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, 2022 and 2021

Contents

GRANT THORNTON LLP
757 Third Ave., 9th Floor
New York, NY 10017-2013

D +1 212 599 0100
F +1 212 370 4520

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:

Opinion
We have audited the consolidated financial statements of The Domestic and Foreign Missionary Society of the Protestant Episcopal Church in the United States of America and Affiliates (collectively, the "Society"), which comprise the consolidated statements of financial position as of December 31, 2022, and 2021, and the related consolidated statements of activities and cash flows for the years then ended, and the related notes to the consolidated financial statements.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of The Domestic and Foreign Missionary Society of the Protestant Episcopal Church in the United States of America as of December 31, 2022, and 2021, and the changes in their net assets and their 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 of the consolidated financial statements in accordance with auditing standards generally accepted in the United States of America (US GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Society and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. 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 consolidated 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 consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's responsibilities for the audit of the financial statements
Our objectives are to obtain reasonable assurance about whether the consolidated 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 US GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the consolidated financial statements.

In performing an audit in accordance with US GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the consolidated 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 consolidated 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 Society'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 consolidated financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Society'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.

Supplementary information

Our audits were conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The consolidating schedule of financial position as of December 31, 2022 and the consolidating schedule of activities for the year ended December 31, 2022 are presented for purposes of additional analysis and are not a required part of the 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 consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures. These additional procedures included comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with US GAAS. In our opinion, the accompanying supplementary information is fairly stated, in all material respects, in relation to the consolidated financial statements as a whole.

Grant Thornton LLP

New York, New York
July 13, 2023

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

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

December 31,
(Dollar amounts in thousands)

	2022	2021
ASSETS		
Cash and cash equivalents	$ 34,599	$ 32,829
Receivables		
Diocesan commitments receivable, net	77	-
Loans receivable, net	8,373	8,593
Government grants	2,798	2,196
Contributions and other receivables, net	15,206	8,740
Prepaid expenses and other assets	2,778	2,893
Investments		
DFMS-controlled funds	348,593	438,739
Funds held for the benefit of others and in a trustee relationship	208,356	251,322
Interest rate swap	1,779	423
Property and equipment, net	27,330	28,703
Lease - right of use	101	-
Beneficial interest in outside trusts	7,594	9,585
Total assets	$ 657,584	$ 784,023
LIABILITIES AND NET ASSETS		
Liabilities		
Accounts payable and accrued expenses	$ 5,653	$ 5,843
Notes payable and line of credit	19,324	20,803
Mortgage payable	1,637	2,301
Accrued postretirement benefits other than pensions	9,869	13,256
Lease liability	101	-
Funds held for the benefit of others	179,507	213,943
Funds held in a trustee relationship	28,849	37,379
Total liabilities	244,940	293,525
Contingencies		
Net assets		
Net assets without donor restrictions	200,321	221,669
Net assets with donor restrictions	212,323	268,829
Total net assets	412,644	490,498
Total liabilities and net assets	$ 657,584	$ 784,023

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

Years ended December 31,
(Dollars amounts in thousands)

	2022			2021		
	Net Assets Without Donor Restrictions	Net Assets With Donor Restrictions	Total	Net Assets Without Donor Restrictions	Net Assets With Donor Restrictions	Total
Revenues and other support						
Diocesan commitments	$ 29,472	$ -	$ 29,472	$ 30,104	$ -	$ 30,104
Contributions and bequests	589	1,046	1,635	592	854	1,446
Contributions and other income - Episcopal Relief and Development	-	37,227	37,227	-	23,261	23,261
Contributed services	1	-	1	38	-	38
Investment return designated for current operations	11,813	2,032	13,845	11,054	1,874	12,928
Other investment (loss) income	(1,644)	(126)	(1,770)	174	(131)	43
Government revenue	25,741	-	25,741	10,171	-	10,171
Fees and other income	5,480	152	5,632	8,293	1,462	9,755
Revenue from the Episcopal Church in Micronesia	7,435	-	7,435	9,143	-	9,143
Net assets released from restrictions	35,184	(35,184)	-	24,819	(24,819)	-
Total revenues and other support	114,071	5,147	119,218	94,388	2,501	96,889
Expenses						
Program services						
Canonical and missional programs	55,443	-	55,443	39,758	-	39,758
General convention	5,834	-	5,834	3,234	-	3,234
Grant-related activities and other	2,680	-	2,680	2,677	-	2,677
Episcopal Relief and Development						
Sustainable Development	15,687	-	15,687	13,774	-	13,774
Disaster Relief & Recovery	6,118	-	6,118	4,187	-	4,187
Expenses from the Episcopal Church in Micronesia	7,273	-	7,273	6,821	-	6,821
Total program services	93,035	-	93,035	70,451	-	70,451
Supporting services						
General and administrative	10,402	-	10,402	9,205	-	9,205
Fundraising	461	-	461	375	-	375
General and administrative - Episcopal Relief and Development	1,762	-	1,762	974	-	974
Fundraising - Episcopal Relief and Development	2,763	-	2,763	2,614	-	2,614
Total supporting services	15,388	-	15,388	13,168	-	13,168
Total expenses	108,423	-	108,423	83,619	-	83,619
Changes in net assets from operations	5,648	5,147	10,795	10,769	2,501	13,270
Non-operating activities						
Investment return	(21,057)	(62,466)	(83,523)	16,274	25,721	41,995
Less: other investment gain (loss)	1,644	1,869	3,513	(174)	(568)	(742)
Net investment (loss) gain	(19,413)	(60,597)	(80,010)	16,100	25,153	41,253
Less: investment return designated for current operations	(11,813)	(2,032)	(13,845)	(11,054)	(1,874)	(12,928)
Change in value of interest rate swap agreement	1,356	-	1,356	483	-	483
Postretirement related activities other than service cost	2,874	976	3,850	4,982	-	4,982
Total non-operating activities	(26,996)	(61,653)	(88,649)	10,511	23,279	33,790
CHANGES IN NET ASSETS	(21,348)	(56,506)	(77,854)	21,280	25,780	47,060
Net assets, beginning of year	221,669	268,829	490,498	200,389	243,049	443,438
Net assets, end of year	$ 200,321	$ 212,323	$ 412,644	$ 221,669	$ 268,829	$ 490,498

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 CASH FLOWS

Years ended December 31,
(Dollar amounts in thousands)

	2022	2021
Cash flows from operating activities:		
Changes in net assets	$ (77,854)	$ 47,060
Adjustments to reconcile changes in net assets to net cash used in operating activities:		
Non-cash items:		
Depreciation	1,766	1,797
Payroll Protection Program loan forgiveness	-	(5,099)
Change in allowance for uncollectible amounts	(126)	419
Amortization of discount to present value receivables	6	2
Total non-cash adjustments	1,646	(2,881)
Change in working capital:		
Diocesan commitments receivable	49	34
Loans receivable	220	(865)
Government grants receivable	(602)	(742)
Contributions and other receivables	(6,472)	(2,327)
Prepaid expenses and other assets	115	(695)
Accounts payable and accrued expenses	(190)	(4,197)
Total change in working capital accounts	(6,880)	(8,792)
Change in investments:		
Net realized and unrealized losses (gains) on investments	80,011	(41,253)
Total change in investments	80,011	(41,253)
Other changes:		
Change in lease - right-to-use asset	(101)	-
Change in value of beneficial interests in outside trusts	1,991	(785)
Change in value of interest rate swap agreement	(1,356)	(483)
Change in accrued postretirement benefits other than pensions	(3,387)	(5,216)
Change in lease liability	101	-
Total other changes	(2,752)	(6,484)
Total change in working capital accounts and other	70,379	(56,529)
Net cash used in operating activities	(5,829)	(12,350)
Cash flows from investing activities:		
Purchases of property and equipment	(393)	(745)
Proceeds from sales of investments	80,958	82,194
Purchases of investments	(70,823)	(66,100)
Net cash provided by investing activities	9,742	15,349
Cash flows from financing activities:		
Repayments under notes payable and line of credit	(1,479)	(1,480)
Principal payments on mortgage loan	(664)	(563)
Net cash used in financing activities	(2,143)	(2,043)
NET INCREASE IN CASH AND CASH EQUIVALENTS	1,770	956
Cash and cash equivalents, beginning of year	32,829	31,873
Cash and cash equivalents, end of year	$ 34,599	$ 32,829
Supplemental disclosure of cash flow information:		
Cash paid for interest during the year	$ 421	$ 519

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

NOTE 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. ERD was established by resolution of the General Convention in 1940 in order to meet the needs of refugees fleeing the war in Europe. Today, ERD is a compassionate response of the Episcopal Church to human suffering in the world. Hearing God's call to seek and serve Christ in all persons and to respect the dignity of every human being, ERD serves to bring together the generosity of Episcopalians and others to heal a hurting world.

DFMS's consolidated financial statements also include the activities of Episcopal Church Women, United Thank Offering and all other direct agencies of DFMS, as well as the 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 and ERD have been classified by the Internal Revenue Service as not-for-profit organizations 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.

NOTE 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 ("U.S. GAAP"). 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.

Net assets consist of the following:

> Without donor restrictions - net assets that are not restricted by donor-imposed stipulations and, therefore, are available to carry out the Society's operations. Net assets without donor restrictions also include those net assets that are limited as to their use by action of the Executive Council.
>
> With donor restrictions - 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 net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the consolidated statements of activities as net assets released from restrictions.

Net assets with donor restrictions also include 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. Such net assets with donor restrictions 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 to perform. Management also believes that its market risk is mitigated by an adequate diversification of its investments amongst a variety of asset classes.

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. These allowances are maintained at a level management considers adequate to provide for potentially uncollectible accounts. These estimates are reviewed periodically and, if the financial condition of a diocese changes significantly, the Society will evaluate the recoverability of any commitments due from that diocese and write-off any amounts that are no longer considered to be recoverable. Subsequent collections of receivables previously written-off are recorded as revenue in the year received.

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 as of the measurement date. Purchases and sales of securities are reflected on a trade-date basis. Dividends and interest pertaining to the Society are recognized as earned. Realized and unrealized gains or losses on investments pertaining to the Society are recorded on the consolidated statements of activities in the period in which the securities are sold.

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. GAAP, for fair value measurements, 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 includes 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.

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.

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 are readily available, regularly distributed or updated, reliable and verifiable, not proprietary, and provided by independent sources that are actively involved in the relevant market.

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 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 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 enough 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 for the respective reporting period.

The Society also measures certain investments using a net asset value ("NAV"), which is exempted from categorization within the fair value hierarchy and related disclosures. Instead, the Society separately discloses the information required for assets measured using the NAV practical expedient and discloses a reconciling item between the total amount of investments categorized within the fair value hierarchy and total investments measured at fair value on the accompanying consolidated statements of financial position.

Property and Equipment

The Society's investment in property and equipment consists of its New York headquarters, property in Austin, Texas, and the school and missional churches of Micronesia (Guam). Property and equipment costing greater than $1.5 and with useful lives greater than five years are capitalized. Property and equipment, except for land, are depreciated using the straight-line method over the estimated service lives of the respective assets. The useful lives assigned to furniture and equipment and buildings and improvements range from 5 to 30 years. Maintenance and repairs are expensed as incurred.

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 stipulated beneficiaries and the principal to be invested in perpetuity. Historically, the income received from these outside trusts has been recorded as either net assets with donor restrictions or net assets without donor restrictions based upon the donors' imposed stipulations. The fair value of these outside trust assets is recognized as a component of net assets with donor restrictions. The beneficial interest in outside trusts is adjusted each year and the change in fair value is recognized on the consolidated statements of activities based on changes in the fair values of the trusts' underlying investments. Pursuant to certain of the trust arrangements, however, the earnings that are initially paid to the Society are distributable to other beneficiaries. A liability has been recorded for such amounts payable to others and is reflected as annuities payable in the accompanying consolidated statements of financial position. The Society's beneficial interest in outside trusts is classified as Level 3 within the fair value hierarchy as of December 31, 2022 and 2021.

December 31, 2022 and 2021 (Dollar amounts in thousands)

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, 2022 and 2021:

	2022	2021
Balance, beginning of the year	$ 9,585	$ 8,800
Change in value of amounts due to beneficiaries	(154)	47
Unrealized (loss) gains	(1,837)	738
Balance, end of the year	$ 7,594	$ 9,585

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 respective grantee is notified. Grants payable represent unconditional promises to give that are expected to be paid within one year of award and are included in accounts payable and accrued expenses on the consolidated statements of financial position.

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 statements of activities but is 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 assets and equivalent liabilities. The income derived from these investments is not included on the consolidated statements of activities but is reflected as a change in value of related assets and liabilities.

Contributions, Bequests and Government Contracts

The Society recognizes revenue from contributions, grants and contracts in accordance with Accounting Standards Update ("ASU") 2018-08, *Not-For-Profit Entities (Topic 958): Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. In accordance with ASU 2018-08, the Society evaluates whether a transfer of assets is (1) an exchange transaction in which a resource provider is receiving commensurate value in return for the resources transferred or (2) a contribution. If the transfer of assets is determined to be an exchange transaction, the Society applies guidance under Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC") Topic 606, *Revenue from Contracts with Customers* ("ASC 606"). If the transfer of assets is determined to be a contribution, the Society evaluates whether the contribution is conditional based upon whether the agreement includes both (1) one or more barriers that must be overcome before the Society is entitled to the assets transferred and promised and (2) a right of return of assets transferred or a right of release of a promisor's obligation to transfer assets. The Society has determined that its revenues from grants and contracts were not exchange contracts and, therefore, treated the transfer of assets as 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. Contributions receivable are written off in the period deemed uncollectible.

Revenue from government grants and contracts deemed to be conditional in nature is recognized as related costs are incurred under the grant or contract agreement. Amounts received in advance under these government grants and contracts are reflected as deferred revenue.

Contributed Services

Contributed services are recorded at their estimated fair value and are recognized as revenues and expenses on the consolidated statements of activities in the period received. Contributed legal services for the years ended December 31, 2022 and 2021 totaled $1 and $38, respectively. Such amounts are valued based on the fair value for similar services received in the United States of America.

Income Taxes

DFMS 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 guidance provides that the tax effects from an uncertain tax position can only be recognized in the consolidated financial statements if the position is "more-likely-than-not" to be sustained if the position were to be challenged by a taxing authority. The assessment of the tax position is based solely on the technical merits of the position, without regard to the likelihood that the tax position may be challenged.

DFMS is exempt from federal income tax under IRC section 501(c)(3), though it is subject to tax on income unrelated to its exempt purpose, unless that income is otherwise excluded by the Internal Revenue Code. DFMS 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 was nexus, and to identify and evaluate other matters that may be considered tax positions. At December 31, 2022 and 2021, DFMS has determined that there are no material uncertain tax positions that require recognition or disclosure in the consolidated financial statements.

Use of Estimates

The preparation of consolidated financial statements in conformity with U.S. GAAP 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 consolidated 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, contributions and other accounts receivable, the valuation of non-exchange traded alternative investments, postretirement benefit obligations, and the useful lives assigned to fixed assets, amongst others. Actual results may differ from these estimates.

Subsequent Events

The Society evaluated its December 31, 2022 consolidated financial statements for subsequent events through July 13, 2023, the date the consolidated financial statements were available to be issued. Management is not aware of any subsequent events which would require recognition or disclosure in the accompanying consolidated financial statements.

New Pronouncements

In February 2016, the FASB issued ASU No. 2016-02, *Leases (Topic 842)*, which requires organizations that lease assets (lessees) to recognize the assets and related liabilities for the rights and obligations created by the leases on the statement of financial position for leases with terms exceeding 12 months. ASU No. 2016-02 defines a lease as a contract or part of a contract that conveys the right to control the use of identified assets for a period of time in exchange for consideration. The lessee in a lease will be required to initially measure the right-of-use asset and the lease liability at the present value of the remaining lease payments, as well as capitalize initial direct costs as part of the right-of-use asset. In June 2020, the FASB issued ASU No. 2020-05, *Revenue from Contracts with Customers (Topic 606) and Leases (Topic 842)*, that allowed certain entities the option to defer the adoption of ASU 2016-02 by one year. The Society adopted ASU 2016-02 for the year ended December 31, 2022. Upon adoption, the Society recognized operating ROU and lease liabilities of $163. ASC 842 did not have a material effect on the Society's accounting for lessor contracts or for lessee contracts.

In September 2020, the FASB issued ASU No. 2020-07, *Presentation and Disclosure by Not-for-Profit Entities for Contributed Nonfinancial Assets*, to increase the transparency of contributed nonfinancial assets through enhancement to presentation and disclosure. The new guidance requires contributed nonfinancial assets to be presented as a separate line item on the consolidated statement of activities, apart from cash and other financial asset contributions. This guidance also requires disclosure of the types of contributed nonfinancial assets and, for each category, information about whether the assets were monetized or utilized, a description of the policies to monetize or utilize such assets, a description of donor-imposed restrictions associated with the contributions, and a description of the valuation techniques and principal market used to arrive at a fair value measure at initial recognition. The Society adopted ASU 2020-07 for the year ended December 31, 2022 and it did not have a material effect on the Society's consolidated financial statements.

NOTE 3 - INVESTMENTS

At December 31, 2022, total investments of approximately $556,949 consist of $515,650 in trust fund endowment assets, $5,760 in unit-trust and pooled income funds, $31,570 in medium-term investments, and $3,969 in St. John's School (Guam) investments.

At December 31, 2021, total investments of approximately $690,261 consist of $646,960 in trust fund endowment assets, $6,500 in unit-trust and pooled income funds, $32,200 in medium-term investments, and $4,600 in St. John's School (Guam) investments.

(Dollar amounts in thousands)

Investments are carried at fair value and consist of the following at December 31:

	Fair Value	
	2022	2021
Stocks:		
Common stock	$ 306,659	$ 398,726
Stock funds	56,818	77,385
Total stocks	363,477	476,111
Bonds:		
Corporate	7,770	8,003
Government	5,455	4,866
Other, primarily mutual bond funds	20,848	21,599
Total bonds	34,073	34,468
Mutual funds (primarily common stock and bonds)	4,279	5,554
Other, primarily money market funds and other cash equivalents	7,267	6,912
Alternative investments:		
Commingled funds	147,853	167,016
Total investments	556,949	690,061
Funds held for the benefit others	(208,356)	(251,322)
Total DFMS-controlled funds	$ 348,593	$ 438,739

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.

(Dollar amounts in thousands)

The following tables prioritize the inputs used to measure the fair value of the Society's investments within the fair value hierarchy at December 31, 2022 and 2021.

	2022			
	Level 1	Level 2	Level 3	Total
Stocks	$ 363,477	$ -	$ -	$ 363,477
Bonds	34,073	-	-	33,073
Mutual funds	4,279	-	-	4,279
Other, primarily money market funds and other cash equivalents	7,267	-	-	7,267
	$ 409,096	$ -	$ -	409,096
Alternative Investments reported at NAV				147,853
Total				$ 556,949

	2021			
	Level 1	Level 2	Level 3	Total
Stocks	$ 476,111	$ -	$ -	$ 476,111
Bonds	34,468	-	-	34,468
Mutual funds	5,554	-	-	5,554
Other, primarily money market funds and other cash equivalents	6,912	-	-	6,912
	$ 523,045	$ -	$ -	523,045
Alternative Investments reported at NAV				167,016
Total				$ 690,061

In accordance with ASC Subtopic 820-10, investments measured at fair value using the NAV per share practical expedient have not been categorized in the fair value hierarchy.

The Society uses the 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.

(Dollar amounts in thousands)

The following tables detail certain attributes pertaining to the investments reported at fair value using a NAV, or its equivalent, as of December 31, 2022 and 2021:

2022

Type	Strategy	NAV in Funds	# of Funds	Remaining Life	$ Amount of Unfunded Commitments	Redemption Terms	Redemption Restrictions
Commingled funds	Commodities, equity, and interest rate-driven focused commingled funds.	$ 147,853	4	N/A	$ -	2 funds have monthly redemption within 5-10 days' notice and 2 funds have daily redemption with 10 days' notice; 1 fund has quarterly redemption with 100 days' notice	None
Total		$ 147,853	4		$ -		

2021

Type	Strategy	NAV in Funds	# of Funds	Remaining Life	$ Amount of Unfunded Commitments	Redemption Terms	Redemption Restrictions
Commingled funds	Commodities, equity, and interest rate-driven focused commingled funds.	$ 167,016	4	N/A	$ -	2 funds have monthly redemption within 5-10 days' notice; 1 fund has daily redemption with 15 days' notice; 1 fund has quarterly redemption with 100 days' notice	None
Total		$ 167,016	4		$ -		

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% in 2022 and 2021) of a five-year moving average of the fair 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.

NOTE 4 - CONTRIBUTIONS AND OTHER RECEIVABLES, NET

Contributions and other receivables, net, consist of the following at December 31, 2022 and 2021:

	2022	2021
Grants and other contributions receivable	$ 7,460	$ 2,444
Other receivables	7,746	6,296
Total contributions and other receivables	$ 15,206	$ 8,740

(Dollar amounts in thousands)

Grants and other contributions receivable, net, which are recorded at the present value of their expected future cash flows, consist of the following at December 31, 2022 and 2021:

	2022	2021
Amounts expected to be collected:		
Within one year	$ 6,486	$ 2,122
In one to four years	984	326
Total contributions receivable	7,470	2,448
Less: present value discount (rates ranging from 1.50% to 6.00%)	(10)	(4)
Total contributions receivables, net	$ 7,460	$ 2,444

NOTE 5 - LOANS RECEIVABLE, NET

Loans receivable, net, consist of the following at December 31, 2022 and 2021:

	2022	2021
Construction loans to dioceses and missionary districts	$ 497	$ 566
Economic justice and community investment loans	5,950	6,100
Loans to reorganizing Dioceses	2,160	2,160
	8,607	8,826
Less: allowance for uncollectible accounts	(234)	(233)
Total loans receivable, net	$ 8,373	$ 8,593

Such loans bear interest at varying rates ranging from 2.0% to 4.75% and are payable in installments or on demand. These loans are typically unsecured with maturities of between three and five years. No new residential loans have been extended to employees since 1998.

(Dollar amounts in thousands)

NOTE 6 - PROPERTY AND EQUIPMENT, NET

Property and equipment, net, consists of the following at December 31, 2022 and 2021:

	2022	2021
Land	$ 7,995	$ 7,995
Buildings and improvements	70,044	69,914
Other equipment and furnishings	5,245	4,712
	83,284	82,621
Less: accumulated depreciation	(55,954)	(53,918)
Property and equipment, net	$ 27,330	$ 28,703

Depreciation expense amounted to $1,766 and $1,797 and for the years ended December 31, 2022 and 2021, respectively.

NOTE 7 - MORTGAGE AND NOTES PAYABLE

Mortgage

A mortgage payable on the St. John's School property, located in Guam, amounted to $1,637 and $2,301 as of December 31, 2022 and 2021, respectively. The interest rate of 4.5% is adjusted every three years on March 11 to 1% over the Federal Home Loan rate The note is collateralized by a third-party mortgage on real and leasehold property and matures in October 15, 2025.

Interest expense pertaining to this mortgage amounted to $97 and $113 for the years ended December 31, 2022 and 2021, respectively.

As of December 31, 2022, scheduled annual principal payments are as follows:

	Amount
2023	$ 152
2024	159
2025	1,326
	$ 1,637

Term Loan

On January 11, 2011, DFMS 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 was structured as a five-year loan with a fixed annual interest rate of 3.69% and annual repayments on a 25-year schedule.

On April 8, 2014, DFMS amended and restated the credit agreement with U.S. Bank. On that date, the then outstanding $31,163 under the existing term loan was continued as an unsecured term loan. The facility continues as a five-year loan with a fixed annual interest rate of 3.69% and annual repayments on a

(Dollar amounts in thousands)

25-year schedule. Interest is payable monthly; annual principal of $1,480 is payable on each January 1st through 2021.

On July 23, 2014, DFMS completed Amendment No. 1 to the amended and restated credit agreement dated April 8, 2014, with U.S. Bank. Amendment No. 1 extended the Loan Termination Date to January 23, 2021 and adjusted the interest rate on the unpaid principal balance of the Term Loan to an annual rate of 1.19% plus the one-month London Interbank Offered Rate (“LIBOR”) rate. Amendment No. 1 was required because DFMS entered into an interest rate swap transaction with U.S. Bank.

On January 19, 2021, DFMS completed Amendment No. 10 to the amended and restated credit agreement dated April 8, 2014, with U.S. Bank. Amendment No. 10 extended the Loan Termination Date to January 23, 2026 and adjusted the interest rate on the unpaid principal balance of the Term Loan to an annual rate of 1.15% plus the one-month LIBOR rate. Concurrent with Amendment No. 10, DFMS entered into an interest rate swap transaction with U.S. Bank whereby, effective January 25, 2021, DFMS will pay an annual fixed interest rate of 1.656% through January 23, 2026. Terms and covenants of the renewed credit agreement were unchanged. Also, in anticipation of the cessation of LIBOR, on November 15, 2021, DFMS completed Amendment No. 11, which Amendment extended the Revolver Loan Termination Date to November 22, 2022 and adjusted the interest rate on any unpaid principal balance of each Revolving Credit Loan to an annual rate equal to 0.82% plus Daily Simple Secured Overnight Financing Rate (“SOFR”) published by the New York Federal Reserve.

On November 28 2022, DFMS completed Amendment No. 12 to the amended and restated credit agreement dated April 8, 2014, with U.S. Bank. Amendment No. 12 adjusted the interest rate on the unpaid principal balance of the Term Loan to an annual rate of 1.15% plus the one-month LIBOR rate. the unpaid principal balance of the Term Loan shall accrue at an annual rate equal to 1.15% plus Term SOFR and extended the Revolver Loan Termination Date to November 27, 2023.

At December 31, 2022 and 2021, $19,323 and $20,803, respectively, was outstanding under the Term Loan and is reflected on the accompanying consolidated statements of financial position as notes payable and line of credit. Interest expense amounted to $325 and $368 for the years ended December 31, 2022 and 2021, respectively.

As of December 31, 2022, scheduled annual principal payments are as follows:

	Amount
2023	$ 1,480
2024	1,480
2025	1,480
2026	14,884
	$ 19,324

The credit agreement includes standard affirmative and negative covenants usual and customary for similar facilities, including remaining an ongoing business, semi-annual financial reporting, and limitations on additional indebtedness. DFMS was compliant with all such covenants (including financial covenants) at December 31, 2022.

(Dollar amounts in thousands)

Revolving Lines of Credit

On January 11, 2011, the Society obtained a $5 million revolving credit facility from U.S. Bank, which was then expanded to $15 million as of April 8, 2014. The facility, which is unsecured, bears interest based on the Eurodollar rate plus 75 basis points and matures on November 29, 2023. The facility is renewed annually. Interest only is payable monthly. At December 31, 2022 and 2021, no amounts were outstanding under this revolving credit facility. Maintenance fees amounted to $0 and $38 for the years ended December 31, 2022 and 2021.

Interest Rate Swap

The Society uses an interest rate swap agreement as a strategy for managing interest rate risk associated with its variable rate term loan, by converting it to a synthetic fixed rate. To manage credit risk, the Society considered the credit rating and reputation of the counterparty (U.S. Bank) before entering into the transaction and continues to monitor the credit standing of its counterparty.

The reported fair value of the swap represents the estimated cost to terminate the swap agreement at the measurement date, taking into account current and projected market interest rates. The fair value of the interest rate swap is reported on the Society's consolidated statements of financial position as an asset.

As of and for the years ended December 31, 2022 and 2021, amounts included within the accompanying consolidated financial statements relating to the interest rate swap agreement are as follows:

Fair Value at December 31, 2022	Fair Value at December 31, 2021	Consolidated Statements of Financial Position Location	Change in Value of Interest Rate Swap Agreement for Year Ended December 31, 2022	Change in Value of Interest Rate Swap Agreement for Year Ended December 31, 2021	Consolidated Statements of Activities Location
$ 1,779	$ 423	Interest rate swap	$ 1,356	$ 483	Change in value of interest rate swap

Fair value for LIBOR based swaps is determined using a relative price approach, by discounting the future expected cash flows at the market discount rate (the 100% LIBOR swap rate matching the average life of the notional reduction, if any, of the swap). For the variable leg of a swap, the expected cash flows are based on implied market forward rates for the appropriate underlying index.

The transactions in April and July of 2014 resulted in a five-year extension of DFMS's term loan maturity and secured an effective annual interest rate of 3.20%, reducing the annual service cost on the debt.

NOTE 8 - PENSION PLANS

DFMS maintains a defined contribution pension plan (the "Plan") for all eligible lay employees and employees of ERD. Under the Plan, the employer contributes 8% for DFMS and 5% for ERD of eligible salaries and 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 $1,849 and $1,686 for the years ended December 31, 2022 and 2021, respectively.

(Dollar amounts in thousands)

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 $858 and $795 for the years ended December 31, 2022 and 2021, 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 on the accompanying consolidated financial statements, amounted to $310 and $425 for the years ended December 31, 2022 and 2021, 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 to each participant’s account. 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 on the accompanying consolidated financial statements amounted to $152 and $149 for the years ended December 31, 2022 and 2021, respectively.

NOTE 9 - POSTRETIREMENT BENEFITS OTHER THAN PENSIONS

DFMS and ERD sponsor postretirement benefit plans which provide both health care (fully contributory until the retiree reaches age 65) and life insurance (non-contributory) 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, 2022 and 2021:

	2022	2021
Change in benefit obligation:		
Benefit obligation, beginning of year	$ 13,256	$ 18,472
Service cost	527	878
Interest cost	355	479
Amendment	-	(6,237)
Assumption changes	(3,519)	215
Actuarial gain	(408)	(127)
Benefits paid	(342)	(424)
Benefit obligation, end of year	$ 9,869	$ 13,256
Change in plan assets		
Fair value of plan assets at beginning of year	$ -	$ -
Employer contributions	342	424
Benefits paid	(342)	(424)
Fair value of plan assets at end of year	$ -	$ -
Funded status at end of year	$ (9,869)	$ (13,256)

(Dollar amounts in thousands)

	2022	2021
Amounts recognized in the statement of financial position consist of:		
Postretirement Benefits		
Noncurrent assets	$ -	$ -
Current liabilities	(434)	(411)
Noncurrent liabilities	(9,435)	(12,845)
Funded status at end of year	$ (9,869)	$ (13,256)
Amounts recognized in net assets without donor restrictions consist of:		
Postretirement Benefits		
Net (gain) loss	$ (3,310)	$ 618
Amortization of unrecognized prior service costs	(4,465)	(5,064)
	$ (7,775)	$ (4,446)
Summary of Benefit Obligations and Plan Assets		
Accumulated Postretirement Benefit Obligation	$9,869	$13,256
Fair value of plan assets	-	-
Market-related value of assets	-	-
Components of Net Periodic Postretirement Benefit Cost:		
Service cost	$ 527	$ 878
Interest cost	355	479
Expected return on plan assets	-	-
Amortization of prior service cost	(600)	226
Amortization of net (gain) loss	-	-
Net periodic postretirement benefit cost	$ 282	$ 1,583

Other Changes in Plan Assets and Benefit Obligations Recognized in net assets without donor restrictions

	2022	2021
Net (gain) loss	$ (3,927)	$ 88
Prior service cost (credit)	-	(6,237)
Amortization of prior service cost	600	(226)
Employer contributions	-	-
Total recognized in other comprehensive income	$ (3,327)	$ (6,375)

(Dollar amounts in thousands)

	2022	2021
Total recognized in net periodic postretirement benefit cost and net assets without donor restrictions	$ (3,045)	$ (4,792)

The change in net loss (gain) consists of (gains)/losses from the change in discount rate assumption of $(4,027), the change in trend assumption of 508, and actuarial experience of $(408). The (gains)/losses from actuarial experience are due to the actual demographic experience varying from the assumption detailed later in the report. This variance is normal on a year-to-year basis, and we monitor the demographic experience to determine if updated to the assumption are needed.

Assumptions

Weighted-average assumptions used to determine Benefit Obligations at December 31

	2022	2021
Discount rate	5.125%	2.81%
Rate of compensation increase	N/A	N/A
First year medical trend rate	6.70%	5.60%

Weighted-average assumptions used to determine Net Periodic Benefit Cost for fiscal years ended December 31

	2022	2021
Discount rate	2.81%	2.52%
Expected long-term return on plan assets	N/A	N/A
Rate of compensation increase	N/A	N/A
First year medical trend rate	5.60%	5.60%

Contributions

The Domestic and Foreign Missionary Society of the Protestant Episcopal Church expects to contribute $434 to its postretirement benefit plan in the fiscal year beginning January 1, 2023 and ending December 31, 2023.

Estimated Future Benefit Payments

2023	$ 434
2024	449
2025	464
2026	477
2027	489
Year 2028-2032	2,887

(Dollar amounts in thousands)

NOTE 10 - NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions are held for the following purposes at December 31, 2022 and 2021:

	2022	2021
Other program related funds	$ 3,094	$ 719
Episcopal Relief and Development - Disaster relief and recovery	15,541	5,189
Guam - School Scholarships	9,366	9,205
United Thank Offering and Episcopal Church Women Fund	1,312	1,264
Beneficial Interest in outside trust	7,594	9,585
Donor-restricted endowment funds:		
Corpus	25,871	25,119
Accumulated unspent earnings	149,545	217,748
Total net assets with donor restrictions	$ 212,323	$ 268,829

NOTE 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 ASC. 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 donor-restricted endowment net assets: (a) the original value of gifts donated to its donor-restricted endowment; (b) the original value of subsequent gifts to its donor-restricted endowment; and (c) the accumulations to its donor-restricted 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 includes the accumulated unspent earnings on the donor-restricted endowment funds that remains within net assets with donor restrictions 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 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.

December 31, 2022 and 2021 (Dollar amounts in thousands)

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. 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.

The following tables summarize endowment net asset composition, by type of fund as of December 31, 2022 and 2021:

	2022		
Composition of Endowment Net Assets by Type of Fund	Without Donor Restrictions	With Donor Restrictions	Total
Donor-restricted endowment funds	$ -	$ 175,416	$ 175,416
Board-designated endowment funds	146,418	-	146,418
Total	$ 146,418	$ 175,416	$ 321,834
Changes in Endowment Net Assets			
Endowment net assets, beginning of year	$ 167,502	$ 242,867	$ 410,369
Investment return:			
Investment income	214	-	214
Net depreciation (realized and unrealized)	(21,024)	(53,071)	(74,095)
Contributions	6,046	230	6,276
Appropriation of endowment assets for expenditure	(6,320)	(14,610)	(20,930)
Endowment net assets, end of year	$ 146,418	$ 175,416	$ 321,834

(Dollar amounts in thousands)

	2021		
Composition of Endowment Net Assets by Type of Fund	Without Donor Restrictions	With Donor Restrictions	Total
Donor-restricted endowment funds	$ -	$ 242,867	$ 242,867
Board-designated endowment funds	167,502	-	167,502
Total	$ 167,502	$ 242,867	$ 410,369
Changes in Endowment Net Assets			
Endowment net assets, beginning of year	$ 166,206	$ 223,503	$ 389,709
Investment return:			
Investment income	214	-	214
Net appreciation (realized and unrealized)	7,075	33,373	40,448
Contributions	43	37	80
Appropriation of endowment assets for expenditure	(6,036)	(14,046)	(20,082)
Endowment net assets, end of year	$ 167,502	$ 242,867	$ 410,369

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor or UPMIFA requires the Society to retain as a fund of perpetual duration. In accordance with U.S. GAAP, deficiencies of this nature are reported in net assets with donor restrictions. These deficiencies resulted from unfavorable market fluctuations that occurred shortly after the investment of new donor-restricted endowment contributions and from the continued appropriation of earnings on other endowment funds that were deemed prudent by the Society's Board of Trustees. There were no such deficiencies at December 31, 2022 and 2021.

NOTE 12 - RELATED PARTIES

The Episcopal Church is an unincorporated association governed by the General Convention. It conducts 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 board of directors between meetings of General Convention. 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 $29,472 and $30,104 for the years ended December 31, 2022 and 2021, respectively. In addition, DFMS receives non-governmental fees from related parties, including lease payments and fees for events. These receipts are not material and are offset by the costs of services provided. DFMS expended $62 for each of the years ended December 31, 2022 and 2021, 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, 2022 and 2021, $1,869 and $1,869 for each of the years ended December 31, 2022 and 2021, respectively, represent loans to related entities which bear interest at rates ranging from 3.0% to 8.0% per annum.

NOTE 13 - CONTINGENCIES

Government Funding

The Society enters into contracts with agencies of the U.S. government under which the government provides funding for various refugee resettlement activities conducted 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 statements of the Society.

Refugee Loans Receivable and Collections

In connection with its cooperative agreements with the U.S. 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, 2022 and 2021, there were $3,806 and $4,089, 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, the resolution of which will have a material adverse effect on its consolidated financial statements.

(Dollar amounts in thousands)

NOTE 14 - FUNCTIONAL EXPENSES

The following table summarizes the Society's functional expense classification presented below for the year ended December 31, 2022.

	Program Services							Supporting Services						
	DFMS			ERD				DFMS		ERD				
	Canonical & Missional Expenses	General Convention	Grant-related activities and other	Sustainable Development	Disaster Relief & Recovery	Guam	Total Program	General & Administration	Fundraising	General & Administration	Fundraising	Total Supporting Services	Total 2022	Total 2021
Direct support	$ 33,538	$ 6	$ 2,362	$ 8,138	$ 4,793	$ 60	$ 48,897	$ -	$ -	$ -	$ -	$ -	$ 48,897	$ 33,456
Contributed services	-	-	-	-	-	-	-	1	-	-	-	1	1	38
Salary	9,918	1,181	-	3,898	647	5,027	20,671	3,914	240	1,202	1,021	6,377	27,048	24,545
Employee benefits	4,505	452	18	2,126	372	28	7,501	1,248	86	103	323	1,760	9,261	8,079
Insurance	55	28	-	48	18	88	237	456	-	2	5	463	700	670
Printing and mailing cost	352	16	1	72	2	-	443	33	124	71	506	734	1,177	1,046
Advertising and promotion	29	-	15	22	7	-	73	-	-	2	114	116	189	153
Telephone/telecommunication	120	13	-	22	46	3	204	48	-	11	3	62	266	257
Rent and utilities	447	-	-	24	-	533	1,004	2,059	-	-	-	2,059	3,063	1,809
Equipment and depreciation	1,442	494	37	126	7	631	2,737	498	11	49	30	588	3,325	3,094
Bank charges, legal and accounting fees	133	2	-	318	22	99	574	771	-	140	8	919	1,493	1,376
Office supplies	220	58	13	14	3	193	501	148	-	6	1	155	656	507
Resources & reference materials	605	3	12	-	-	-	620	-	-	1	-	1	621	503
Consultants	1,586	931	84	598	130	69	3,398	1,182	-	106	730	2,018	5,416	5,347
Travel	2,295	1,339	138	171	47	2	3,992	38	-	38	16	92	4,084	959
Conference/workshop/ memberships/meeting exp	198	1,311	-	110	24	21	1,664	6	-	31	6	43	1,707	844
Scholarship and financial aid	-	-	-	-	-	519	519	-	-	-	-	-	519	501
Total	$ 55,443	$ 5,834	$ 2,680	$ 15,687	$ 6,118	$ 7,273	$ 93,035	$ 10,402	$ 461	$ 1,762	$ 2,763	$ 15,388	$ 108,423	$ 83,619

December 31, 2022 and 2021 (Dollar amounts in thousands)

The following table summarizes the Society's functional expense classification presented below for the year ended December 31, 2021.

	Program Services							Supporting Services						
	DFMS			ERD				DFMS		ERD				
	Canonical & Missional Expenses	General Convention	Grant-related activities and other	Sustainable Development	Disaster	Guam	Total Program	General & Administration	Fundraising	General & Administration	Fundraising	Total Supporting Services	Total 2021	Total 2020
Direct support	$ 20,575	$ -	$ 2,421	$ 7,452	$ 3,041	$ 58	$ 33,457	$ -	$ -	$ -	$ -	$ -	$ 33,456	$ 25,256
Contributed services	-	-	-	-	-	-	-	38	-	-	-	38	38	160
Salary	9,079	1,136	-	3,363	656	4,818	19,052	3,579	219	757	938	5,493	24,545	25,467
Employee benefits	4,292	451	33	1,197	247	30	6,250	1,384	83	68	295	1,830	8,079	8,207
Insurance	53	27	-	45	13	94	232	430	-	2	6	439	670	683
Printing and mailing cost	270	2	-	160	31	-	463	27	64	9	482	582	1,046	1,022
Advertising and promotion	32	-	11	10	1	-	54	-	-	-	100	100	153	202
Telephone/telecommunication	97	9	-	20	57	4	187	63	-	3	4	69	257	224
Rent and utilities	303	-	-	275	5	399	982	1,087	-	35	52	1,174	1,809	1,697
Equipment and depreciation	1,437	254	46	263	37	562	2,599	431	9	11	43	494	3,094	3,266
Bank charges, legal and accounting fees	175	-	-	241	50	115	581	748	-	23	25	796	1,376	1,934
Office supplies	145	33	5	5	1	139	328	171	-	6	2	179	507	980
Resources & reference materials	456	-	19	-	-	-	475	26	-	1	-	27	503	645
Consultants	2,021	646	90	576	33	87	3,453	1,199	-	39	655	1,894	5,347	3,734
Travel	676	190	52	6	3	2	929	15	-	14	1	30	959	1,558
Conference/workshop/ memberships/meeting exp	147	486	-	161	12	12	818	7	-	6	11	24	844	909
Scholarship and financial aid	-	-	-	-	-	501	501	-	-	-	-	-	501	642
Total	$ 39,758	$ 3,234	$ 2,677	$ 13,774	$ 4,187	$ 6,821	$ 70,451	$ 9,205	$ 375	$ 974	$ 2,614	$ 13,168	$ 83,619	$ 76,586

(Dollar amounts in thousands)

NOTE 15 - LIQUIDITY AND AVAILABILITY OF RESOURCES

As part of the Society's liquidity management, the Society structures its financial assets to be available as its general operations, liabilities, and other obligations require.

The Society receives approximately $30 million, or 58%, of its annual cash requirements from contributions without donor restrictions mandated from its 109 dioceses and other Episcopal entities. The Society receives an additional $5.0 million, or 10%, of its cash requirements from sources without donor restrictions, including tenant leases, refugee loan repayments and fees for sponsored events and programs.

The balance of usual support to the Society – approximately $11.8 million and $11.0 million as of December 31, 2022 and 2021, respectively, or 21% of the annual cash requirement - is provided from a Board-approved appropriation of (currently 5%) assets from the trust funds designated as support to the budget and $5.0 or 10% million from a short-term investment account. The DFMS has approximately $166 million of unrestricted trust funds (after deducting funds specified for Episcopal Relief & Development) that support the budget each year with a 5% dividend draw. The DFMS could draw (with approval from Executive Council) additional principal from about $71 million of those trust funds.

The Society's financial assets available within one-year of the consolidated statement of financial position date for general expenditures are as follows:

Financial Assets as of December 31, 2022 and 2021	2022	2021
Cash and cash equivalents	$ 16,517	$ 19,856
Receivables:		
Diocesan commitments receivable, net	77	-
Loans receivable, net	8,373	8,593
Government grants	2,798	2,196
Contributions and other receivables, net	4,473	4,635
Appropriation from the Society's endowment for subsequent year's spending	11,813	11,054
Total financial assets available within one year	$ 44,051	$ 46,334

To help manage unanticipated liquidity needs, the Society maintains short-term investments equal to one quarter of its annual operating budget. As an additional source of liquidity, the Society may draw upon its $15 million line of credit (as further discussed in Note 7), in the event of financial distress or immediate liquidity needs.

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, 2022
(Dollars amounts in thousands)

	DFMS	ERD	GUAM	Consolidating Entries	Total
ASSETS					
Cash and cash equivalents	$ 16,517	$ 12,846	$ 5,236	$ -	$ 34,599
Receivables:					
Diocesan commitments receivable, net	77	-	-	-	77
Loans receivable, net	8,373	-	-	-	8,373
Government grants	2,798	-	-	-	2,798
Contributions and other receivables, net	4,472	10,723	11	-	15,206
Prepaid expenses and other assets	2,266	555	144	(187)	2,778
Investments:					
DFMS-controlled funds	328,472	16,152	3,969	-	348,593
Funds held for the benefit of others	208,356	-	-	-	208,356
Interest rate swap	1,779	-	-	-	1,779
Property and equipment, net	22,353	27	4,763	187	27,330
Lease - Right of Use	75	26	-	-	101
Beneficial interests in outside trusts	7,195	399	-	-	7,594
Total assets	$ 602,733	$ 40,728	$ 14,123	$ -	$ 657,584
LIABILITIES AND NET ASSETS					
Liabilities					
Accounts payable and accrued expenses	693	$ 1,841	$ 3,119	$ -	$ 5,653
Notes payable and line of credit	19,324	-	-	-	19,324
Mortgage payable	-	-	1,637	-	1,637
Accrued postretirement benefits other than pensions	8,137	1,732	-	-	9,869
Lease liability	75	26	-	-	101
Funds held for the benefit of others	179,507	-	-	-	179,507
Funds held in a trustee relationship	28,849	-	-	-	28,849
Total liabilities	236,585	3,599	4,756	-	244,940
Contingencies					
Net assets					
Net assets without donor restrictions	190,927	27	9,367	-	200,321
Net assets with donor restrictions	175,221	37,102	-	-	212,323
Total net assets	366,148	37,129	9,367	-	412,644
Total liabilities and net assets	$ 602,733	$ 40,728	$ 14,123	$ -	$ 657,584

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

As of December 31, 2022
(Dollars amounts in thousands)

	DFMS	ERD	GUAM	Consolidating Entries	Total
Revenues and other support					
Diocesan commitments	$ 29,472	$ -	$ -	$ -	$ 29,472
Contributions and bequests	1,635	-	-	-	1,635
Contributions and other income - Episcopal Relief and Development	-	37,227	-	-	37,227
Contributed services	1	1,565	-	(1,565)	1
Investment return designated for current operations	13,845	-	-	-	13,845
Other investment income	(1,770)	-	-	-	(1,770)
Government revenue	25,741	-	-	-	25,741
Fees and other income	5,632	-	-	-	5,632
Revenues from the Episcopal Church in Micronesia	-	-	7,485	(50)	7,435
Total revenues and other support	74,555	38,792	7,485	(1,615)	119,218
Expenses					
Program services:					
Canonical and missional programs	55,443	-	-	-	55,443
General convention	5,834	-	-	-	5,834
Grant-related activities and other	2,680	-	-	-	2,680
Episcopal Relief and Development					
Sustainable Development	-	16,856	-	(1,169)	15,687
Disaster relief and recovery	-	6,118	-	-	6,118
Episcopal Church in Micronesia	-	-	7,323	(50)	7,273
Total program services	63,957	22,974	7,323	(1,219)	93,035
Supporting services:					
General and administrative	10,402	-	-	-	10,402
Fundraising	461	-	-	-	461
General and administrative - Episcopal Relief and Development	-	1,945	-	(183)	1,762
Fundraising - Episcopal Relief and Development	-	2,976	-	(213)	2,763
Total supporting services	10,863	4,921	-	(396)	15,388
Total expenses	74,820	27,895	7,323	(1,615)	108,423
Changes in net assets from operations	(264)	10,897	162	-	10,795
Non-operating activities					
Investment return	(79,589)	(3,934)	-	-	(83,523)
Less: other investment loss	3,513	-	-	-	3,513
Net investment loss - trust fund	(76,076)	(3,934)	-	-	(80,010)
Less: investment return designated for current operations	(13,845)	-	-	-	(13,845)
Change in value of interest rate swap	1,356	-	-	-	1,356
Postretirement related activities other than net periodic pension cost	2,874	976	-	-	3,850
Total non-operating activities	(85,691)	(2,958)	-	-	(88,649)
CHANGES IN NET ASSETS	(85,955)	7,939	162	-	(77,854)
Net assets, beginning of year	452,103	29,190	9,206	-	490,498
Net assets, end of year	$ 366,148	$ 37,129	$ 9,368	$ -	$ 412,644

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