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, 2015 and 2014

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

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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 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, 2015 and 2014, and the related consolidated statements of activities and cash flows for the years then ended, and the related notes to the consolidated financial statements.

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

Auditor's responsibility
Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Society's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Society's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the 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, 2015 and 2014, and the consolidated 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.

Other matters

Supplementary information

Our audits were conducted for the purpose of forming an opinion on the Society's basic consolidated financial statements as of and for the years ended December 31, 2015 and 2014, as a whole. The supplementary information presented on pages 29 and 30 is presented 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 audits 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. 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 23, 2016

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, 2015 and 2014
(Dollar amounts in thousands)

ASSETS	**2015**	**2014**
Cash and cash equivalents	$ 20,902	$ 19,883
Receivables:		
Diocesan commitments receivable, net (Note 2)	652	829
Loans receivable, net (Note 5)	14,097	13,497
Government grants	2,703	1,850
Other receivables, net (Note 4)	4,535	5,431
Collateral received under securities loan agreement (Note 3)	1,821	2,487
Prepaid expenses and other assets	730	1,103
Investments (Note 3):		
DFMS-controlled funds	286,021	302,057
Funds held for the benefit of others	106,341	109,897
Property and equipment, net (Note 6)	48,476	50,333
Beneficial interest in outside trusts (Note 2)	7,418	7,918
Total assets	$ 493,696	$ 515,285
LIABILITIES AND NET ASSETS		
LIABILITIES		
Accounts payable and accrued expenses	$ 5,406	$ 6,558
Payable under securities loan agreement (Note 3)	1,821	2,487
Grants payable	155	183
Notes payable and line of credit (Note 7)	38,283	39,763
Interest rate swap agreement (Note 7)	642	468
Mortgage payable (Note 7)	2,086	2,249
Accrued postretirement benefits other than pensions (Note 9)	15,242	14,175
Annuities payable	489	493
Funds held for the benefit of others	80,444	82,587
Funds held in a trustee relationship	25,897	27,310
Total liabilities	170,465	176,273
Contingencies (Note 13)		
NET ASSETS (Note 11)		
Unrestricted	147,931	144,779
Temporarily restricted (Note 10)	143,958	162,955
Permanently restricted	31,342	31,278
Total net assets	323,231	339,012
Total liabilities and net assets	$ 493,696	$ 515,285

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, 2015 and 2014

(Dollar amounts in thousands)

	2015				2014			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
REVENUES AND OTHER SUPPORT								
Diocesan commitments (Note 12)	$ 27,812	$ -	$ -	$ 27,812	$ 27,019	$ -	$ -	$ 27,019
Contributions and bequests	5,802	2,215	580	8,597	1,135	3,598	108	4,841
Contributed services	491	-	-	491	307	-	-	307
Contributed services - Episcopal Relief and Development	-	61	-	61	-	-	-	-
Investment return designated for current operations (Note 3)	8,412	1,621	-	10,033	7,941	1,771	-	9,712
Other investment income	915	41	-	956	956	91	-	1,047
Government revenue	17,091	-	-	17,091	17,791	-	-	17,791
Fees and other income	6,588	33	-	6,621	3,457	6	-	3,463
Contributions and other income - Episcopal Relief & Development	-	15,242	-	15,242	-	17,516	-	17,516
Net assets released from restrictions	28,814	(28,814)	-	-	26,209	(26,209)	-	-
Revenue from the Episcopal Church in Micronesia	6,238	-	4	6,242	6,428	-	-	6,428
Total revenues and other support	102,163	(9,601)	584	93,146	91,243	(3,227)	108	88,124
EXPENSES								
Program services:								
Canonical and missional programs	46,906	-	-	46,906	45,747	-	-	45,747
General convention	4,191	-	-	4,191	2,693	-	-	2,693
Grant-related activities and other	4,951	-	-	4,951	4,768	-	-	4,768
Episcopal Relief & Development								-
Food security	6,857	-	-	6,857	5,130	-	-	5,130
Primary health care	7,814	-	-	7,814	6,661	-	-	6,661
Emergency relief and rebuilding	5,576	-	-	5,576	5,521	-	-	5,521
Expenses from the Episcopal Church in Micronesia	6,357	-	-	6,357	7,408	-	-	7,408
Total program services	82,652	-	-	82,652	77,928	-	-	77,928
Supporting services:								
Fundraising - Episcopal Relief and Development	2,399	-	-	2,399	2,218	-	-	2,218
General and administrative	8,556	-	-	8,556	7,876	-	-	7,876
General and administrative - Episcopal Relief and Development	1,197	-	-	1,197	1,053	-	-	1,053
Total supporting services	12,152	-	-	12,152	11,147	-	-	11,147
Total expenses	94,804	-	-	94,804	89,075	-	-	89,075
Changes in net assets from operations	7,359	(9,601)	584	(1,658)	2,168	(3,227)	108	(951)
NONOPERATING ACTIVITIES								
Investment return (loss) (Note 3)	5,530	(7,734)	(36)	(2,240)	11,073	7,207	(50)	18,230
Less: Other investment (loss) income	(915)	(41)	(484)	(1,440)	(2,068)	(105)	(40)	(2,213)
Net investment (loss) gain - trust fund	4,615	(7,775)	(520)	(3,680)	9,005	7,102	(90)	16,017
Less: Investment return designated for current operations (Note 3)	(8,412)	(1,621)	-	(10,033)	(7,941)	(1,771)	-	(9,712)
Change in value of interest rate swap agreement	(173)	-	-	(173)	(468)	-	-	(468)
Postretirement related activities other than net periodic pension cost (Note 9)	(237)	-	-	(237)	(2,110)	-	-	(2,110)
Total nonoperating activities	(4,207)	(9,396)	(520)	(14,123)	(1,514)	5,331	(90)	3,727
Changes in net assets	3,152	(18,997)	64	(15,781)	654	2,104	18	2,776
Net assets, beginning of year	144,779	162,955	31,278	339,012	144,125	160,851	31,260	336,236
Net assets, end of year	$ 147,931	$ 143,958	$ 31,342	$ 323,231	$ 144,779	$ 162,955	$ 31,278	$ 339,012

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

For the years ended December 31, 2015 and 2014
(Dollar amounts in thousands)

	2015	2014
CASH FLOWS FROM OPERATING ACTIVITIES		
Changes in net assets	$ (15,781)	$ 2,776
Adjustments to reconcile changes in net assets to net cash used in operating activities:		
Noncash items:		
Depreciation	2,481	2,471
Change in allowance for uncollectible amounts	(329)	90
Amortization of discount to present value receivables	2	2
Total noncash adjustments	2,154	2,563
Change in working capital:		
Decrease in diocesan commitments receivable	545	141
Increase in loans receivable	(601)	(5,373)
Increase in government grants receivable	(853)	(792)
Decrease (increase) in other receivables	856	(598)
Increase in prepaid expenses and other assets	(195)	(44)
Increase (decrease) in accounts payable and accrued expenses	1,151	(172)
Decrease in grants payable	(28)	(249)
Total change in working capital accounts	875	(7,087)
Change in investments:		
Net realized and unrealized losses (gains) on investments	4,366	(14,138)
Total change in investments	4,366	(14,138)
Other changes:		
Change in value of beneficial interests in outside trusts	484	3
Change in value of interest rate swap agreement	173	468
Change in accrued postretirement benefits other than pensions	1,067	2,578
Permanently restricted contributions	(584)	(108)
Total other changes	1,140	2,941
Total change in working capital accounts and other	6,381	(18,284)
Net cash used in operating activities	(7,246)	(12,945)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of property and equipment	(168)	(491)
Proceeds from sales of investments	10,025	72,036
Purchases of investments	(533)	(62,633)
Net cash provided by investing activities	9,324	8,912
CASH FLOWS FROM FINANCING ACTIVITIES		
Permanently restricted contributions	584	108
Repayments under line of credit	(1,480)	(2,035)
Principal payments on mortgage loan	(163)	(74)
Net cash used in financing activities	(1,059)	(2,001)
Net increase (decrease) in cash and cash equivalents	1,019	(6,034)
Cash and cash equivalents, beginning of year	19,883	25,917
Cash and cash equivalents, end of year	$ 20,902	$ 19,883
Supplemental disclosure of cash flow information:		
Cash paid for interest	$ 1,151	$ 1,377

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. 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' 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.

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 ("US 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. 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 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. The allowance for uncollectible accounts totaled $1,186 and $1,546 at December 31, 2015 and 2014, respectively. The reduction in the receivable is due to payments from dioceses as final satisfaction of unpaid commitments.

(Dollar amounts in thousands)

Diocesan commitments receivables at December 31, 2015 and 2014 are as follows:

	2015	2014
Amounts expected to be collected:		
Within one year	$ 751	$ 855
Between one and five years	742	742
Greater than five years	345	778
Total Diocesan commitments receivable	1,838	2,375
Less: Allowance for uncollectible receivables	(1,186)	(1,546)
Diocesan commitments receivable, net	$ 652	$ 829

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. Realized and unrealized gains or losses on investments pertaining to the Society are reflected on the 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 US 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 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.

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 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.

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 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 is 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.

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, 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 and with useful lives greater than five years 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 stipulated 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 fair value is recognized on the consolidated statement 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 Financial Accounting Standards Board ("FASB") fair value hierarchy as of December 31, 2015 and 2014.

(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, 2015 and 2014:

	2015	2014
Balance, beginning of the year	$ 7,918	$ 8,021
Change in value of amounts due to beneficiaries	35	35
Unrealized losses	(535)	(138)
Balance, end of the year	$ 7,418	$ 7,918

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.

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 assets and equivalent 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. Contributions receivable are written-off in the period deemed uncollectible.

Contributed Services

Contributed services are recorded 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, 2015 and 2014 totaled $552 and $307, respectively.

New Accounting Standard

ASC Topic 820, Fair Value Measurements, permits a reporting entity, as a practical expedient, to measure the fair value of certain investments using a net asset value ("NAV") per share of the investment, or its equivalent. In May 2015, the FASB issued Accounting Standards Update ("ASU") 2015-07, *Disclosures for Investments in Certain Entities that Calculate Net Asset Value per Share (or its Equivalent),* which removes the requirement to categorize with the fair value hierarchy all investments for which fair value is measured using the NAV per share practical expedient. The amendments in this update are effective for fiscal years beginning after December 15, 2016. Early adoption is permitted. The reporting entity is required upon adoption to apply the amendments retrospectively to all periods presented.

The Society adopted ASU 2015-07 effective January 1, 2015 and has applied the amendments retroactively for all periods presented. This new guidance only amended disclosure requirements and did not have any impact on the Society's financial statements as a result of adoption.

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 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 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. The tax years ending December 31, 2012, 2013, 2014, and 2015 are still open to audit for both federal and state purposes. DFMS has determined that there are no material uncertain tax positions that require recognition or disclosure in the financial statements

Use of Estimates

The preparation of financial statements in conformity with US 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 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.

Reclassifications

Certain 2014 consolidated financial statement amounts have been reclassified to conform to the 2015 consolidated financial statement presentation. Such changes had no effect on total assets, liabilities, or net assets as previously reported.

Subsequent Events

The Society evaluated its December 31, 2015 consolidated financial statements for subsequent events through June 23, 2016, the date the consolidated financial statements were available to be issued. The Society is not aware of any subsequent events that would require recognition or disclosure in the accompanying consolidated financial statements.

3. INVESTMENTS

At December 31, 2015, total investments of approximately $392,000 consist of $356,000 in trust fund endowment assets, $7,600 in unit-trust and pooled income funds, $23,900 in medium-term investments, $2,400 in St. John’s School (Guam) investments and $2,100 in certificates of deposit with minority-controlled banks. At December 31, 2014, total investments of approximately $412,000 consist of $375,000 in trust fund endowment assets, $8,700 in unit-trust and pooled income funds, $23,700 in medium-term investments, $2,500 in St. John’s School (Guam) investments and $2,100 in certificates of deposit with minority-controlled banks.

(Dollar amounts in thousands)

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

	Fair Value		Cost	
	2015	**2014**	**2015**	**2014**
Stocks:				
Common stock	$ 213,465	$ 233,702	$ 189,982	$ 192,292
Stock funds	30,233	29,788	34,891	30,955
Total stocks	243,698	263,490	224,873	223,247
Bonds:				
Corporate	26,138	26,778	26,128	25,349
Government	2,014	1,797	1,938	1,706
Other, primarily mutual bond funds	73,459	73,803	72,547	71,892
Total bonds	101,611	102,378	100,613	98,947
Mutual funds (held by Guam)	5,357	5,973	5,689	5,590
Certificates of deposit	2,100	2,100	2,100	2,100
Other, primarily money market funds and other cash equivalents	6,320	8,337	6,320	8,337
Alternative investments:				
Fund of funds	33,276	29,676	23,226	20,350
Total investments	392,362	411,954	362,821	358,571
Funds held for the benefit others	(106,341)	(109,897)	(70,616)	(73,558)
Total DFMS-controlled funds	$ 286,021	$ 302,057	$ 292,205	$ 285,013

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, 2015 and 2014:

	2015			
	Level 1	**Level 2**	**Level 3**	**Total**
Stocks	$ 243,698	$ -	$ -	$ 243,698
Bonds	101,611	-	-	101,611
Mutual funds	5,357	-	-	5,357
Certificates of deposit	2,100	-	-	2,100
Other, primarily money market funds and other cash equivalents	6,320	-	-	6,320
	$ 359,086	$ -	$ -	359,086
Alternative investments reported at NAV:				33,276
Total				$ 392,362

	2014			
	Level 1	**Level 2**	**Level 3**	**Total**
Stocks	$ 263,490	$ -	$ -	$ 263,490
Bonds	102,378	-	-	102,378
Mutual funds	5,973	-	-	5,973
Certificates of deposit	2,100	-	-	2,100
Other, primarily money market funds and other cash equivalents	8,337	-	-	8,337
	$ 382,278	$ -	$ -	382,278
Alternative investments reported at NAV:				29,676
Total				$ 411,954

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 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, 2015 and 2014 is reflected as collateral received under securities loan agreement with an off-setting payable in the accompanying consolidated statements of financial position.

(Dollar amounts in thousands)

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. The following tables detail certain attributes pertaining to the investments reported at fair value using a NAV, or its equivalent, as of December 31, 2015 and 2014.

Type	Strategy	NAV in Funds	# of Funds	Remaining Life	$ Amount of Unfunded Commitments	Timing to Drawdown Commitments	Redemption Terms
Fund of funds	Commodities, equity, and interest rate-driven focused commingled funds.	$ 33,276	1	N/A	$ -	N/A	Subject to 95 days, with prior written notice.
Total		$ 33,276	1		$ -		

Type	Strategy	NAV in Funds	# of Funds	Remaining Life	$ Amount of Unfunded Commitments	Timing to Drawdown Commitments	Redemption Terms
Fund of funds	Commodities, equity, and interest rate-driven focused commingled funds.	$ 29,676	1	N/A	$ -	N/A	Subject to 95 days, with prior written notice.
Total		$ 29,676	1		$ -		

The composition of collateral received under the securities loan agreement at December 31, 2015 and 2014 is as follows:

	2015	2014
Asset-backed securities	$ 1,548	$ 2,202
Bank notes	273	285
Total	$ 1,821	$ 2,487

The collateral detailed above is classified as Level 2 within the FASB's fair value hierarchy as of December 31, 2015 and 2014.

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 2015 and 2014) 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.

(Dollar amounts in thousands)

Investment return is comprised of the following for the years ended December 31, 2015 and 2014:

	2015	2014
Interest and dividends	$ 1,801	$ 4,092
Realized and unrealized gains	4,366	14,138
Total investment return	6,167	18,230
Less: ERD investment return (loss)	326	(1,111)
DFMS investment return	$ 6,493	$ 17,119

4. OTHER RECEIVABLES, NET

Other receivables, net, consist of the following at December 31, 2015 and 2014:

	2015	2014
Contributions receivable, net	$ 1,821	$ 1,868
Other receivables	2,714	3,563
Total other receivables	$ 4,535	$ 5,431

Contributions receivable, which are recorded at the present value of their expected future cash flows, consist of the following at December 31, 2015 and 2014:

	2015	2014
Amounts expected to be collected:		
Within one year	$ 818	$ 1,048
In one to five years	1,048	856
Total contributions receivable	1,866	1,904
Less:		
Allowance for uncollectible pledges	(4)	(6)
Present value discount (rates ranging from 1.50% to 6.00%)	(41)	(30)
Total contributions receivables, net	$ 1,821	$ 1,868

(Dollar amounts in thousands)

5. LOANS RECEIVABLE, NET

Loans receivable, net, consist of the following at December 31, 2015 and 2014:

	2015	2014
Construction loans to dioceses and missionary districts	$ 2,828	$ 2,989
Economic justice and community investment loans	4,660	4,785
Loans to reorganizing dioceses	6,910	6,024
Residential loans to employees	10	10
	14,408	13,808
Less:		
Allowance for uncollectible accounts	(311)	(311)
Total loans receivable, net	$ 14,097	$ 13,497

Such loans bear interest at varying rates ranging from 2.0% to 8.0% 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.

6. PROPERTY AND EQUIPMENT, NET

Property and equipment, net, consists of the following at December 31, 2015 and 2014:

	2015	2014
Land	$ 17,974	$ 17,519
Buildings and improvements	67,715	67,626
Other equipment and furnishings	2,525	2,411
	88,214	87,556
Less: Accumulated depreciation	(39,738)	(37,223)
Total property and equipment, net	$ 48,476	$ 50,333

Depreciation expense amounted to $2,481 and $2,471 for the years ended December 31, 2015 and 2014, respectively. The Society owns a parking lot located in Austin, Texas, which had a net carrying value of $9,991 at December 31, 2015 and 2014, and is reflected as part of land in the table above.

7. MORTGAGE AND NOTES PAYABLE

Mortgage

A mortgage payable on the St. John's School property, located in Guam, amounted to $2,086 and $2,249 as of December 31, 2015 and 2014, respectively. The interest rate of 6% 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 March 2019. At December 31, 2015 and 2014, the effective interest rate was 4.5%.

Interest expense pertaining to this mortgage amounted to $91 and $119 for the years ended December 31, 2015 and 2014, respectively.

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 5-year loan with a fixed annual interest rate of 3.69% and annual repayments on a 25-year schedule. Interest was payable monthly; annual principal of $1,480 was payable on each anniversary date through 2016.

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 5-year loan with a fixed annual interest rate of 3.69% and annual repayments on a 25-year schedule. Interest is payable monthly; annual principal of $1,480 is payable on each January 1st through 2021. If not extended or renegotiated, unpaid principal will be due in 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 LIBOR rate. Amendment No. 1 was required because DFMS entered into an interest rate swap transaction with U.S. Bank.

At December 31, 2015 and 2014, $29,683 and $31,163, respectively, was outstanding under this loan and is reflected on the accompanying consolidated statements of financial position as notes payable and line of credit. Interest expense amounted to $960 and $1,095 for the years ended December 31, 2015 and 2014, respectively.

The restated facilities include 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. All collateral pledged under the previous agreement was immediately released.

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 (US Bank) before entering into the transaction and continues to monitor the credit standing of its counterparty.

(Dollar amounts in thousands)

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 a liability.

As of and for the years ended December 31, 2015 and 2014, amounts included within the accompanying consolidated financial statements relating to the interest rate swap agreement are as follows:

Fair Value at December 31, 2015	Fair Value at December 31, 2014	Change in Value of Interest Rate Swap Agreement for Year Ended December 31, 2015	Change in Value of Interest Rate Swap Agreement for Year Ended December 31, 2014
$ 642	$ 468	$ 173	$ 468

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 3.197%, reducing the annual service cost on the debt.

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. Interest only is payable monthly. At December 31, 2015 and 2014, $8,600 was outstanding under this revolving credit facility, and was reflected on the accompanying consolidated statements of financial position as notes payable and line of credit. Interest expense amounted to $100 and $63 for the years ended December 31, 2015 and 2014, respectively. At December 31, 2015, the effective interest rate was 1.00%.

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 bore interest based on the Eurodollar rate plus 1.0%. Interest was payable monthly. The revolving credit could be drawn and repaid at any time through April 2016. On April 8, 2014, the Society repaid all principal and interest due under the revolving credit facility from Bank of America Merrill Lynch. All collateral pledged was released. At December 31, 2015 and 2014, no amounts were outstanding under this loan. Interest expense amounted to $57 for the year ended December 31, 2014. At December 31, 2014, the effective interest rate was 0.94%.

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 5% 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 $1,269 and $1,160 for the years ended December 31, 2015 and 2014, 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 $680 and $721 for the years ended December 31, 2015 and 2014, 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 $651 and $613 for the years ended December 31, 2015 and 2014, 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 $183 and $179 for the years ended December 31, 2015 and 2014, respectively.

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 (noncontributory) benefits to both lay personnel and clergy.

(Dollar amounts in thousands)

The following tables set forth the funded status of the plans and the components of net periodic benefit cost at December 31, 2015 and 2014:

	2015	2014
Change in benefit obligation:		
Benefit obligation, beginning of year	$ 14,175	$ 11,597
Service cost	709	462
Interest cost	583	556
Actuarial loss	370	2,110
Benefits paid	(595)	(550)
Benefit obligation, end of year	$ 15,242	$ 14,175
Components of accrued benefit cost:		
Funded status	$ 15,242	$ 14,175
Unrecognized actuarial net gain	(1,457)	(1,220)
Accrued benefit cost	$ 13,785	$ 12,955
Components of net periodic benefit cost:		
Service cost	$ 709	$ 462
Interest cost	583	556
Amortization of unrecognized prior service cost	133	-
Net periodic benefit cost for fiscal year	$ 1,425	$ 1,018
Changes in assets and benefit obligations recognized in unrestricted net assets:		
Net actuarial loss	$ 370	$ 2,110
Amortization of unrecognized prior service cost	(133)	-
Total change recognized in unrestricted net assets	$ 237	$ 2,110
Total recognized in net periodic benefit cost and unrestricted net assets	$ 1,662	$ 3,128

The discount rates used in determining the accumulated postretirement benefit obligations were 4.22% and 3.81% for the years ended December 31, 2015 and 2014, respectively. The assumed medical care cost trend rate used was 2.3% for fiscal year 2015, increasing gradually in future years to 4.6% by fiscal year 2080 and remaining at that level thereafter. Increasing the assumed medical care cost trend rate by 1.0% would increase the accumulated postretirement benefit obligation as of December 31, 2015 and 2014 by $2,406 and $1,826, respectively, and increase the aggregate of the service cost and interest cost by $301 and $178, respectively. Decreasing the assumed medical care cost trend rate by 1.0% would decrease the accumulated postretirement benefit obligation as of December 31, 2015 and 2014 by $1,924 and $1,505, respectively, and decrease the aggregate of the service cost and interest cost by $231 and $141, respectively.

(Dollar amounts in thousands)

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

2016	$ 735
2017	724
2018	744
2019	740
2020	763
2021 - 2025	3,753
Total	$ 7,459

The estimated net loss (gain) and prior service cost included in unrestricted net asset expected to be recognized as components of net periodic benefit cost during the fiscal year ending December 31, 2016 are $0 and $0, respectively.

	2015	2014
Weighted-average assumptions used to determine benefit obligations at December 31:		
Discount rate	4.22 %	3.81 %
Weighted-average assumptions used to determine net periodic benefit cost for years ended December 31:		
Discount rate	3.81 %	4.85 %
Expected long-term return on plan assets	N/A	N/A

	2015		2014	
	MedSup Plan	Self-Insured Plan	MedSup Plan	Self-Insured Plan
Assumed health care trend rates at December 31:				
Health care cost trend rate assumed for next year	2.3 %	2.8 %	5.8 %	5.9 %
Rate to which the cost trend rate assumed to decline (ultimate trend rate)	4.6 %	4.4 %	4.7 %	4.4 %
Year that the rate reaches the ultimate trend	2080	2071	2086	2082

	2016
Cash flows - contributions:	
Amount expected to be contributed	$ 735

(Dollar amounts in thousands)

10. TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets are held for the following purposes at December 31, 2015 and 2014:

	2015	2014
Other program related funds	$ 47,292	$ 55,951
Endowment earnings for domestic and foreign mission programs	93,262	103,238
Guam - School Scholarships	2,827	2,998
United Thank Offering and Episcopal Church Women Fund	577	768
Total temporarily restricted net assets	$ 143,958	$ 162,955

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, (c) the 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 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.

(Dollar amounts in thousands)

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, excluding endowment pledges and split-interest agreements, as of December 31, 2015 and 2014:

	2015			
Composition of Endowment Net Assets by Type of Fund	**Unrestricted**	**Temporarily Restricted**	**Permanently Restricted**	**Total**
Donor-restricted endowment funds	$ -	$ 126,143	$ 19,611	$ 145,754
Board-designated endowment funds	128,627	-	-	128,627
Total	$ 128,627	$ 126,143	$ 19,611	$ 274,381
Changes in Endowment Net Assets				
Endowment net assets, beginning of year	$ 129,878	$ 134,504	$ 19,647	$ 284,029
Investment return:				
Investment income	181	-	-	181
Net depreciation (realized and unrealized)	981	(8,836)	(616)	(8,471)
Contributions	5,547	515	580	6,642
Appropriation of endowment assets for expenditure	(7,960)	(40)	-	(8,000)
Endowment net assets, end of year	$ 128,627	$ 126,143	$ 19,611	$ 274,381

(Dollar amounts in thousands)

	2014			
Composition of Endowment Net Assets by Type of Fund	**Unrestricted**	**Temporarily Restricted**	**Permanently Restricted**	**Total**
Donor-restricted endowment funds	$ -	$ 134,504	$ 19,647	$ 154,151
Board-designated endowment funds	129,878	-	-	129,878
Total	$ 129,878	$ 134,504	$ 19,647	$ 284,029
Changes in Endowment Net Assets				
Endowment net assets, beginning of year	$ 126,084	$ 132,387	$ 19,580	$ 278,051
Investment return:				
Investment income	168	-	-	168
Net appreciation (realized and unrealized)	10,997	2,101	(41)	13,057
Contributions	151	1,787	108	2,046
Appropriation of endowment assets for expenditure	(7,522)	(1,771)	-	(9,293)
Endowment net assets, end of year	$ 129,878	$ 134,504	$ 19,647	$ 284,029

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 $27,812 and $27,019 for the years ended December 31, 2015 and 2014, respectively. In addition, DFMS receives a significant portion of non-governmental fees from related parties as well, which totaled approximately $1,017 and $933 for the years ended December 31, 2015 and 2014, respectively. DFMS expended approximately $62 for each of the years ended December 31, 2015 and 2014, 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, 2015 and 2014, approximately $6,909 in 2015 and $6,024 in 2014 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 U.S. 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 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, 2015 and 2014, there were $12,684 and $12,330, 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.

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, 2015

(Dollar amounts in thousands)

ASSETS	DFMS	ERD	GUAM	Consolidating Entries	Total
Cash and cash equivalents	$ 13,211	$ 6,135	$ 1,556	$ -	$ 20,902
Receivables:					
Diocesan commitments receivable, net	652	-	-	-	652
Loans receivable, net	14,097	-	-	-	14,097
Government grants	2,703	-	-	-	2,703
Other receivables, net	2,319	2,105	111	-	4,535
Collateral received under securities loan agreement	1,821	-	-	-	1,821
Prepaid expenses and other assets	908	220	25	(423)	730
Investments:					
DFMS-controlled funds	262,585	21,027	2,409	-	286,021
Funds held for the benefit of others and in a trustee relationship	106,341	-	-	-	106,341
Property and equipment, net	40,739	113	7,437	187	48,476
Beneficial interests in outside trusts	7,051	367	-	-	7,418
Total assets	$ 452,427	$ 29,967	$ 11,538	$ (236)	$ 493,696
LIABILITIES AND NET ASSETS					
Accounts and accrued expenses	$ 1,291	$ 1,087	$ 3,264	$ (236)	$ 5,406
Payable under securities loan agreement	1,821	-	-	-	1,821
Grants payable	128	27	-	-	155
Notes payable and line of credit	38,283	-	-	-	38,283
Interest rate swap agreement	642	-	-	-	642
Mortgage payable	-	-	2,086	-	2,086
Accrued postretirement benefits other than pensions	13,769	1,473	-	-	15,242
Annuities payable	489	-	-	-	489
Funds held for the benefit of others	80,444	-	-	-	80,444
Funds held in a trustee relationship	25,897	-	-	-	25,897
Total liabilities	162,764	2,587	5,350	(236)	170,465
Contingencies					
NET ASSETS					
Unrestricted	143,795	115	2,421	1,600	147,931
Temporarily restricted	116,308	26,423	2,827	(1,600)	143,958
Permanently restricted	29,560	842	940	-	31,342
Total net assets	289,663	27,380	6,188	-	323,231
Total liabilities and net assets	$ 452,427	$ 29,967	$ 11,538	$ (236)	$ 493,696

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, 2015

(Dollar amounts in thousands)

	DFMS	ERD	GUAM	Consolidating Entries	Total
REVENUES AND OTHER SUPPORT					
Diocesan commitments	$ 27,812	$ -	$ -	$ -	$ 27,812
Contributions and bequests	8,086	511	-	-	8,597
Contributed services	491	-	-	-	491
Contributed services - Episcopal Relief and Development	-	1,324	-	(1,264)	60
Investment return designated for current operations	10,033	-	-	-	10,033
Other investment income	956	-	-	-	956
Government revenue	17,091	-	-	-	17,091
Fees and other income	6,621	-	-	-	6,621
Contributions and other income - Episcopal Relief & Development	-	15,242	-	-	15,242
Revenues from the Episcopal Church in Micronesia	-	-	6,293	(50)	6,243
Total revenues and other support	71,090	17,077	6,293	(1,314)	93,146
EXPENSES					
Program services:					
Canonical and missional programs	46,906	-	-	-	46,906
General convention	4,241	-	-	(50)	4,191
Grant-related activities and other	4,951	-	-	-	4,951
Episcopal Relief & Development					
Food security	-	6,857	-	-	6,857
Primary health care	-	7,814	-	-	7,814
Emergency relief and rebuilding	-	5,576	-	-	5,576
Expenses from the Episcopal Church Micronesia	-	-	6,357	-	6,357
Total program services	56,098	20,247	6,357	(50)	82,652
Supporting services:					
Fundraising	-	2,399	-	-	2,399
General and administrative	8,556	-	-	-	8,556
General and administrative - Episcopal Relief and Development	-	2,461	-	(1,264)	1,197
Total supporting services	8,556	4,860	-	(1,264)	12,152
Total expenses	64,654	25,107	6,357	(1,314)	94,804
Changes in net assets from operations	6,436	(8,030)	(64)	-	(1,658)
NONOPERATING ACTIVITIES					
Investment loss	(2,714)	474	-	-	(2,240)
Less: Other investment income	1,454	(14)	-	-	1,440
Net investment (loss) gain - trust fund	(4,168)	488	-	-	(3,680)
Less: Investment return designated for current operations	(10,033)	-	-	-	(10,033)
Change in value of interest rate swap	(173)	-	-	-	(173)
Postretirement related activities other than net periodic pension cost	(237)	-	-	-	(237)
Total nonoperating activities	(14,611)	488	-	-	(14,123)
Changes in net assets	(8,175)	(7,542)	(64)	-	(15,781)
Net assets, beginning of year	297,838	34,922	6,252	-	339,012
Net assets, end of year	$ 289,663	$ 27,380	$ 6,188	$ -	$ 323,231

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