property for Missions and Parishes consists of advanced construction costs and land and buildings acquired by the Diocese for the benefit of the Episcopal Churches within the Diocese and consist of the following at December 31:

	2024	2023
St. Timothy's, San Diego - Land, building and construction costs, net of notes receivable	$ 469,577	$ 469,577
Grace Church, San Marcos - Land	185,378	185,378
St. Albans, El Cajon - Land	105,014	105,014
St. Luke's, San Diego - Improvements	82,427	82,427
St. Andrew's By-The-Lake, Lake Elsinore - Vicarage	70,378	70,378
St. Hugh of Lincoln, Idyllwild - Improvements	30,000	30,000
St. Stephen's, Menifee - Improvements	21,402	21,402
St. Columba, Santee - construction costs	14,000	14,000
St. Mary's, Ramona - Improvements	8,860	8,860
Total Property for Missions and Parishes	$ 987,036	$ 987,036

Note 13 - Beneficial Interests in Endowment Funds:

The Diocese has beneficial interests in endowment funds held by the Episcopal Diocese of California (Fowler Fund) and Wells Fargo (Keating Fund). The beneficial interests in endowment funds are invested in portfolios of equity and debt securities which are structured for long-term total return. The activity of the beneficial interests in endowment funds consisted of the following for the years ended December 31:

	2024	2023
Balance at Beginning of Year	$ 519,133	$ 485,231
Distributions to the Diocese	(14,187)	(10,989)
Investment income	37,157	44,891
Balance at End of Year	$ 542,103	$ 519,133

Note 14 - Custodial Funds:

The Diocese acts as the fiscal agent for several organizations. As the fiscal agent, the Diocese holds the unspent funds of the organization and reports this as a liability in the statements of financial position. The liability included in custodial funds was comprised of the following at December 31:

	2024	2023
St. Paul's Cathedral, San Diego	$ 376,517	$ 406,595
Episcopal Church Women	41,318	43,804
St. Thomas of Canterbury, Temecula	21,320	63,319
St. Andrew's By-The-Lake, Lake Elsinore	18,274	18,274
St. Bartholomew's, Poway	9,337	-
Total	$ 466,766	$ 531,992

Note 15 - Board-Designated Funds:

The Diocese's governing board has designated a portion of its resources without donor restrictions for various purposes as follows at December 31:

	2024	2023
Congregational Loan Fund	$ 4,076,146	$ 4,076,146
Courageous Love fund	580,104	580,104
Operating reserve	168,346	142,313
Property Reserve	159,000	180,300
Menifee property	110,883	74,244
ECC Replacement Reserve	70,752	44,089
Mission Real Estate	50,000	50,000
Coachella Valley fund	48,392	98,392
Bishop's Housing	38,658	38,658
Communidad de Luz/Tijuana Shelter	12,592	16,006
Technology fund	4,412	6,992
Abuse Response and Healing	-	20,000
Total Board-Designated Funds	$ 5,319,285	$ 5,327,244

Note 16 - Net Assets With Donor Restrictions:

Net assets with donor restrictions consist of the following at December 31:

	2024	2023
Subject to Expenditure for Specified Purpose:		
Unappropriated Endowment Earnings:		
Episcopate	$ 684,004	$ 591,831
Miller	449,142	365,858
Capital campaign for clergy mentoring or parish loans	196,971	165,175
White-Perkins	51,733	36,078
Clergy mentoring	36,431	28,834
Gutsch	27,709	20,044
Bishop Gooden	25,587	23,966
Parish loan program	18,462	14,229
Missionary	12,335	11,303
Roddis	11,657	8,870
Alice Manning	4,144	3,687
Crosby-Miller	3,150	2,798
Total Unappropriated Endowment Earnings	1,521,325	1,272,673

Note 16 - Net Assets With Donor Restrictions: (Continued)

	2024	2023
Purpose Restricted Funds:		
Courageous Love	438,545	331,167
TEC Church Planting Grants	203,066	46,423
All Saints Cemetery	81,624	74,467
Howe Donation for Clergy Mentorship	78,177	74,011
Cursillo	39,962	37,694
Mission Real Estate	39,886	49,477
Bishop's Pastoral Needs Fund	28,123	31,381
Farewell Initiative	13,097	12,606
Episcopal Church Center Ministries	12,122	12,122
North County Mobile Showers Ministry	11,505	23,043
West Coast Collaborative	10,000	-
Youth Ministries in Mexico	7,943	-
Fowler Memorial Scholarship	5,785	5,785
Nicholson Memorial for Maintenance of Trinity Chapel Organ	5,688	5,688
Sabbatical Fund for Clergy Sabbaticals	5,488	5,488
School for Ministry Scholarship	4,427	6,592
Fowler Youth Renewal Scholarship	3,886	3,886
Prison Ministries	3,324	1,180
Diaconal Outreach	3,281	2,081
Mission to Seafarers	2,000	2,000
Deaf Ministries	1,564	1,564
Graves Memorial for Trinity Chapel Carillon	922	922
EFM Scholarships	725	875
St. Brigid's Pastoral Needs Fund	644	-
Other	73	-
Campus Ministries	-	3,750
Youth Ministries	-	2,375
Total Purpose Restricted Funds	1,001,857	734,577
Total Subject to Expenditure For Specified Purpose	2,523,182	2,007,250
Subject to the Passage of Time:		
Pooled income fund	6,976	8,151
Total Subject to the Passage of Time	6,976	8,151
Perpetual in Nature:		
Endowments (Note 17)	3,705,269	3,623,420
Total Net Assets with Donor Restrictions	$ 6,235,427	$ 5,638,821

Note 16 - Net Assets With Donor Restrictions: (Continued)

Net assets released from donor restrictions by incurring expenses satisfying the restricted purpose or by the occurrence of the passage of time or other events specified by the donors are as follows for the years ended December 31:

	2024	2023
Purpose Restrictions Accomplished:		
Other program-related, net of transfers	$ 524,765	$ 173,254
Mission Real Estate	189,590	-
Courageous Love	44,646	-
Bishop's Pastoral Needs Fund	25,248	16,800
Campus Ministries	17,543	3,750
North County Mobile Showers Ministry	11,894	6,316
Youth Ministries in Mexico	3,824	-
Youth Ministries	2,781	20,746
Border and Migration Ministries	1,789	-
St. Brigid's Pastoral Needs Fund	956	-
Cursillo	824	-
EFM Scholarships	650	400
School for Ministry Scholarship	515	-
TEC Church Planting Grants	-	20,295
Creation Care	-	15,000
Mobile Showers Ministry	-	6,042
Diaconal Outreach	-	2,970
Howe Donation for Clergy Membership	-	2,867
All Saints Cemetery	-	1,061
Farewell Initiative	-	777
Time Restrictions Fulfilled	-	8,416
Distributions	57,042	227,212
Total Net Assets Released from Restrictions	$ 882,067	$ 505,906

Note 17 - Endowment Net Assets:

The Diocese's endowment funds consist of fourteen individual funds established for a variety of purposes. As required by generally accepted accounting principles, net assets associated with endowment funds are classified and reported based on the existence of donor-imposed restrictions. The Diocese manages twelve of the funds, with the remaining funds held and managed by the Episcopal Diocese of California and Wells Fargo.

In regard to the funds held and managed by the Diocese, the Board of Directors of the Diocese has interpreted the enacted version of the Uniform Prudent Management of Institutional funds Act of 2006 (UPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds, absent explicit donor stipulations to the contrary. As a result of this interpretation, the Diocese classifies donor-restricted net assets of a perpetual nature as (1) the original value of gifts donated to the permanent endowment; (2) the original value of subsequent gifts donated to the permanent endowment; and (3) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified in donor-restricted net assets of a perpetual nature is classified as donor-restricted net assets with time restrictions, until those amounts are appropriated for expenditure by the Diocese in a manner consistent with the standard of prudence prescribed by UPMIFA.

Note 17 - Endowment Net Assets: (Continued)

In accordance with UPMIFA, the Diocese considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- The duration and preservation of the fund
- The purposes of the Diocese and the donor-restricted endowment fund
- General economic conditions
- The possible effect of inflation and deflation
- The expected total return from income and the appreciation of investments
- Other resources of the Diocese
- The investment policies of the Diocese

The Diocese considers a fund to be underwater if the fair value of the fund is less than the sum of (a) the original value of initial and subsequent gift amounts donated to the fund and (b) any accumulations to the fund that are required to be maintained in perpetuity in accordance with the direction of the applicable donor gift instrument. The Diocese has interpreted UPMIFA to permit spending from underwater funds in accordance with the prudent measures required under the law. The Diocese has no underwater endowment funds at December 31, 2024 and 2023.

The Diocese had adopted investment and spending policies for endowment funds that:

- Protect the invested assets.
- Preserve spending capacity of the fund income.
- Maintain a diversified portfolio of assets that meet investment return objectives, while keeping risk at a moderate level.
- Comply with applicable laws.

The Diocese's endowment funds are invested in debt and other securities that are structured to satisfy its long-term rate-of-return objectives. The Diocese relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends).

The Diocese's spending policy is to disburse funds available to meet donor restrictions and the current program needs of the Diocese ranging from 4.0% to 5.5% of the average of 12 quarters prior, annually, subject to available earnings.

The Fowler Fund is held by the Episcopal Diocese of California ("EDC") and the Keating Fund is held by Wells Fargo. EDC and Wells Fargo manage these funds in accordance with UPMIFA. The investment objectives are to maintain the purchasing power (real value) of the endowment funds. However, from time to time, the fair value of the assets in the endowment fund may fall below the level that the donors require the Diocese to retain as a fund of perpetual duration. The Diocese classifies the endowment funds held by others as:

- The original value of gifts donated to the fund
- The original value of subsequent gifts donated to the fund
- Investment income and realized and unrealized gains and loss on investments
- Distributions from the fund in accordance with the spending policy

Note 17 - Endowment Net Assets: (Continued)

EDC and Wells Fargo have adopted investment and spending policies for endowment funds that:

- Protect the invested assets.
- Preserve spending capacity of the fund income.
- Maintain a diversified portfolio of assets that meet investment return objectives, while keeping risk at a level commensurate with that of the median fund in comparable foundation.
- Comply with applicable laws.

The endowment funds held by EDC and Wells Fargo are invested in debt and equity securities that are structured for long-term total return. To provide diversification and to moderate risk, the investments are divided into carefully defined asset classes.

EDC's spending policy is to disburse 5% annually, 4.25% to the Episcopal Diocese of San Diego, and .75% is retained at EDC as a fee. Wells Fargo distributes annual earnings upon the request of the Diocese up to the maximum allowed by Wells Fargo.

Endowment composition by type of fund at December 31:

	2024			
	Without Donor Restrictions	With Donor Restrictions – Earnings	With Donor Restrictions – Perpetual	Total
Donor-Restricted Endowment Funds:				
Managed by Diocese:				
Alice Manning Income for Upkeep of Manning Grave	$ -	$ 4,144	$ 665	$ 4,809
Bishop Gooden for Diocesan Missionary Work	-	25,587	3,590	29,177
Capital Campaign	-	196,971	400,145	597,116
Clergy Mentoring for Funding of Curates	-	36,431	311,654	348,085
Crosby-Miller Fund to Support St. Mathews and St. Andrews by the Lake Capital campaign for Clergy Mentoring or Parish Loans	-	3,150	564	3,714
Episcopate Endowment	-	684,004	498,524	1,182,528
Gutsch Endowment for Seminarian Support	-	27,709	53,000	80,709
Langston Trust	-	-	162,306	162,306
Miller Endowment for Clergy Pension and Assistance	-	449,142	1,175,499	1,624,641
Missionary Endowment for Diocesan Missionary Work	-	12,335	6,235	18,570
Olmsted Kaehr Sub D - Clergy salaries	-	-	296,444	296,444
Olmsted Kaehr Sub E - Sabbaticals	-	-	173,096	173,096
Parish Loan Fund Corpus and Earning Available for Loans	-	18,462	28,000	46,462
Roddis Endowment	-	11,657	38,634	50,291
White-Perkins for Missions	-	51,733	231,642	283,375
Held by Others:				
Keating Fund for Church Extension Work	-	-	108,439	108,439
Fowler Fund to be used at Bishop and Board Direction	-	-	216,832	216,832
Total Donor-Restricted Endowment Funds	-	1,521,325	3,705,269	5,226,594
Board-Designated Endowment Funds:				
Diocesan Endowment Fund to Support Diocese	1,856,436	-	-	1,856,436
Future Missions Endowment	259,609	-	-	259,609
Mary Bill Fund to Support Missionary Expansion and Evangelism	310,306	-	-	310,306
Total Board-Designated Endowment Funds	2,426,351	-	-	2,426,351
Total Donor-Restricted Endowment Funds and Board-Designated Endowment Funds	$ 2,426,351	$ 1,521,325	$ 3,705,269	$ 7,652,845

Note 17 - Endowment Net Assets: (Continued)

	2023			
	Without Donor Restrictions	With Donor Restrictions – Earnings	With Donor Restrictions – Perpetual	Total
Donor-Restricted Endowment Funds:				
Managed by Diocese:				
Alice Manning Income for Upkeep of Manning Grave	$ -	$ 3,687	$ 665	$ 4,352
Bishop Gooden for Diocesan Missionary Work	-	23,966	3,590	27,556
Capital Campaign	-	165,175	400,145	565,320
Clergy Mentoring for Funding of Curates	-	28,834	301,039	329,873
Crosby-Miller Fund to Support St. Mathews and St. Andrews by the Lake Capital campaign for Clergy Mentoring or Parish Loans	-	2,798	564	3,362
Episcopate Endowment	-	591,831	498,524	1,090,355
Gutsch Endowment for Seminarian Support	-	20,044	53,000	73,044
Langston Trust	-	-	175,000	175,000
Miller Endowment for Clergy Pension and Assistance	-	365,858	1,175,499	1,541,357
Missionary Endowment for Diocesan Missionary Work	-	11,303	6,235	17,538
Olmsted Kaehr Sub D - Clergy salaries	-	-	269,417	269,417
Olmsted Kaehr Sub E - Sabbaticals	-	-	158,928	158,928
Parish Loan Fund Corpus and Earning Available for Loans	-	14,229	28,000	42,229
Roddis Endowment	-	8,870	38,634	47,504
White-Perkins for Missions	-	36,078	231,642	267,720
Held by Others:				
Keating Fund for Church Extension Work	-	-	102,063	102,063
Fowler Fund to be used at Bishop and Board Direction	-	-	185,475	185,475
Total Donor-Restricted Endowment Funds	-	1,272,673	3,628,420	4,901,093
Board-Designated Endowment Funds:				
Diocesan Endowment Fund to Support Diocese	1,759,688	-	-	1,759,688
Future Missions Endowment	294,303	-	-	294,303
Mary Bill Fund to Support Missionary Expansion and Evangelism	244,123	-	-	244,123
Total Board-Designated Endowment Funds	2,298,114	-	-	2,298,114
Total Donor-Restricted Endowment Funds and Board-Designated Endowment Funds	$ 2,298,114	$ 1,272,673	$ 3,628,420	$ 7,199,207

Change in endowment net assets for the years ended December 31:

	Without Donor Restrictions	With Donor Restrictions – Earnings	With Donor Restrictions – Perpetual	Total
Endowment Net Assets at December 31, 2022	$ 1,990,858	$ 1,494,015	$ 3,279,224	$ 6,764,097
Contribution	-	-	215,000	215,000
Investment return	353,868	393,136	361,408	1,108,412
Appropriation of endowment assets for expenditure	(46,612)	(614,478)	(227,212)	(888,302)
Endowment Net Assets at December 31, 2023	2,298,114	1,272,673	3,628,420	7,199,207
Contribution	-	-	9,782	9,782
Investment return	227,469	248,652	221,753	697,874
Appropriation of endowment assets for expenditure	(99,332)	-	(154,686)	(254,018)
Endowment Net Assets at December 31, 2024	$ 2,426,251	$ 1,521,325	$ 3,705,269	$ 7,652,845

Note 18 - Commitments and Contingency:

Retirement Plans

The Diocese participates in the following retirement plans:

403(b) Retirement Plan

The Diocese offers eligible lay staff employees the opportunity for participation in a 403(b) retirement plan (the "403(b) plan"). Employees may contribute to the 403(b) plan up to the maximum amount allowed by the Internal Revenue Code. The Diocese contributes 5% of employee compensation in addition to a matching contribution of up to 4% of compensation. The Diocese contributed $77,892 and $69,612 to the 403(b) plan for the years ended December 31, 2024 and 2023, respectively.

Multi-Employer Plan (unaudited)

The clergy of the Diocese participate in the Church Pension Fund of the Episcopal Church USA (the "Plan"), a multi-employer pension plan. The risks of participating in multi-employer plans are different from single-employer plans in the following respects:

- Assets contributed to the multi-employer plan by one employer may be used to provide benefits to employees of other participating employers.
- If a participating employer stops contributing to the multi-employer plan, the unfunded obligations of the plan may become the responsibility of the remaining participating employers.
- If the Diocese chooses to stop participating in the multi-employer plan, the Diocese may be required to pay the plan an amount based on the underfunded status of the plan, referred to as a withdrawal liability.

The Church Pension Group is the Plan administrator of the Church Pension Fund, a multi-employer pension plan. The Church is one of the participating members, registered under the Employer Identification Number of 95-2861286. The Plan is a "church plan" within the meaning of Internal Revenue Code section 414(e), and the Plan administrator has never made an election under Internal Revenue Code section 401(d) to be treated as a "non-church plan." As a result, the Plan is not required to annually certify the funded status of the plan. As of March 31, 2024, the Plan's fiscal year-end, the Plan's financial statements disclose net assets available for pension benefits after amount designated for assessment deficiency of $14,229,692,000, and the actuarial present value of accumulated plan benefit obligations of $5,933,442,000. As a result, the plan's funding position is a net surplus of $8,296,250,000. Contributions are mandated as 18% of all clergy compensation.

The Diocese contributed $110,652 and $111,001 for clergy pensions for the years ended December 31, 2024 and 2023, respectively.

Note 18 - Commitments and Contingency: (Continued)

Mission Properties

The Diocese holds title to certain mission properties, as trustee for the missions. These properties are not included in the accompanying financial statements.

The approximate historical cost (unaudited) of these mission properties is as follows at December 31:

	2024	2023
St. Columba's, Santee	$ 300,000	$ 300,000
St. Mary's In the Valley, Ramona	300,000	300,000
St. Hugh's, Idyllwild	90,000	90,000
St. Stephen's, Menifee	50,000	50,000
St. Andrew's By-The-Lake, Lake Elsinore	47,000	47,000
	$ 787,000	$ 787,000

Note 19 - Litigation:

Legal claims and lawsuits arise from time to time in the normal course of business. The Diocese's management and legal counsel estimate that the potential claims against the Diocese not covered by insurance, resulting from such litigation would not materially affect the operations or financial condition of the Diocese.

Note 20 - Subsequent Event:

Subsequent to year end, St. Columba's, Santee (a congregation of the Diocese) closed permanently. The final service was on May 4, 2025. St. Columba's, Santee had a note receivable balance due to the Diocese in the amount of $74,224 that was non-interest bearing. In 2025, prior to closure, St. Columba's, Santee paid $700 on the note receivable balance. The Diocese recorded an allowance for the remaining note receivable balance totaling $73,524 at December 31, 2024.