Consolidated Financial Statements and Supplementary Information Together with Report of Independent Certified Public Accountants

THE DOMESTIC AND FOREIGN MISSIONARY SOCIETY OF THE PROTESTANT EPISCOPAL CHURCH IN THE UNITED STATES OF AMERICA AND AFFILIATES

December 31, 2011 and 2010
# THE DOMESTIC AND FOREIGN MISSIONARY SOCIETY
# OF THE PROTESTANT EPISCOPAL CHURCH IN THE
# UNITED STATES OF AMERICA AND AFFILIATES

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</tbody>
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REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

To the Executive Council of

The Domestic and Foreign Missionary Society
of the Protestant Episcopal Church in the
United States of America and Affiliates:

We have audited the accompanying consolidated statements of financial position of The Domestic and Foreign Missionary Society of the Protestant Episcopal Church in the United States of America and Affiliates (collectively, the “Society”) as of December 31, 2011 and 2010, and the related consolidated statements of activities and cash flows for the years then ended. These consolidated financial statements are the responsibility of the Society’s management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We did not audit the financial statements of the St. John’s School, which statements reflect total assets and revenues constituting 3% and 7%, respectively, and 3% and 3%, respectively, of the related consolidated totals as of December 31, 2011 and 2010. These statements were audited by other auditors whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for St. John’s School, is based solely on the reports of the other auditors.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America established by the American Institute of Certified Public Accountants. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Society’s internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall consolidated financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of The Domestic and Foreign Missionary Society of the Protestant Episcopal Church in the United States of America and Affiliates as of December 31, 2011 and 2010, and the consolidated changes in their net assets and their consolidated cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.
Our audits were made for the purpose of forming an opinion on the Society’s basic consolidated financial statements taken as a whole as of and for the years ended December 31, 2011 and 2010. The supplementary information presented on pages 28 and 29 is for purposes of additional analysis and is not a required part of the basic consolidated financial statements. Such supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic consolidated financial statements and certain additional procedures. These additional procedures included comparing and reconciling the information directly to the underlying accounting and other records used to prepare the basic consolidated financial statements or to the basic consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America established by the American Institute of Certified Public Accountants. In our opinion, the supplementary information is fairly stated, in all material respects, in relation to the basic consolidated financial statements as a whole.

Grant Thornton LLP

New York, New York
June 29, 2012
THE DOMESTIC AND FOREIGN MISSIONARY SOCIETY
OF THE PROTESTANT EPISCOPAL CHURCH IN THE
UNITED STATES OF AMERICA AND AFFILIATES

Consolidated Statements of Financial Position
As of December 31, 2011 and 2010
(Dollar amounts in thousands)

<table>
<thead>
<tr>
<th>ASSETS</th>
<th>2011</th>
<th>2010</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash and cash equivalents</td>
<td>$22,436</td>
<td>$16,405</td>
</tr>
<tr>
<td>Receivables:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Diocesan commitments receivable, net (Note 2)</td>
<td>1,009</td>
<td>2,261</td>
</tr>
<tr>
<td>Loans receivable, net (Note 5)</td>
<td>4,379</td>
<td>4,706</td>
</tr>
<tr>
<td>Government grants</td>
<td>2,300</td>
<td>3,282</td>
</tr>
<tr>
<td>Other receivables, net (Note 4)</td>
<td>3,669</td>
<td>5,620</td>
</tr>
<tr>
<td>Collateral received under securities loan agreement (Note 3)</td>
<td>943</td>
<td>5,510</td>
</tr>
<tr>
<td>Prepaid expenses and other assets</td>
<td>686</td>
<td>889</td>
</tr>
<tr>
<td>Investments (Note 3):</td>
<td></td>
<td></td>
</tr>
<tr>
<td>DFMS-controlled funds</td>
<td>$239,044</td>
<td>$257,767</td>
</tr>
<tr>
<td>Funds held for the benefit of others</td>
<td>80,393</td>
<td>83,235</td>
</tr>
<tr>
<td>Property and equipment, net (Note 6)</td>
<td>56,065</td>
<td>58,984</td>
</tr>
<tr>
<td>Beneficial interest in outside trusts (Note 2)</td>
<td>7,026</td>
<td>7,654</td>
</tr>
<tr>
<td>Total assets</td>
<td>$417,950</td>
<td>$446,313</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>LIABILITIES AND NET ASSETS</th>
<th>2011</th>
<th>2010</th>
</tr>
</thead>
<tbody>
<tr>
<td>LIABILITIES:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Accounts payable and accrued expenses</td>
<td>$7,790</td>
<td>$7,316</td>
</tr>
<tr>
<td>Payable under securities loan agreement (Note 3)</td>
<td>943</td>
<td>5,510</td>
</tr>
<tr>
<td>Grants payable</td>
<td>569</td>
<td>719</td>
</tr>
<tr>
<td>Notes payable (Note 7)</td>
<td>43,463</td>
<td>44,975</td>
</tr>
<tr>
<td>Mortgage payable (Note 7)</td>
<td>2,482</td>
<td>2,558</td>
</tr>
<tr>
<td>Accrued postretirement benefits other than pensions (Note 9)</td>
<td>13,178</td>
<td>11,107</td>
</tr>
<tr>
<td>Annuities payable</td>
<td>474</td>
<td>512</td>
</tr>
<tr>
<td>Funds held for the benefit of others</td>
<td>59,117</td>
<td>60,011</td>
</tr>
<tr>
<td>Funds held in a trustee relationship</td>
<td>21,276</td>
<td>23,224</td>
</tr>
<tr>
<td>Total liabilities</td>
<td>$149,292</td>
<td>$155,932</td>
</tr>
</tbody>
</table>

| Contingencies (Note 13) | | |

<table>
<thead>
<tr>
<th>NET ASSETS (Note 11)</th>
<th>2011</th>
<th>2010</th>
</tr>
</thead>
<tbody>
<tr>
<td>Unrestricted</td>
<td>119,121</td>
<td>123,259</td>
</tr>
<tr>
<td>Temporarily restricted (Note 10)</td>
<td>119,328</td>
<td>136,419</td>
</tr>
<tr>
<td>Permanently restricted</td>
<td>30,209</td>
<td>30,703</td>
</tr>
<tr>
<td>Total net assets</td>
<td>$268,658</td>
<td>$290,381</td>
</tr>
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</table>

<table>
<thead>
<tr>
<th>Total liabilities and net assets</th>
<th>2011</th>
<th>2010</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>$417,950</td>
<td>$446,313</td>
</tr>
</tbody>
</table>

The accompanying notes are an integral part of these consolidated financial statements.
# THE DOMESTIC AND FOREIGN MISSIONARY SOCIETY OF THE PROTESTANT EPISCOPAL CHURCH IN THE UNITED STATES OF AMERICA AND AFFILIATES

Consolidated Statements of Activities

For the years ended December 31, 2011 and 2010

(Dollar amounts in thousands)

## Revenues and Other Support

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Diocesan commitments (Note 12)</td>
<td>$25,718</td>
<td>$25,718</td>
<td></td>
<td></td>
<td>$25,718</td>
<td>$25,718</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Contributions and bequests</td>
<td>150</td>
<td>2,451</td>
<td>50</td>
<td>2,651</td>
<td>823</td>
<td>2,200</td>
<td>38</td>
<td>3,061</td>
</tr>
<tr>
<td>Investment return designated for current operations (Note 3)</td>
<td>9,588</td>
<td>2,155</td>
<td>-</td>
<td>11,743</td>
<td>9,657</td>
<td>2,143</td>
<td>-</td>
<td>11,800</td>
</tr>
<tr>
<td>Other investment income</td>
<td>689</td>
<td>93</td>
<td>-</td>
<td>782</td>
<td>839</td>
<td>110</td>
<td>-</td>
<td>949</td>
</tr>
<tr>
<td>Government revenue</td>
<td>14,484</td>
<td>-</td>
<td>-</td>
<td>14,484</td>
<td>15,836</td>
<td>-</td>
<td>-</td>
<td>15,836</td>
</tr>
<tr>
<td>Fees, sales and other</td>
<td>2,276</td>
<td>5</td>
<td>-</td>
<td>2,281</td>
<td>3,556</td>
<td>-</td>
<td>-</td>
<td>3,556</td>
</tr>
<tr>
<td>Episcopal Relief &amp; Development (Note 14)</td>
<td>-</td>
<td>18,319</td>
<td>-</td>
<td>18,319</td>
<td>-</td>
<td>32,232</td>
<td>-</td>
<td>32,232</td>
</tr>
<tr>
<td>Net assets released from restrictions</td>
<td>27,234</td>
<td>18,319</td>
<td>-</td>
<td>29,012</td>
<td>29,012</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Revenue from the Episcopal Church in Micronesia</td>
<td>6,492</td>
<td>-</td>
<td>46</td>
<td>6,538</td>
<td>6,189</td>
<td>-</td>
<td>-</td>
<td>6,189</td>
</tr>
<tr>
<td><strong>Total revenues and other support</strong></td>
<td>87,171</td>
<td>(4,211)</td>
<td>96</td>
<td>83,056</td>
<td>93,423</td>
<td>7,673</td>
<td>38</td>
<td>101,134</td>
</tr>
</tbody>
</table>

## Expenses

<table>
<thead>
<tr>
<th>Type of Expense</th>
<th>2011</th>
<th>2010</th>
</tr>
</thead>
<tbody>
<tr>
<td>Supporting services-</td>
<td></td>
<td></td>
</tr>
<tr>
<td>General and administrative</td>
<td>9,864</td>
<td>8,879</td>
</tr>
<tr>
<td>Total supporting services</td>
<td>11,278</td>
<td>10,946</td>
</tr>
<tr>
<td>Total expenses</td>
<td>85,551</td>
<td>101,134</td>
</tr>
<tr>
<td>Changes in net assets from operations</td>
<td>1,820</td>
<td>-</td>
</tr>
<tr>
<td><strong>Total program services</strong></td>
<td>73,581</td>
<td>80,230</td>
</tr>
</tbody>
</table>

## Nonoperating Activities

<table>
<thead>
<tr>
<th>Activity</th>
<th>2011</th>
<th>2010</th>
</tr>
</thead>
<tbody>
<tr>
<td>Investment return (loss) (Note 3)</td>
<td>5,974</td>
<td>5,974</td>
</tr>
<tr>
<td>Less: Other investment income</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Net investment income (loss) - trust fund</td>
<td>5,285</td>
<td>14,435</td>
</tr>
<tr>
<td>Total nonoperating activities</td>
<td>14,303</td>
<td>15,817</td>
</tr>
<tr>
<td>Changes in net assets, before pension activities</td>
<td>2,483</td>
<td>7,025</td>
</tr>
<tr>
<td>Postretirement related activities other than net periodic pension cost (Note 9)</td>
<td>1,655</td>
<td>295</td>
</tr>
<tr>
<td>Changes in net assets</td>
<td>4,138</td>
<td>7,320</td>
</tr>
</tbody>
</table>

## Changes in Net Assets

<table>
<thead>
<tr>
<th>Activity</th>
<th>2011</th>
<th>2010</th>
</tr>
</thead>
<tbody>
<tr>
<td>Reclassification of net assets due to change in law (Note 11)</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Net assets, beginning of year</td>
<td>123,259</td>
<td>123,259</td>
</tr>
<tr>
<td>Net assets, end of year</td>
<td>$119,121</td>
<td>$136,419</td>
</tr>
</tbody>
</table>

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

- 4 -
THE DOMESTIC AND FOREIGN MISSIONARY SOCIETY
OF THE PROTESTANT EPISCOPAL CHURCH IN THE
UNITED STATES OF AMERICA AND AFFILIATES

Consolidated Statements of Cash Flows
For the years ended of December 31, 2011 and 2010
(Dollar amounts in thousands)

CASH FLOWS FROM OPERATING ACTIVITIES

<table>
<thead>
<tr>
<th></th>
<th>2011</th>
<th>2010</th>
</tr>
</thead>
<tbody>
<tr>
<td>Changes in net assets</td>
<td>$ (21,723)</td>
<td>$ 29,119</td>
</tr>
<tr>
<td>Adjustments to reconcile changes in net assets to net cash used in operating activities:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Noncash items:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Depreciation</td>
<td>2,654</td>
<td>2,998</td>
</tr>
<tr>
<td>Loss on disposal of equipment</td>
<td>302</td>
<td>-</td>
</tr>
<tr>
<td>Change in allowance for uncollectible amounts</td>
<td>1,715</td>
<td>1,733</td>
</tr>
<tr>
<td>Amortization of discount to present value receivables</td>
<td>(228)</td>
<td>(28)</td>
</tr>
<tr>
<td>Total noncash adjustments</td>
<td>4,443</td>
<td>4,703</td>
</tr>
<tr>
<td>Change in working capital:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Increase in diocesan commitments receivable</td>
<td>(244)</td>
<td>(789)</td>
</tr>
<tr>
<td>Decrease in loans receivable</td>
<td>363</td>
<td>608</td>
</tr>
<tr>
<td>Decrease (increase) in government grants receivable</td>
<td>982</td>
<td>(1,844)</td>
</tr>
<tr>
<td>Decrease in other receivables</td>
<td>1,924</td>
<td>1,395</td>
</tr>
<tr>
<td>Decrease in prepaid expenses and other assets</td>
<td>203</td>
<td>63</td>
</tr>
<tr>
<td>Increase (decrease) in accounts payable and accrued expenses</td>
<td>474</td>
<td>(4,501)</td>
</tr>
<tr>
<td>Decrease in grants payable</td>
<td>(150)</td>
<td>(781)</td>
</tr>
<tr>
<td>Total change in working capital accounts</td>
<td>3,552</td>
<td>(5,849)</td>
</tr>
<tr>
<td>Change in investments:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Net realized and unrealized losses (gains) on investments</td>
<td>8,607</td>
<td>(29,401)</td>
</tr>
<tr>
<td>Total change in investments</td>
<td>8,607</td>
<td>(29,401)</td>
</tr>
<tr>
<td>Other changes:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Change in value of beneficial interest in outside trusts</td>
<td>590</td>
<td>(531)</td>
</tr>
<tr>
<td>Increase in accrued postretirement benefits other than pensions</td>
<td>2,071</td>
<td>889</td>
</tr>
<tr>
<td>Permanently restricted contributions</td>
<td>(96)</td>
<td>38</td>
</tr>
<tr>
<td>Total other changes</td>
<td>2,565</td>
<td>396</td>
</tr>
<tr>
<td>Total change in working capital accounts and other</td>
<td>14,724</td>
<td>(34,854)</td>
</tr>
<tr>
<td>Net cash used in operating activities</td>
<td>(2,556)</td>
<td>(1,032)</td>
</tr>
</tbody>
</table>

CASH FLOWS FROM INVESTING ACTIVITIES

<table>
<thead>
<tr>
<th></th>
<th>2011</th>
<th>2010</th>
</tr>
</thead>
<tbody>
<tr>
<td>Purchases of property and equipment</td>
<td>(37)</td>
<td>(765)</td>
</tr>
<tr>
<td>Proceeds from sales of investments</td>
<td>303,637</td>
<td>622,524</td>
</tr>
<tr>
<td>Purchases of investments</td>
<td>(293,521)</td>
<td>(612,786)</td>
</tr>
<tr>
<td>Net cash provided by investing activities</td>
<td>10,079</td>
<td>8,973</td>
</tr>
</tbody>
</table>

CASH FLOWS FROM FINANCING ACTIVITIES

<table>
<thead>
<tr>
<th></th>
<th>2011</th>
<th>2010</th>
</tr>
</thead>
<tbody>
<tr>
<td>Permanently restricted contributions</td>
<td>96</td>
<td>(38)</td>
</tr>
<tr>
<td>Borrowings under line of credit</td>
<td>(1,512)</td>
<td>(1,813)</td>
</tr>
<tr>
<td>Principal payments on mortgage loan</td>
<td>(76)</td>
<td>(70)</td>
</tr>
<tr>
<td>Net cash used in financing activities</td>
<td>(1,492)</td>
<td>(1,921)</td>
</tr>
<tr>
<td>Net increase in cash and cash equivalents</td>
<td>6,031</td>
<td>6,020</td>
</tr>
</tbody>
</table>

Cash and cash equivalents, beginning of year | 16,405 | 10,385 |
Cash and cash equivalents, end of year | $ 22,436 | $ 16,405 |

Supplemental disclosure of cash flow information:
Cash paid for interest during the year | $ 1,693 | $ 930 |

The accompanying notes are an integral part of these consolidated financial statements.
1. ORGANIZATION AND NATURE OF ACTIVITIES

The Domestic and Foreign Missionary Society of the Protestant Episcopal Church in the United States of America (“DFMS”) is the corporate organization charged with the legal and financial responsibilities for the operations of The Episcopal Church in the United States and 15 other countries. It does not, however, operate or otherwise control individual dioceses. The General Convention is the legislative body of the Episcopal Church and meets in convention once every three years. Between conventions, the Executive Council of the General Convention is charged with the responsibility of implementing the programs and policies adopted by the General Convention.

DFMS’s consolidated financial statements include the activities of Episcopal Relief & Development (“ERD”), a separate 501(c)(3) not-for-profit corporation, Episcopal Church Women, United Thank Offering and all other direct agencies of DFMS, as well as missional church and school activities in Micronesia (Guam). All intercompany transactions are eliminated upon consolidation. These entities and programs are collectively known as the “Society.”

A significant amount of the Society’s support comes from amounts provided by the dioceses.

DFMS has been classified by the Internal Revenue Service as a not-for-profit organization exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code. Therefore, no provision for income taxes has been made in the accompanying consolidated financial statements.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The accompanying consolidated financial statements have been prepared using the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America. Accordingly, the classification of the Society’s net assets and its support, revenues and expenses are based on the existence or absence of donor-imposed restrictions. The amounts for each of the three classes of net assets, permanently restricted, temporarily restricted and unrestricted, are displayed in the consolidated statement of financial position and the changes in each of those classes of net assets are displayed in the consolidated statement of activities.

Net assets consist of the following:

**Unrestricted** – net assets that are neither permanently nor temporarily restricted by donor-imposed stipulations and, therefore, are available to carry out the Society’s operations. Unrestricted net assets also include those net assets that are restricted as to their use by action of the Executive Council.

**Temporarily Restricted** – net assets resulting from contributions and other inflows of assets whose use by the Society is limited by donor-imposed stipulations that either expire by passage of time or can be fulfilled and removed by actions of the Society pursuant to those stipulations. When such stipulations end or are fulfilled, such temporarily restricted net assets are reclassified to unrestricted net assets and reported in the consolidated statement of activities as net assets released from restrictions.
Temporarily restricted net assets are comprised primarily of funds designated for disaster relief and other specific diocesan programs of the Society.

Permanently Restricted – net assets resulting from contributions and other inflows of assets whose use by the Society is limited in perpetuity by donor-imposed stipulations that neither expire by the passage of time nor can be fulfilled or otherwise removed by actions of the Society. Permanently restricted net assets are comprised primarily of funds restricted by donors to be held in perpetuity, the income from which is intended to support the operations of the Society.

**Concentration of Credit Risk**

Financial instruments that potentially subject the Society to concentrations of credit and market risk consist principally of cash and cash equivalents on deposit with financial institutions, which from time to time may exceed the Federal Deposit Insurance Corporation limit, and investments. Management does not believe that a significant risk of loss is likely due to the failure of a financial institution the Society utilizes. Management also believes that its market risk is mitigated by an adequate diversification of its investments.

**Diocesan Commitments Receivable**

The Society provides for an allowance for uncollectible receivables based on an assessment of various factors, including historical collection experience and current economic conditions. The allowance for uncollectible accounts was $3,395 and $1,722 at December 31, 2011 and 2010, respectively. Diocesan commitment receivables at December 31, 2011 and 2010 are as follows:

<table>
<thead>
<tr>
<th></th>
<th>2011</th>
<th>2010</th>
</tr>
</thead>
<tbody>
<tr>
<td>Amounts expected to be collected:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Within one year</td>
<td>$1,755</td>
<td>$3,507</td>
</tr>
<tr>
<td>Between one and five years</td>
<td>2,332</td>
<td>312</td>
</tr>
<tr>
<td>Greater than five years</td>
<td>317</td>
<td>341</td>
</tr>
<tr>
<td>Total Diocesan commitments</td>
<td>4,404</td>
<td>4,160</td>
</tr>
<tr>
<td>Allowance for uncollectible receivables</td>
<td>(3,395)</td>
<td>(1,722)</td>
</tr>
<tr>
<td>Present value discount</td>
<td>-</td>
<td>(177)</td>
</tr>
<tr>
<td>Diocesan commitments receivable, net</td>
<td>$1,009</td>
<td>$2,261</td>
</tr>
</tbody>
</table>

**Investments**

Investments include those that belong to the Society as well as those held on behalf of others. They consist of both marketable and non-marketable securities, stated at quoted market values or values provided by the respective fund manager or general partner. Realized and unrealized gains or losses on investments pertaining to the Society have been reflected on the accompanying consolidated statements of activities. Investment securities, in general, are exposed to various risks, such as interest rate, credit and overall market volatility changes. Due to the level of risk associated with certain investment securities, it is 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 on the accompanying consolidated financial statements.

**Fair Value Measurements**

Fair value is the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. As required by U.S. Generally Accepted Accounting Principles for fair value measurement, the Society uses a fair value hierarchy that maximizes the use of observable inputs and minimizes the use of unobservable inputs by requiring that observable inputs be used when available.

Observable inputs are inputs that market participants would use in pricing the asset or liability based on market data obtained from independent sources. Unobservable inputs reflect assumptions that market participants would use in pricing the asset or liability based on the best information available in the circumstances. The hierarchy is broken down into three levels based on the transparency of inputs as follows:

**Level 1** - Quoted prices are available in active markets for identical assets or liabilities as of the measurement date. A quoted price for an identical asset or liability in an active market provides the most reliable fair value measurement because it is directly observable to the market.

**Level 2** - Pricing inputs other than quoted prices in active markets, which are either directly or indirectly observable as of the measurement date. The nature of these securities include investments for which quoted prices are available but traded less frequently and investments that are fair valued using other securities, the parameters of which can be directly observed. Also included in Level 2 are investments measured using a NAV per share, or its equivalent, that may be redeemed at that NAV at the date of the statement of financial position or in the near term, which the Society has generally considered to be within 90 days.

**Level 3** - Securities that have little to no pricing observability as of the measurement date. These securities are measured using management’s best estimate of fair value, where the inputs into the determination of fair value are not observable and require significant management judgment or estimation. Also included in Level 3 are investments measured using a NAV per share, or its equivalent, that can never be redeemed at the NAV or for which redemption at NAV is uncertain due to lockup periods or other investment restrictions.

Inputs are used in applying the various valuation techniques and broadly refer to the assumptions that market participants use to make valuation decisions, including assumptions about risk. Inputs may include price information, volatility statistics, specific and broad credit data, liquidity statistics, and other factors. A financial instrument’s level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. However, the determination of what constitutes “observable” requires significant judgment by the entity. The Society considers observable data to be market data that is
readily available, regularly distributed or updated, reliable and verifiable, not proprietary, and provided by independent sources that are actively involved in the relevant market.

In January 2010, the FASB issued additional fair value guidance that required additional disclosures. This guidance requires entities to disclose transfers of assets in and out of Levels 1 and 2 of the fair value hierarchy and the reasons for those transfers. The standard was effective for the Society's fiscal 2011 consolidated financial statements. In addition, the guidance requires separate presentation of purchases and sales in the Level 3 asset reconciliation; this will be effective for the Society's fiscal 2012 consolidated financial statements. The adoption of this guidance is not expected to have a material impact on the Society's consolidated financial statements.

The categorization of a financial instrument within the hierarchy is based upon the pricing transparency of the instrument and does not necessarily correspond to the Society’s perceived risk of that instrument.

The Society estimates that the fair value of its financial instruments does not differ materially from the carrying values as presented on the accompanying consolidated statements of financial position.

Cash and Cash Equivalents

The Society considers all highly liquid investments with original maturities of less than three months from the date of purchase to be cash and cash equivalents, except for those cash equivalents which are included in the Society’s investment portfolio which are considered to be for long-term investment purposes.

Valuation of Investments

Investments whose values are based on quoted market prices in active markets, and are therefore classified within Level 1, include actively traded equities, certain U.S. government and sovereign obligations, and certain money market securities. The Society does not adjust the quoted price for such instruments, even in situations where the Society holds a large position and a sale could reasonably impact the quoted price.

Investments that trade in markets that are not considered to be active, but are valued based on quoted market prices, dealer quotations or alternative pricing sources supported by observable inputs are classified within Level 2. These include certain U.S. government and sovereign obligations not included in Level 1, most government agency securities, investment-grade corporate bonds, certain mortgage products, certain bank loans and bridge loans, less liquid listed equities, state, municipal and provincial obligations, most physical commodities and certain loan commitments. As Level 2 investments include positions that are not traded in active markets and/or are subject to transfer restrictions, valuations may be adjusted to reflect illiquidity and/or non-transferability, which are generally based on available market information.

Investments classified within Level 3 have significant unobservable inputs, as they trade infrequently or not at all. Level 3 investments include private equity and real estate investments, certain bank loans and bridge loans, less liquid corporate debt securities (including distressed debt instruments), collateralized debt obligations, and less liquid mortgage securities (backed by either commercial or residential real estate). When observable prices are not available for these securities, the Society uses one or more valuation techniques (e.g., the market approach, the income approach or the cost approach) for which sufficient and reliable data are available. Within Level 3, the use of the market approach generally consists of using
comparable market transactions, while the use of the income approach generally consists of the net present value of estimated future cash flows, adjusted as appropriate for liquidity, credit, market and/or other risk factors.

The inputs used by the Society in estimating the fair value of Level 3 investments include the original transaction price, recent transactions for the same or similar instruments, completed or pending third-party transactions in the underlying investment or comparable issuers, subsequent rounds of financing, recapitalizations and other transactions across the capital structure, offerings in the equity or debt capital markets, and changes in financial ratios or cash flows. Level 3 investments may also be adjusted to reflect illiquidity and/or non-transferability, with the amount of such discount estimated by the Society in the absence of market information. The fair value measurement of Level 3 investments does not include transaction costs that may have been capitalized as part of the security’s cost basis. Assumptions used by the Society in valuing such assets, due to the lack of observable inputs, may significantly impact the resulting fair value and therefore the Society’s changes in net assets.

Property and Equipment
The Society’s investment in property and equipment consists of its New York headquarters and the school and missional churches of Micronesia (Guam). Property and equipment, with the exception of land, are depreciated using the straight-line method over the estimated service lives of the respective assets. Property and equipment costing greater than $1.5 million and with useful lives greater than one year are capitalized. The useful lives assigned to furniture and equipment and building improvements range from 5 to 30 years.

Beneficial Interest in Outside Trusts
From time to time, certain donors have established trusts with third-party administrators, typically banks or other Episcopal entities that call for the income earned on these gifts to be paid to the Society and/or other beneficiaries and the principal to be invested in perpetuity. Historically, the income received from these outside trusts has been recorded as either temporarily restricted or unrestricted based upon the donors’ imposed stipulations. The fair value of these outside trust assets is recognized as a component of permanently restricted net assets. The beneficial interest in outside trust is adjusted each year and the change in value is recognized on the consolidated statement of activities based on changes in the market values of the trusts’ underlying investments. Pursuant to certain of the trust arrangements, the earnings are initially paid to the Society however, are distributable to other beneficiaries. A liability has been recorded for such amounts. The Society’s beneficial interest in outside trusts is classified as Level 3 within the FASB fair value hierarchy as of December 31, 2011 and 2010.
The following table summarizes the changes in fair value associated with the Society’s beneficial interest in outside trusts for the years ended December 31, 2011 and 2010:

<table>
<thead>
<tr>
<th></th>
<th>2011</th>
<th>2010</th>
</tr>
</thead>
<tbody>
<tr>
<td>Balance, beginning of the year</td>
<td>$7,654</td>
<td>$7,076</td>
</tr>
<tr>
<td>Change in value of amounts due to beneficiaries</td>
<td>(38)</td>
<td>47</td>
</tr>
<tr>
<td>Unrealized gains (losses)</td>
<td>(590)</td>
<td></td>
</tr>
<tr>
<td>Balance, end of the year</td>
<td>$7,026</td>
<td>$7,654</td>
</tr>
</tbody>
</table>

Grants Payable
The awarding of grants is reflected on the consolidated financial statements at the time they are approved by the appropriate board and the grantee is notified. Grants represent unconditional promises to give that are expected to be paid within one year.

Funds Held for the Benefit of Others
In the ordinary course of business, the Society acts as a custodian for funds owned by others and for which no benefit of income or principal is received. In these cases, the balances are treated as liabilities rather than included in the Society’s net assets and as assets held in investment accounts. The income derived from these investments is not included on the consolidated statement of activities but reflected as a change in value of related assets and liabilities.

Funds Held in a Trustee Relationship
Funds held in a trustee relationship are funds held in a fiduciary relationship by the Society, as trustee, where the original principal is invested permanently and the income is payable to specific third-party beneficiaries. Amounts held on behalf of others are reflected as liabilities.

Contributions
Contributions, including unconditional promises to give (pledges), are reported as revenues in the period received or pledged. Contributions of assets, other than cash, are recorded at their estimated fair value at the date of gift. Contributions to be received after one year are discounted using an appropriate credit adjusted discount rate which corresponds with the collection period of the respective pledge. Amortization of discount is recorded as additional contribution revenue in accordance with donor-imposed restrictions, if any. An allowance for uncollectible contributions receivable is provided based upon management’s judgment including such factors as prior collection history, type of contribution and nature of fundraising activity.

Contributed Services
Contributed services are valued at their estimated fair value and are recognized as revenues and expenses on the consolidated statement of activities in the period received. Contributed legal services for the years ended December 31, 2011 and 2010 totaled $632 and $455, respectively.
Income Taxes
The Society follows guidance that clarifies the accounting for uncertainty in tax positions taken or expected to be taken in a tax return, including issues relating to financial statement recognition and measurement. This standard provides that the tax effects from an uncertain tax position can be recognized in the consolidated financial statements only if the position is “more-likely-than-not” to be sustained if the position were to be challenged by a taxing authority. The standard also provides guidance on measurement, classification, interest and penalties, and disclosure and had no impact on the accompanying consolidated financial statements. The tax years ended 2008, 2009 and 2010 are still open to audit for both federal and state purposes. The Society has processes presently in place to ensure the maintenance of its tax-exempt status; to identify and report unrelated income; to determine its filing and tax obligations in jurisdictions for which it has nexus; and to identify and evaluate other matters that may be considered tax positions.

Use of Estimates
The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and judgments that affect the reported amounts of assets and liabilities and disclosure of contingencies at the date of the financial statements and revenues and expenses recognized during the reporting period. The most significant of which pertain to the determination of specific reserves against loans and other accounts receivable, the valuation of non-exchange traded alternative investments, postretirement benefit obligations, and the useful lives assigned to fixed assets. Actual results may differ from these estimates.

Reclassifications
Certain reclassifications have been made to the prior year consolidated financial statements to conform to the current year’s presentation. Such reclassifications did not change total assets, liabilities, revenues, expenses or changes in net assets as reflected in the 2010 consolidated financial statements.

Subsequent Events
The Society evaluated its December 31, 2011 consolidated financial statements for subsequent events through June 29, 2012, the date the consolidated financial statements were available to be issued.

3. INVESTMENTS
At December 31, 2011, total investments of approximately $319,000 consist of $284,000 in trust fund assets, $9,000 in unit-trust and pooled income funds, $21,000 in medium-term investments, $3,000 in St. John’s School (Guam) investments and $2,000 in certificates of deposit with minority-controlled banks. At December 31, 2010, total investments of approximately $341,000 consist of $307,000 in trust fund endowment assets, $9,000 in unit-trust and pooled income funds, $21,000 in medium-term investments, $2,000 in St. John’s School (Guam) investments and $2,000 in certificates of deposit with minority-controlled banks.
Investments are carried at fair value and consist of the following at December 31:

<table>
<thead>
<tr>
<th></th>
<th>2011</th>
<th>2010</th>
<th>2011</th>
<th>2010</th>
</tr>
</thead>
<tbody>
<tr>
<td>Common stock</td>
<td>$153,624</td>
<td>$209,333</td>
<td>$145,627</td>
<td>$175,629</td>
</tr>
<tr>
<td>Bonds:</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Corporate</td>
<td>20,838</td>
<td>24,617</td>
<td>22,596</td>
<td>26,250</td>
</tr>
<tr>
<td>Government</td>
<td>15,659</td>
<td>14,595</td>
<td>14,896</td>
<td>14,898</td>
</tr>
<tr>
<td>Other, primarily mutual bond funds</td>
<td>4,873</td>
<td>2,942</td>
<td>4,635</td>
<td>2,955</td>
</tr>
<tr>
<td>Total bonds</td>
<td>41,370</td>
<td>42,154</td>
<td>42,127</td>
<td>44,103</td>
</tr>
<tr>
<td>Mutual funds (primarily common stock and bond funds)</td>
<td>27,061</td>
<td>26,932</td>
<td>28,163</td>
<td>25,467</td>
</tr>
<tr>
<td>Certificates of deposit</td>
<td>2,100</td>
<td>2,100</td>
<td>2,100</td>
<td>2,100</td>
</tr>
<tr>
<td>Other, primarily money market funds and other cash equivalents</td>
<td>30,710</td>
<td>8,288</td>
<td>30,993</td>
<td>8,288</td>
</tr>
<tr>
<td>Alternative investments:</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Fund of funds</td>
<td>27,148</td>
<td>17,209</td>
<td>24,914</td>
<td>15,032</td>
</tr>
<tr>
<td>Fixed income fund</td>
<td>27,489</td>
<td>34,986</td>
<td>24,038</td>
<td>32,713</td>
</tr>
<tr>
<td>Global equity fund</td>
<td>9,935</td>
<td>-</td>
<td>10,000</td>
<td>-</td>
</tr>
<tr>
<td>Total alternative investments</td>
<td>64,572</td>
<td>52,195</td>
<td>58,952</td>
<td>47,745</td>
</tr>
<tr>
<td>Total investments</td>
<td>319,437</td>
<td>341,002</td>
<td>307,962</td>
<td>303,332</td>
</tr>
<tr>
<td>Funds held for the benefit others</td>
<td>(80,393)</td>
<td>(83,235)</td>
<td>(72,634)</td>
<td>(74,880)</td>
</tr>
<tr>
<td>Total DFMS-controlled funds</td>
<td>$239,044</td>
<td>$257,767</td>
<td>$235,328</td>
<td>$228,452</td>
</tr>
</tbody>
</table>

Since alternative investments may not be readily marketable, the estimated fair value assigned to such interests is subject to uncertainty and, therefore, may differ from the value that would have been used had a ready market for such investments existed. The fair values assigned to such holdings do not necessarily represent amounts which might ultimately be realized upon sale or other disposition since such amounts depend on future circumstances and cannot reasonably be determined until the actual liquidation occurs. Because of the inherent uncertainty of such valuations, the estimated fair values may differ significantly from the values that would have been used had a ready market for such investments existed and the differences could be material.
The following table prioritizes the inputs used to measure the fair value of the Society’s investments within the fair value hierarchy at December 31, 2011 and 2010:

<table>
<thead>
<tr>
<th></th>
<th>Level 1</th>
<th>Level 2</th>
<th>Level 3</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Common stock</td>
<td>$152,848</td>
<td>$776</td>
<td>-</td>
<td>$153,624</td>
</tr>
<tr>
<td>Bonds:</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Corporate</td>
<td>20,838</td>
<td>-</td>
<td>-</td>
<td>20,838</td>
</tr>
<tr>
<td>Government</td>
<td>15,659</td>
<td>-</td>
<td>-</td>
<td>15,659</td>
</tr>
<tr>
<td>Other, primarily mutual bond funds</td>
<td>1,995</td>
<td>2,878</td>
<td>-</td>
<td>4,873</td>
</tr>
<tr>
<td>Mutual funds (primarily common stock and bonds funds)</td>
<td>21,927</td>
<td>5,134</td>
<td>-</td>
<td>27,061</td>
</tr>
<tr>
<td>Certificates of deposit</td>
<td>-</td>
<td>2,100</td>
<td>-</td>
<td>2,100</td>
</tr>
<tr>
<td>Other, primarily money market funds and cash equivalents</td>
<td>30,681</td>
<td>29</td>
<td>-</td>
<td>30,710</td>
</tr>
<tr>
<td>Alternative investments:</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Fund of funds</td>
<td>-</td>
<td>-</td>
<td>27,148</td>
<td>27,148</td>
</tr>
<tr>
<td>Fixed income fund</td>
<td>-</td>
<td>27,489</td>
<td>-</td>
<td>27,489</td>
</tr>
<tr>
<td>Global equity fund</td>
<td>-</td>
<td>9,935</td>
<td>-</td>
<td>9,935</td>
</tr>
<tr>
<td>Total</td>
<td>$243,948</td>
<td>$48,341</td>
<td>$27,148</td>
<td>$319,437</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th></th>
<th>Level 1</th>
<th>Level 2</th>
<th>Level 3</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Common stock</td>
<td>$208,518</td>
<td>$815</td>
<td>-</td>
<td>$209,333</td>
</tr>
<tr>
<td>Bonds:</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Corporate</td>
<td>24,617</td>
<td>-</td>
<td>-</td>
<td>24,617</td>
</tr>
<tr>
<td>Government</td>
<td>14,595</td>
<td>-</td>
<td>-</td>
<td>14,595</td>
</tr>
<tr>
<td>Other, primarily mutual bond funds</td>
<td>30</td>
<td>2,912</td>
<td>-</td>
<td>2,942</td>
</tr>
<tr>
<td>Mutual funds (primarily common stock and bonds funds)</td>
<td>21,561</td>
<td>5,371</td>
<td>-</td>
<td>26,932</td>
</tr>
<tr>
<td>Certificates of deposit</td>
<td>-</td>
<td>2,100</td>
<td>-</td>
<td>2,100</td>
</tr>
<tr>
<td>Other, primarily money market funds and cash equivalents</td>
<td>8,288</td>
<td>-</td>
<td>-</td>
<td>8,288</td>
</tr>
<tr>
<td>Alternative investments:</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Fund of funds</td>
<td>-</td>
<td>-</td>
<td>17,209</td>
<td>17,209</td>
</tr>
<tr>
<td>Fixed income fund</td>
<td>-</td>
<td>34,986</td>
<td>-</td>
<td>34,986</td>
</tr>
<tr>
<td>Total</td>
<td>$277,609</td>
<td>$46,184</td>
<td>$17,209</td>
<td>$341,002</td>
</tr>
</tbody>
</table>
The following table summarizes the changes in fair value associated with the Society’s Level 3 investments for the years ended December 31, 2011 and 2010:

<table>
<thead>
<tr>
<th></th>
<th>2011</th>
<th>2010</th>
</tr>
</thead>
<tbody>
<tr>
<td>Balance, beginning of the year</td>
<td>$17,209</td>
<td>$10,195</td>
</tr>
<tr>
<td>Realized gains</td>
<td>65</td>
<td>27</td>
</tr>
<tr>
<td>Unrealized (losses) gains</td>
<td>(126)</td>
<td>1,489</td>
</tr>
<tr>
<td>Purchases</td>
<td>10,000</td>
<td>5,498</td>
</tr>
<tr>
<td>Balance, end of the year</td>
<td>$27,148</td>
<td>$17,209</td>
</tr>
</tbody>
</table>

The Society lends certain equities and bonds included in its investment portfolio to brokerage firms. In return for the securities loaned, the Society receives cash or securities as collateral in amounts at least equal to the fair value of the securities loaned. The Society retains all rights of ownership to the securities loaned and receives all interest and dividend income. The related collateral received under this arrangement at December 31, 2011 and 2010 is reflected as collateral received under securities loan agreement with an offsetting payable in the accompanying consolidated statements of financial position.

The Society uses the Net Asset Value (NAV) per share, or its equivalent to determine the fair value as of the measurement date of all the underlying investments which: (a) do not have a readily determinable fair value and (b) prepare their investees financial statements consistent with the measurement principles of an investment company or have the attributes of an investment company. The following table details certain attributes pertaining to the investments reported at fair value using a NAV, or its equivalent, as of December 31, 2011 and 2010.
Notes to Consolidated Financial Statements
As of December 31, 2011 and 2010
(Dollar amounts in thousands)

<table>
<thead>
<tr>
<th>Type</th>
<th>Strategy</th>
<th>NAV in Funds</th>
<th># of Funds</th>
<th>Remaining Life</th>
<th>$ Amount of Unfunded Commitments</th>
<th>Timing to Drawdown Commitments</th>
<th>Redemption Terms</th>
</tr>
</thead>
<tbody>
<tr>
<td>Fund of funds</td>
<td>Commodities, equity, and interest rate-driven focused commingled funds.</td>
<td>$ 17,209</td>
<td>1</td>
<td>N/A</td>
<td>N/A</td>
<td>N/A</td>
<td>Subject to 95 days with prior written notice.</td>
</tr>
<tr>
<td>Fixed income fund</td>
<td>Global investment grade fixed income.</td>
<td>11,646</td>
<td>1</td>
<td>N/A</td>
<td>N/A</td>
<td>N/A</td>
<td>Any business day of the month, up to 10 business days notice depending on the size of the withdrawal.</td>
</tr>
<tr>
<td>Fixed income fund</td>
<td>Global equity and fixed income funds in market neutral strategies.</td>
<td>11,043</td>
<td>1</td>
<td>N/A</td>
<td>N/A</td>
<td>N/A</td>
<td>Subject to 2 days with written notification.</td>
</tr>
<tr>
<td>Fixed income fund</td>
<td>U.S. government and corporate fixed income.</td>
<td>12,297</td>
<td>6</td>
<td>N/A</td>
<td>N/A</td>
<td>N/A</td>
<td>Subject to 2 days with written notification.</td>
</tr>
<tr>
<td>Total</td>
<td></td>
<td>$ 52,195</td>
<td>9</td>
<td></td>
<td>$</td>
<td>-</td>
<td></td>
</tr>
</tbody>
</table>

The composition of the collateral received under the securities loan agreement at December 31, 2011 and 2010 is as follows:

<table>
<thead>
<tr>
<th></th>
<th>2011</th>
<th>2010</th>
</tr>
</thead>
<tbody>
<tr>
<td>Asset backed securities</td>
<td>$ 201</td>
<td>$ 445</td>
</tr>
<tr>
<td>Bank notes</td>
<td>510</td>
<td>457</td>
</tr>
<tr>
<td>Corporate debt</td>
<td>232</td>
<td>4,608</td>
</tr>
<tr>
<td>Total</td>
<td>$ 943</td>
<td>$ 5,510</td>
</tr>
</tbody>
</table>

The collateral detailed above is classified as Level 2 within the FASB's fair value hierarchy as of December 31, 2011 and 2010.

The Society follows the “Total Return Approach” to investments whereby it applies a prudent portion of the realized and unrealized returns on investments to meet current designated and undesignated expenditures. Total return consists of two elements: yield and appreciation. Based on the Society’s long-term investment strategy, the Executive Council sets the payout rate on the DFMS trust funds at a percentage (5.5% in 2011 and 5.5% in 2010) of a five-year moving average market value of the portfolio. Any return in excess of this percentage is reinvested to protect the real dollar value of these funds against the effects of inflation.
Investment income (loss) is comprised of the following for the years ended December 31:

<table>
<thead>
<tr>
<th></th>
<th>2011</th>
<th>2010</th>
</tr>
</thead>
<tbody>
<tr>
<td>Interest and dividends</td>
<td>$3,673</td>
<td>$3,794</td>
</tr>
<tr>
<td>Realized and unrealized (losses) gains</td>
<td>$(8,607)</td>
<td>$29,401</td>
</tr>
<tr>
<td>Total investment (loss) income</td>
<td>$(4,934)</td>
<td>$33,195</td>
</tr>
<tr>
<td>Less: ERD investment income*</td>
<td>$276</td>
<td>$(2,111)</td>
</tr>
<tr>
<td>Investment (loss) return</td>
<td>$(4,658)</td>
<td>$31,084</td>
</tr>
</tbody>
</table>

*Amounts presented above pertaining to ERD investment income are included in Episcopal Relief & Development revenues and other support in the accompanying consolidated statements of activities.

4. OTHER RECEIVABLES, NET

Other receivables consist of the following at December 31, 2011 and 2010:

<table>
<thead>
<tr>
<th></th>
<th>2011</th>
<th>2010</th>
</tr>
</thead>
<tbody>
<tr>
<td>Contributions receivable, net</td>
<td>$2,031</td>
<td>$3,782</td>
</tr>
<tr>
<td>Other receivables</td>
<td>$1,638</td>
<td>$1,838</td>
</tr>
<tr>
<td>Total other receivables</td>
<td>$3,669</td>
<td>$5,620</td>
</tr>
</tbody>
</table>

Contributions receivable, which are recorded at the present value of their expected future cash flows, consist of the following at December 31, 2011 and 2010:

<table>
<thead>
<tr>
<th></th>
<th>2011</th>
<th>2010</th>
</tr>
</thead>
<tbody>
<tr>
<td>Amounts expected to be collected:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Within one year</td>
<td>$1,757</td>
<td>$1,911</td>
</tr>
<tr>
<td>In one to four years</td>
<td>443</td>
<td>2,013</td>
</tr>
<tr>
<td>Total contributions receivable</td>
<td>2,200</td>
<td>3,924</td>
</tr>
<tr>
<td>Allowance for uncollectible pledges</td>
<td>(158)</td>
<td>(80)</td>
</tr>
<tr>
<td>Present value discount (rates ranging from 1.50% to 6.00%)</td>
<td>(11)</td>
<td>(62)</td>
</tr>
<tr>
<td>Contributions receivables, net</td>
<td>$2,031</td>
<td>$3,782</td>
</tr>
</tbody>
</table>
5. **LOANS RECEIVABLE, NET**

Loans receivable, net, consist of the following at December 31, 2011 and 2010:

<table>
<thead>
<tr>
<th></th>
<th>2011</th>
<th>2010</th>
</tr>
</thead>
<tbody>
<tr>
<td>Construction loans to dioceses and missionary districts</td>
<td>$312</td>
<td>$406</td>
</tr>
<tr>
<td>Economic justice and community investment loans</td>
<td>3,033</td>
<td>3,850</td>
</tr>
<tr>
<td>Loans to Dioceses in distress</td>
<td>1,500</td>
<td>950</td>
</tr>
<tr>
<td>Residential loans to employees</td>
<td>10</td>
<td>12</td>
</tr>
<tr>
<td></td>
<td><strong>4,855</strong></td>
<td><strong>5,218</strong></td>
</tr>
</tbody>
</table>

Allowance for uncollectible accounts

<p>| | | |</p>
<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>(476)</td>
<td>(512)</td>
</tr>
</tbody>
</table>

$4,379  $4,706

Such loans bear interest at varying rates ranging from 0.9% to 8.0% and are payable as installments or on demand. These loans are unsecured. No new residential loans have been extended to employees since 1998. The remaining loans outstanding were made during fiscal 1994 and 1995.

6. **PROPERTY AND EQUIPMENT, NET**

Property and equipment, net, consist of the following at December 31, 2011 and 2010:

<table>
<thead>
<tr>
<th></th>
<th>2011</th>
<th>2010</th>
</tr>
</thead>
<tbody>
<tr>
<td>Land</td>
<td>$17,519</td>
<td>$17,519</td>
</tr>
<tr>
<td>Buildings and improvements</td>
<td>67,401</td>
<td>67,364</td>
</tr>
<tr>
<td>Equipment and furnishings</td>
<td>4,942</td>
<td>5,244</td>
</tr>
<tr>
<td></td>
<td><strong>89,862</strong></td>
<td><strong>90,127</strong></td>
</tr>
</tbody>
</table>

Accumulated depreciation

|                                | (33,797) | (31,143) |

Property and equipment, net

|                                | **$56,065** | **$58,984** |

Depreciation expense amounted to $2,654 and $2,998 for the years ended December 31, 2011 and 2010, respectively.
7. MORTGAGE AND NOTES PAYABLE

Property

A Mortgage payable on the St. John’s School property amounted to $2,482 and $2,558 as of December 31, 2011 and 2010, respectively. The interest rate of 6% is adjusted every three years on March 11th to 3% over the Federal Home Loan rate. The note is collateralized by a third-party mortgage on real and leasehold property and matures in March 2019.

Interest expense amounted to $154 and $159 for the years ended December 31, 2011 and 2010, respectively.

Line of Credit

In December 2004, DFMS obtained a $50 million line of credit (facility) from the Bank of New York, secured by DFMS’s investment in unrestricted marketable securities, at amounts described below, to be used primarily for working capital and other business purposes, including providing funding to renovate DFMS’s corporate office. The line of credit may be drawn and repaid at any time during the revolver period. The interest rate assigned to amounts borrowed under the facility is chosen by DFMS, based on the Prime Rate or the Eurodollar Rate of various maturities then in effect. For the years ended December 31, 2011 and 2010, the interest rates assigned to each borrowing tranche ranged from 0.81% to 1.625% and 0.81% to 1.75%, respectively.

At December 31, 2011 and 2010, $0 and $44,975 was outstanding under this line of credit, respectively, and is reflected on the accompanying consolidated statements of financial position as notes payable. Interest expense amounted to $142 and $772 for the years ended December 31, 2011 and 2010, respectively.

In early 2011, the Society completed new credit facilities to replace the previous line of credit with the Bank of New York. The new credit facilities are summarized below.

In January 11, 2011, the Society obtained a $37 million term loan secured by DFMS’s investment in unrestricted marketable securities, from U.S. Bank, to be used primarily for working capital and other business purposes. The facility is structured as a 5 year loan with a fixed interest rate and annual repayments on a 25 year schedule. Interest is payable monthly; annual principal of $1,480 is payable on each anniversary date through 2016. If not extended or renegotiated, unpaid principal will be due in 2016. At December 31, 2011, $34,123 was outstanding under this loan and is reflected on the accompanying consolidated statements of financial position as notes payable. Interest expense amounted to $1,254 for the year ended December 31, 2011.

Also on January 11, 2011, the Society obtained a one-year $5 million revolving credit facility from U.S. Bank. The facility, which is unsecured, bears interest based on the Eurodollar rate plus 75 basis points. Interest only is payable monthly. At December 31, 2011, there were no drawings against the facility.
On April 5, 2011, the Society obtained a $20 million revolving credit facility, secured by DFMS’s investment in unrestricted marketable securities, from Bank of America Merrill Lynch, to be used primarily for working capital and other business purposes. The facility bears interest based on the Eurodollar rate plus 1.0%. Interest is payable monthly. The revolving credit may be drawn and repaid at any time through April 2016. If not extended or renegotiated, unpaid principal will be due in 2016. At December 31, 2011, $9,340 was outstanding under this loan and is reflected on the accompanying consolidated statements of financial position as notes payable. Interest expense amounted to $95 for the year ended December 31, 2011.

Each new facility includes standard affirmative and negative covenants usual and customary for similar facilities, including remaining an ongoing business, quarterly financial reporting, limitations on additional indebtedness, and no assignment of collateral.

8. PENSION PLANS

DFMS maintains a defined contribution pension plan (the “Plan”) for all eligible lay employees. Under the Plan, DFMS contributes 5% of eligible salaries and DFMS matches employee contributions to the Plan up to 4%. It is the opinion of counsel to the Plan that, as a Church Plan, this Plan is exempt from the requirements of the Employee Retirement Income Security Act of 1974 (“ERISA”). Pension expense for this Plan recognized on the accompanying consolidated financial statements amounted to $890 and $874 for the years ended December 31, 2011 and 2010, respectively.

DFMS is a participant in a separate pension plan administered by the Church Pension Fund (an independent organization) that provides pension benefits to all ordained clergy of the Episcopal Church, including those who hold positions within DFMS. Pension expense for this plan recognized on the accompanying consolidated financial statements amounted to $694 and $698 for the years ended December 31, 2011 and 2010, respectively.

The Executive Council of DFMS has voluntarily paid pension supplements to employees who retired prior to 1971 and had 20 years of service with DFMS. These benefits are accounted for on a “pay-as-you-go basis.” Pension expense for this “plan,” recognized in the accompanying consolidated financial statements, amounted to $730 and $756 for the years ended December 31, 2011 and 2010, respectively.

The St. John’s School maintains a defined contribution pension plan. This plan covers all eligible employees of the St. John’s School. Benefits under this plan are provided by fixed-dollar annuities issued by the Teachers Insurance and Annuity Association and by variable annuities offered by its companion organization, the College Retirement Equities Fund. The St. John’s School contributes 5% of the gross base pay of its employees. After 10 years of employment, the St. John’s School will increase its contribution by a graduated percentage rate (7% - 17%) depending on the number of years of employment. Pension expense for this plan recognized in the accompanying consolidated financial statements amounted to $138 and $160 for the years ended December 31, 2011 and 2010, respectively.
9. POSTRETIREMENT BENEFITS OTHER THAN PENSIONS

DFMS sponsors postretirement benefit plans which provide both health care (fully contributory until the retiree reaches age 65) and life insurance (noncontributory) benefits to both lay personnel and clergy.

The following tables set forth the funded status of the plans and the components of net periodic benefit cost at December 31, 2011 and 2010:

<table>
<thead>
<tr>
<th>Change in benefit obligation:</th>
<th>2011</th>
<th>2010</th>
</tr>
</thead>
<tbody>
<tr>
<td>Benefit obligation, beginning of year</td>
<td>$11,107</td>
<td>$10,219</td>
</tr>
<tr>
<td>Service cost</td>
<td>412</td>
<td>460</td>
</tr>
<tr>
<td>Interest cost</td>
<td>570</td>
<td>560</td>
</tr>
<tr>
<td>Actuarial loss</td>
<td>1,704</td>
<td>502</td>
</tr>
<tr>
<td>Benefits paid</td>
<td>(615)</td>
<td>(634)</td>
</tr>
<tr>
<td>Benefit obligation, end of year</td>
<td>$13,178</td>
<td>$11,107</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Components of accrued benefit cost:</th>
<th>2011</th>
<th>2010</th>
</tr>
</thead>
<tbody>
<tr>
<td>Funded status</td>
<td>$13,178</td>
<td>$11,107</td>
</tr>
<tr>
<td>Unrecognized net prior service cost</td>
<td>(14)</td>
<td>63</td>
</tr>
<tr>
<td>Unrecognized actuarial net gain</td>
<td>(1,657)</td>
<td>(47)</td>
</tr>
<tr>
<td>Accrued benefit cost</td>
<td>$11,507</td>
<td>$11,123</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Components of net periodic benefit cost:</th>
<th>2011</th>
<th>2010</th>
</tr>
</thead>
<tbody>
<tr>
<td>Service cost</td>
<td>$412</td>
<td>$460</td>
</tr>
<tr>
<td>Interest cost</td>
<td>570</td>
<td>560</td>
</tr>
<tr>
<td>Amortization of unrecognized prior service costs</td>
<td>(49)</td>
<td>(49)</td>
</tr>
<tr>
<td>Net periodic benefit cost for fiscal year</td>
<td>$933</td>
<td>$971</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Changes in assets and benefit obligations recognized in unrestricted net assets:</th>
<th>2011</th>
<th>2010</th>
</tr>
</thead>
<tbody>
<tr>
<td>Net actuarially loss</td>
<td>$1,704</td>
<td>$502</td>
</tr>
<tr>
<td>Amortization of unrecognized prior service cost</td>
<td>49</td>
<td>49</td>
</tr>
<tr>
<td>Total change recognized in unrestricted net assets</td>
<td>$1,753</td>
<td>$551</td>
</tr>
</tbody>
</table>

| Total recognized in net periodic benefit cost and unrestricted net assets | $2,686 | $1,522 |
The discount rates used in determining the accumulated postretirement benefit obligations were 4.20% and 5.25% for the years ended December 31, 2011 and 2010, respectively. The assumed medical care cost trend rate used was 6.00% for fiscal year 2011, decreasing gradually in future years to 4.7% by fiscal year 2082 and remaining at that level thereafter. Increasing the assumed medical care cost trend rate by 1% would increase the accumulated postretirement benefit obligation as of December 31, 2011 and 2010 by $1,657 and $1,385, respectively, and increase the aggregate of the service cost and interest cost by $182 and $185, respectively. Decreasing the assumed medical care cost trend rate by 1% would decrease the accumulated postretirement benefit obligation as of December 31, 2011 and 2010 by $1,374 and $1,151, respectively, and decrease the aggregate of the service cost and interest cost by $146 and $149, respectively.

The following benefit payments are expected to be paid as follows:

<table>
<thead>
<tr>
<th>Year</th>
<th>Amount (in thousands)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2012</td>
<td>740</td>
</tr>
<tr>
<td>2013</td>
<td>730</td>
</tr>
<tr>
<td>2014</td>
<td>697</td>
</tr>
<tr>
<td>2015</td>
<td>686</td>
</tr>
<tr>
<td>2016</td>
<td>662</td>
</tr>
<tr>
<td>2017-2021</td>
<td>3,356</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>6,871</strong></td>
</tr>
</tbody>
</table>

10. TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets are held for the following purposes at December 31, 2011 and 2010:

<table>
<thead>
<tr>
<th>Purpose</th>
<th>2011</th>
<th>2010</th>
</tr>
</thead>
<tbody>
<tr>
<td>Program related</td>
<td>42,643</td>
<td>47,051</td>
</tr>
<tr>
<td>Endowment earnings for domestic and foreign</td>
<td>66,927</td>
<td>80,634</td>
</tr>
<tr>
<td>mission programs</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Guam - School Scholarships</td>
<td>3,073</td>
<td>2,745</td>
</tr>
<tr>
<td>United Thank Offering and Episcopal Church Women Fund</td>
<td>1,011</td>
<td>1,066</td>
</tr>
<tr>
<td>Various other program funds</td>
<td>5,674</td>
<td>4,923</td>
</tr>
<tr>
<td><strong>Total temporarily restricted net assets</strong></td>
<td><strong>119,328</strong></td>
<td><strong>136,419</strong></td>
</tr>
</tbody>
</table>
11. ENDOWMENT FUND

The Society has adopted the provisions of “Endowments of Not-for-Profit Organizations: Net Asset Classification of Funds Subject to an Enacted Version of the Uniform Prudent Management of Institutional Funds Act, and Enhanced Disclosures for All Endowment Funds” of the Accounting Standards Codification. This standard provides guidance on classifying the net assets associated with donor-restricted endowment funds held by organizations subject to the Uniform Prudent Management of Institutional Funds Act (“UPMIFA”), passed by the State of New York in September 2010, and also requires additional disclosures about endowments for both donor-restricted funds and board-designated funds.

Under New York State UPMIFA (“NYPMIFA”), the Society classifies as permanently restricted net assets: (a) the original value of gifts donated to its permanent endowment; (b) the original value of subsequent gifts to its permanent endowment; and, the (c) accumulations to its permanent endowment made in accordance with the directions 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 as permanently restricted net assets is classified as temporarily restricted nets assets until such amounts are appropriated for expenditure by the Society in a manner consistent with the standard of prudence prescribed by NYPMIFA.

In accordance with NYPMIFA, the Society considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds: the duration and preservation of the fund, the purpose of the fund, general economic conditions, the possible effect of inflation or deflation, the expected total return from income and the appreciation of investments, other resources of the Society, the investment policies of the Society and, where appropriate, alternatives to spending from donor-restricted endowment funds and the possible effects on the Society.

The Society has a policy of appropriating for distribution each year an Executive Council approved spending rate of its endowment fund’s average fair value over five years. In establishing this policy, the Society considered the long-term expected return on its endowment. Accordingly, over the long term, the Society expects the current spending policy to grow at a pace at least equal to inflation. This is consistent with the Society’s objective to maintain the purchasing power of the endowment assets held in perpetuity or for a specified term as well as to provide additional real growth through new gifts and investment return.

The Society has adopted investment policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets. Endowment assets include those assets of donor-restricted funds that the Executive Council, the endowment assets are invested in a manner that is intended to produce results that exceed the price and yield results of appropriate benchmarks without putting the assets at imprudent risk. To satisfy its long-term objectives, the Society 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 Society targets a diverse asset allocation that places a greater emphasis on equity-based investments to achieve its long-term return objectives within prudent risk constraints.
With the exception of endowment pledges and split-interest agreements, the following tables summarize endowment net asset composition, by type of fund, as of December 31, 2011 and 2010:

### Composition of Endowment Net Assets by Type of Fund

<table>
<thead>
<tr>
<th></th>
<th>Unrestricted</th>
<th>Temporarily Restricted</th>
<th>Permanently Restricted</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Donor-restricted endowment funds</td>
<td>-</td>
<td>$97,095</td>
<td>$23,611</td>
<td>$120,706</td>
</tr>
<tr>
<td>Board-designated endowment funds</td>
<td>48,084</td>
<td>-</td>
<td>-</td>
<td>48,084</td>
</tr>
<tr>
<td>Total</td>
<td>$48,084</td>
<td>$97,095</td>
<td>$23,611</td>
<td>$168,790</td>
</tr>
</tbody>
</table>

### Changes in Endowment Net Assets

<table>
<thead>
<tr>
<th></th>
<th>2011</th>
</tr>
</thead>
<tbody>
<tr>
<td>Endowment net assets, beginning of year</td>
<td>$48,780 $109,456 $23,561 $181,797</td>
</tr>
<tr>
<td>Investment return:</td>
<td></td>
</tr>
<tr>
<td>Investment income</td>
<td>317</td>
</tr>
<tr>
<td>Net appreciation (depreciation) (realized and unrealized)</td>
<td>1,729 (6,069) - (4,340)</td>
</tr>
<tr>
<td>Transfer in</td>
<td>2,166</td>
</tr>
<tr>
<td>Contributions</td>
<td>47</td>
</tr>
<tr>
<td>Appropriation of endowment assets for expenditure</td>
<td>(4,955) (6,788) - (11,743)</td>
</tr>
<tr>
<td>Endowment net assets, end of year</td>
<td>$48,084 $97,095 $23,611 $168,790</td>
</tr>
</tbody>
</table>

### Changes in Endowment Net Assets

<table>
<thead>
<tr>
<th></th>
<th>2011</th>
</tr>
</thead>
<tbody>
<tr>
<td>Endowment net assets, beginning of year</td>
<td>$85,580 $59,885 $23,523 $168,988</td>
</tr>
<tr>
<td>Net asset reclassification based on change in law</td>
<td>(40,452) 40,452 - -</td>
</tr>
<tr>
<td>Endowment net assets after reclassification</td>
<td>45,128 100,337 23,523 168,988</td>
</tr>
<tr>
<td>Investment return:</td>
<td></td>
</tr>
<tr>
<td>Investment income</td>
<td>208</td>
</tr>
<tr>
<td>Net appreciation (realized and unrealized)</td>
<td>7,509 15,620 - 23,129</td>
</tr>
<tr>
<td>Transfer in</td>
<td>634</td>
</tr>
<tr>
<td>Contributions</td>
<td>280</td>
</tr>
<tr>
<td>Appropriation of endowment assets for expenditure</td>
<td>(4,979) (6,821) - (11,800)</td>
</tr>
<tr>
<td>Endowment net assets, end of year</td>
<td>$48,780 $109,456 $23,561 $181,797</td>
</tr>
</tbody>
</table>
12. RELATED PARTIES

The Episcopal Church is an unincorporated association governed by the General Convention. It carries out its administrative, finance and other program activities through DFMS, a New York corporation. DFMS is governed by the Executive Council whose members are elected by the General Convention and the Provinces. The Executive Council acts as the General Convention between meetings. DFMS engages in financial transactions with both foreign and domestic entities affiliated with the Episcopal Church and the worldwide Anglican Communion. DFMS receives its principal financial support in the form of Diocesan commitments, which totaled approximately $26,000 and $27,000 for the years ended December 31, 2011 and 2010, respectively. In addition, DFMS receives a significant portion of non-governmental fees from related parties as well, which totaled approximately $1,000 and $843 for the years ended December 31, 2011 and 2010, respectively. DFMS expended approximately $51,000 and $53,000 for the years ended December 31, 2011 and 2010, respectively, in either direct payments/grants to affiliated entities or expenses incurred on behalf of these related parties. Of the total loans receivable reported on the accompanying consolidated statements of financial position at December 31, 2011 and 2010, approximately $1,000 each year represent loans to related entities which bear interest at rates ranging from 3.0% to 8.0% per annum.

13. CONTINGENCIES

Government Funding

The Society enters into contracts with agencies of the United States Government under which the government provides funding for various refugee resettlement activities carried on by the Society in the United States and in other countries. The expenditures of these funds by the Society and its affiliated organizations are subject to audit by the federal government. In the opinion of management, audit adjustments, if any, are not expected to have a material effect on the consolidated financial position or changes in net assets of the Society.

Refugee Loans Receivable and Collections

In connection with its cooperative agreements with the United States Government for refugee resettlement, the Society acts as the collection agent for travel loans made to refugees by the International Organization for Migration. In return for these services, the Society retains 25% of all loan collections as a recovery of its administrative costs incurred. As of December 31, 2011 and 2010, there were $10,841 and $11,404, respectively, of refugee loans outstanding. Such amounts are not reflected on the accompanying consolidated financial statements, and the Society does not guarantee the loans.

Litigation

The Society is subject to various claims and legal proceedings that have arisen in the ordinary course of its business activities. The Society is not aware of any pending litigation which will have a material adverse effect on its consolidated financial statements.
14. EPISCOPAL RELIEF & DEVELOPMENT

The following represents summarized financial information for ERD for the years ended December 31, 2011 and 2010:

<table>
<thead>
<tr>
<th></th>
<th>2011</th>
<th>2010</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Revenues:</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Contributions</td>
<td>$18,595</td>
<td>$31,645</td>
</tr>
<tr>
<td>Investment (loss) return</td>
<td>(276)</td>
<td>2,111</td>
</tr>
<tr>
<td>Total revenues</td>
<td>$18,319</td>
<td>$33,756</td>
</tr>
<tr>
<td><strong>Expenses:</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Program</td>
<td>$18,448</td>
<td>$21,629</td>
</tr>
<tr>
<td>Fundraising</td>
<td>1,906</td>
<td>2,067</td>
</tr>
<tr>
<td>General and administration</td>
<td>1,371</td>
<td>832</td>
</tr>
<tr>
<td>Total expenses</td>
<td>$21,725</td>
<td>$24,528</td>
</tr>
</tbody>
</table>
SUPPLEMENTARY INFORMATION
THE DOMESTIC AND FOREIGN MISSIONARY SOCIETY  
OF THE PROTESTANT EPISCOPAL CHURCH IN THE  
UNITED STATES OF AMERICA AND AFFILIATES  
Consolidating Schedule of Financial Position  
As of December 31, 2011  
(Dollar amounts in thousands)  

### ASSETS  

<table>
<thead>
<tr>
<th></th>
<th>DFMS</th>
<th>ERD</th>
<th>GUAM</th>
<th>Consolidating Entries</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash and cash equivalents</td>
<td>$8,040</td>
<td>$13,189</td>
<td>$1,207</td>
<td>-</td>
<td>$22,436</td>
</tr>
<tr>
<td>Receivables:</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Diocesan commitments receivable, net</td>
<td>1,009</td>
<td>-</td>
<td>-</td>
<td>1,009</td>
<td></td>
</tr>
<tr>
<td>Loans receivable, net</td>
<td>4,379</td>
<td>-</td>
<td>-</td>
<td>4,379</td>
<td></td>
</tr>
<tr>
<td>Government grants</td>
<td>2,300</td>
<td>-</td>
<td>-</td>
<td>2,300</td>
<td></td>
</tr>
<tr>
<td>Other receivables, net</td>
<td>921</td>
<td>2,724</td>
<td>24</td>
<td>-</td>
<td>3,669</td>
</tr>
<tr>
<td>Collateral received under securities loan agreement</td>
<td>943</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>943</td>
</tr>
<tr>
<td>Prepaid expenses and other assets</td>
<td>600</td>
<td>276</td>
<td>21</td>
<td>(211)</td>
<td>686</td>
</tr>
<tr>
<td>Investments:</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>DFMS-controlled funds</td>
<td>222,037</td>
<td>14,279</td>
<td>2,728</td>
<td>-</td>
<td>239,044</td>
</tr>
<tr>
<td>Funds held for the benefit of others</td>
<td>80,393</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>80,393</td>
</tr>
<tr>
<td>Property and equipment, net</td>
<td>47,450</td>
<td>41</td>
<td>8,842</td>
<td>(268)</td>
<td>56,065</td>
</tr>
<tr>
<td>Beneficial interests in outside trusts</td>
<td>6,646</td>
<td>380</td>
<td>-</td>
<td>-</td>
<td>7,026</td>
</tr>
<tr>
<td>Total assets</td>
<td>$374,718</td>
<td>$30,889</td>
<td>$12,822</td>
<td>(479)</td>
<td>$417,950</td>
</tr>
</tbody>
</table>

### LIABILITIES AND NET ASSETS  

<table>
<thead>
<tr>
<th></th>
<th>DFMS</th>
<th>ERD</th>
<th>GUAM</th>
<th>Consolidating Entries</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Accounts and accrued expenses</td>
<td>$2,842</td>
<td>$993</td>
<td>$3,979</td>
<td>(24)</td>
<td>$7,790</td>
</tr>
<tr>
<td>Payable under securities loan agreement</td>
<td>943</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>943</td>
</tr>
<tr>
<td>Grants payable</td>
<td>542</td>
<td>27</td>
<td>-</td>
<td>-</td>
<td>569</td>
</tr>
<tr>
<td>Notes payable</td>
<td>43,463</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>43,463</td>
</tr>
<tr>
<td>Mortgage payable</td>
<td>-</td>
<td>-</td>
<td>2,482</td>
<td>-</td>
<td>2,482</td>
</tr>
<tr>
<td>Accrued postretirement benefits other than pensions</td>
<td>12,503</td>
<td>675</td>
<td>-</td>
<td>-</td>
<td>13,178</td>
</tr>
<tr>
<td>Annuities payable</td>
<td>474</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>474</td>
</tr>
<tr>
<td>Funds held for the benefit of others</td>
<td>59,117</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>59,117</td>
</tr>
<tr>
<td>Funds held in a trustee relationship</td>
<td>21,276</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>21,276</td>
</tr>
<tr>
<td>Total liabilities</td>
<td>$141,160</td>
<td>$1,695</td>
<td>6,461</td>
<td>(24)</td>
<td>$149,292</td>
</tr>
</tbody>
</table>

Contingencies

### NET ASSETS  

<table>
<thead>
<tr>
<th></th>
<th>DFMS</th>
<th>ERD</th>
<th>GUAM</th>
<th>Consolidating Entries</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Unrestricted:</td>
<td>115,513</td>
<td>49</td>
<td>6,361</td>
<td>(2,802)</td>
<td>119,121</td>
</tr>
<tr>
<td>Temporarily restricted</td>
<td>89,566</td>
<td>28,289</td>
<td>-</td>
<td>1,473</td>
<td>119,328</td>
</tr>
<tr>
<td>Permanently restricted</td>
<td>28,479</td>
<td>856</td>
<td>-</td>
<td>874</td>
<td>30,209</td>
</tr>
<tr>
<td>Total net assets</td>
<td>$233,558</td>
<td>$29,194</td>
<td>6,361</td>
<td>(455)</td>
<td>$268,658</td>
</tr>
<tr>
<td>Total liabilities and net assets</td>
<td>$374,718</td>
<td>$30,889</td>
<td>$12,822</td>
<td>(479)</td>
<td>$417,950</td>
</tr>
</tbody>
</table>

The accompanying consolidated financial statements and notes thereto are an integral part of this consolidating schedule.
THE DOMESTIC AND FOREIGN MISSIONARY SOCIETY
OF THE PROTESTANT EPISCOPAL CHURCH IN THE
UNITED STATES OF AMERICA AND AFFILIATES
Consolidating Schedule of Activities
For the year ended December 31, 2011
(Dollar amounts in thousands)

<table>
<thead>
<tr>
<th>REVENUES AND OTHER SUPPORT</th>
<th>DFMS</th>
<th>ERD</th>
<th>GUAM</th>
<th>Consolidating Entries</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Diocesan commitments</td>
<td>$25,718</td>
<td>-</td>
<td>-</td>
<td>$25,718</td>
<td>-</td>
</tr>
<tr>
<td>Contributions and bequests</td>
<td>2,651</td>
<td>-</td>
<td>-</td>
<td>2,651</td>
<td>-</td>
</tr>
<tr>
<td>Contributed services</td>
<td>540</td>
<td>-</td>
<td>-</td>
<td>540</td>
<td>-</td>
</tr>
<tr>
<td>Investment return designated for current operations</td>
<td>11,743</td>
<td>-</td>
<td>-</td>
<td>11,743</td>
<td>-</td>
</tr>
<tr>
<td>Other investment income</td>
<td>782</td>
<td>-</td>
<td>-</td>
<td>782</td>
<td>-</td>
</tr>
<tr>
<td>Government revenue</td>
<td>12,692</td>
<td>1,792</td>
<td>-</td>
<td>14,484</td>
<td>-</td>
</tr>
<tr>
<td>Fees, sales and other</td>
<td>2,281</td>
<td>-</td>
<td>-</td>
<td>2,281</td>
<td>-</td>
</tr>
<tr>
<td>Episcopal Relief &amp; Development</td>
<td>-</td>
<td>18,319</td>
<td>-</td>
<td>18,319</td>
<td>-</td>
</tr>
<tr>
<td>Revenues from the Episcopal Church in Micronesia</td>
<td>-</td>
<td>6,588</td>
<td>(50)</td>
<td>6,538</td>
<td>-</td>
</tr>
<tr>
<td>Total revenues and other support</td>
<td>$56,407</td>
<td>20,111</td>
<td>6,588</td>
<td>(50)</td>
<td>83,056</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>EXPENSES</th>
<th>DFMS</th>
<th>ERD</th>
<th>GUAM</th>
<th>Consolidating Entries</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Program Services:</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Canonical and missional programs</td>
<td>41,351</td>
<td>-</td>
<td>-</td>
<td>41,351</td>
<td>-</td>
</tr>
<tr>
<td>General convention</td>
<td>2,197</td>
<td>-</td>
<td>-</td>
<td>(50)</td>
<td>2,147</td>
</tr>
<tr>
<td>Grant-related activities and other</td>
<td>4,825</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>4,825</td>
</tr>
<tr>
<td>Episcopal Relief &amp; Development</td>
<td>-</td>
<td>18,448</td>
<td>-</td>
<td>-</td>
<td>18,448</td>
</tr>
<tr>
<td>Expenses from the Episcopal Church Micronesia</td>
<td>-</td>
<td>6,810</td>
<td>-</td>
<td>-</td>
<td>6,810</td>
</tr>
<tr>
<td>Total program services</td>
<td>48,373</td>
<td>18,448</td>
<td>6,810</td>
<td>(50)</td>
<td>73,581</td>
</tr>
</tbody>
</table>

| Supporting Services: | | | | | |
| Fundraising | -   | 1,906| -    | -                     | 1,906 |
| General and administrative | 8,560  | 1,304| -    | -                     | 9,864 |
| Total supporting services | 8,560 | 3,210| -    | -                     | 11,770 |
| Total expenses | 56,933 | 21,658| 6,810| (50) | 85,351 |
| Changes in net assets from operations | (526) | (1,547)| (222) | -                     | (2,295) |

| NONOPERATING ACTIVITIES | | | | | |
| Investment (loss) return | (5,812) | 1,154| -    | -                     | (4,658) |
| Less: other investment income | (1,380) | 8    | -    | -                     | (1,372) |
| Net investment (loss) income- trust fund | (7,192) | 1,162| -    | -                     | (6,030) |
| Less: investment return designated for current operations | (11,743) | -   | -    | -                     | (11,743) |
| Total nonoperating activities | (18,935) | 1,162| -    | -                     | (17,773) |
| Changes in net assets, before pension activities | (19,461) | (385)| (222) | -                     | (20,088) |
| Postretirement related activities other than net periodic pension cost | (1,655) | -   | -    | -                     | (1,655) |
| Changes in net sets | (21,116) | (385)| (222) | -                     | (21,723) |
| Net assets, beginning of year | 254,674 | 29,579| 6,583| (455) | 290,381 |
| Net assets, end of year | $233,558 | $29,194| $6,361| $ (455) | $268,658 |

The accompanying consolidated financial statements and notes thereto are an integral part of this consolidating schedule.