

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, 2025 and 2024

Contents

	Page
Report of Independent Certified Public Accountants	3
Consolidated Financial Statements	
Consolidated statements of financial position	6
Consolidated statements of activities	7
Consolidated statements of cash flows	8
Notes to consolidated financial statements	9
Supplementary Information	
Consolidating schedule of financial position	33
Consolidating schedule of activities	34

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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

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, 2025 and 2024, 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 consolidated financial position of the Society as of December 31, 2025 and 2024, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for opinion

We conducted our audits 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 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, 2025 and the consolidating schedule of activities for the year ended December 31, 2025 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 audits 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 (signed manually)

New York, New York
_____, 2026

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

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CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

**December 31,
(Dollar amounts in thousands)**

	2025	2024
ASSETS		
Cash and cash equivalents	\$ 23,341	\$ 27,196
Receivables		
Diocesan commitments receivable, net	1,283	820
Loans receivable, net (Note 5)	6,067	8,423
Government grants	97	9,669
Contributions and other receivables, net (Note 4)	8,623	11,180
Prepaid expenses and other assets	3,276	4,572
Investments (Note 3)		
DFMS-controlled funds	464,724	410,805
Funds held for the benefit of others	225,889	209,794
Funds held in a trustee relationship	38,724	34,128
Interest rate swap (Note 7)	71	623
Property and equipment, net (Note 6)	18,747	25,336
Lease - right to use	52	164
Beneficial interest in outside trusts (Note 2)	9,457	8,757
	<u>\$ 800,351</u>	<u>\$ 751,467</u>
Total assets		
	<u>\$ 800,351</u>	<u>\$ 751,467</u>
LIABILITIES AND NET ASSETS		
Liabilities		
Accounts payable and accrued expenses	\$ 6,021	\$ 18,293
Refundable advances (Note 13)	7,912	-
Notes payable and line of credit (Note 7)	14,883	16,363
Mortgage payable (Note 7)	-	227
Accrued postretirement benefits other than pensions (Note 9)	16,771	13,837
Lease liability	52	87
Funds held for the benefit of others	225,889	209,794
Funds held in a trustee relationship	38,724	34,128
	<u>310,252</u>	<u>292,729</u>
Total liabilities		
	<u>310,252</u>	<u>292,729</u>
Contingencies (Note 13)		
Net assets (Notes 10 and 11)		
Net assets without donor restrictions	217,694	215,422
Net assets with donor restrictions	<u>272,405</u>	<u>243,316</u>
	<u>490,099</u>	<u>458,738</u>
Total net assets		
	<u>490,099</u>	<u>458,738</u>
Total liabilities and net assets	<u>\$ 800,351</u>	<u>\$ 751,467</u>

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**

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CONSOLIDATED STATEMENTS OF ACTIVITIES

**Years ended December 31,
(Dollar amounts in thousands)**

	2025			2024		
	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 (Note 12)	\$ 31,852	\$ -	\$ 31,852	\$ 30,259	\$ -	\$ 30,259
Contributions and bequests	763	2,858	3,621	520	1,807	2,327
Contributions and other income - Episcopal Relief and Development	-	27,266	27,266	-	27,682	27,682
Investment return designated for current operations (Note 3)	12,892	2,727	15,619	6,954	13,133	20,087
Other investment income (loss)	3,976	2,152	6,128	1,709	42	1,751
Government revenue	8,796	-	8,796	49,659	-	49,659
Fees and other income	4,928	183	5,111	6,462	458	6,920
Revenue from the Episcopal Church in Micronesia	-	-	-	9,151	-	9,151
Net assets released from restrictions	37,376	(37,376)	-	39,308	(39,308)	-
Total revenues and other support	100,583	(2,190)	98,394	144,022	3,814	147,836
Expenses						
Program services						
DFMS						
Canonical and missional programs	47,418	-	47,418	83,229	-	83,229
General convention	4,376	-	4,376	6,110	-	6,110
Grant-related activities and other	1,466	-	1,466	3,111	-	3,111
Episcopal Relief and Development (Note 14)						
Sustainable Development	19,843	-	19,843	19,456	-	19,456
Disaster Relief and Recovery	8,482	-	8,482	7,436	-	7,436
GUAM						
Expenses from the Episcopal Church in Micronesia	-	-	-	7,720	-	7,720
Total program services	81,585	-	81,585	127,062	-	127,062
Supporting services						
DFMS						
General and administrative	13,031	-	13,031	12,169	-	12,169
Fundraising	193	-	193	354	-	354
Episcopal Relief and Development						
General and administrative	2,608	-	2,608	2,538	-	2,538
Fundraising	3,083	-	3,083	2,721	-	2,721
Total supporting services	18,915	-	18,915	17,782	-	17,782
Total expenses	100,500	-	100,500	144,844	-	144,844
Changes in net assets from operations	83	(2,190)	(2,107)	(822)	3,814	2,992
Non-operating activities						
Investment return (Note 3)	21,212	48,098	69,310	16,354	25,079	41,433
Less: other operating investment income	(3,976)	(2,152)	(6,128)	(1,709)	(520)	(2,229)
Net investment gain - trust fund	17,236	45,946	63,182	14,645	24,559	39,204
Less: investment return designated for current operations (Note 3)	(12,892)	(2,727)	(15,619)	(6,954)	(13,133)	(20,087)
Change in value of interest rate swap agreement	(552)	-	(552)	(561)	-	(561)
Postretirement related activities other than net periodic pension cost (Note 9)	(1,603)	-	(1,603)	(2,211)	(670)	(2,881)
Loss on change in control of Guam	-	(11,939)	(11,939)	-	-	-
Total non-operating activities	2,189	31,280	33,469	4,919	10,756	15,675
CHANGES IN NET ASSETS	2,272	29,090	31,362	4,097	14,570	18,667
Net assets, beginning of year	215,422	243,316	458,738	211,325	228,746	440,071
Net assets, end of year	\$ 217,694	\$ 272,405	\$ 490,099	\$ 215,422	\$ 243,316	\$ 458,738

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

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CONSOLIDATED STATEMENTS OF CASH FLOWS

Years ended December 31,
(Dollar amounts in thousands)

	2025	2024
Cash flows from operating activities:		
Changes in net assets	\$ 31,361	\$ 18,667
Adjustments to reconcile changes in net assets to net cash used in operating activities:		
Non-cash items:		
Depreciation	1,381	1,789
Transfer of Guam related property, land and equipment	7,994	
Provision for allowance for credit losses	-	(67)
Amortization of discount to present value receivables	-	11
Total non-cash adjustments	9,375	1,733
Change in working capital:		
Diocesan commitments receivable	(463)	(483)
Loans receivable	2,356	(1,273)
Government grants receivable	9,572	(7,202)
Contributions and other receivables	2,557	(3,961)
Prepaid expenses and other assets	1,296	(1,291)
Accounts payable and accrued expenses	(12,272)	6,465
Refundable advances	7,912	-
Total change in working capital accounts	10,958	(7,745)
Change in investments:		
Net realized and unrealized gains on investments	(63,182)	(39,204)
Total change in investments	(63,182)	(39,204)
Other changes:		
Change in lease - right-to-use asset	112	104
Change in value of beneficial interests in outside trusts	(700)	(497)
Change in value of interest rate swap agreement	552	562
Change in accrued postretirement benefits other than pensions	2,934	3,770
Change in lease liability	(35)	(56)
Total other changes	2,863	3,883
Total change in working capital accounts and other	(49,361)	(43,066)
Net cash used in operating activities	(8,625)	(22,666)
Cash flows from investing activities:		
Purchases of property and equipment	(2,786)	(966)
Proceeds from sales of investments	266,337	126,786
Purchases of investments	(257,074)	(109,926)
Net cash provided by investing activities	6,477	15,894
Cash flows from financing activities:		
Repayments under notes payable and line of credit	(1,480)	(1,480)
Principal payments on mortgage loan	(227)	(1,272)
Net cash used in financing activities	(1,707)	(2,752)
NET DECREASE IN CASH AND CASH EQUIVALENTS	(3,855)	(9,524)
Cash and cash equivalents, beginning of year	27,196	36,720
Cash and cash equivalents, end of year	<u>\$ 23,341</u>	<u>\$ 27,196</u>
Supplemental disclosure of cash flow information:		
Cash paid for interest during the year	<u>\$ 279</u>	<u>\$ 328</u>

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2025 and 2024
(Dollar amounts in thousands)

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" or the "Society") is the corporate organization charged with the legal and financial responsibilities for the churchwide operations of The Episcopal Church. The Episcopal Church comprises 106 dioceses in the United States and 15 other countries, each of which operates separately. The DFMS does not operate or otherwise control individual dioceses. A significant amount of the DFMS's revenue comes from financial support provided by the 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. The Executive Council also serves as the governing board of the DFMS.

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 2024 consolidated financial statements also included the missional church and school activities in Micronesia ("Guam"). DFMS transferred control along with all assets and liabilities of Guam to one of its dioceses in 2025 for no consideration, which resulted in a net reduction of net assets totaling \$11,939.

All intercompany transactions are eliminated upon consolidation.

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 ("IRC"). 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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

December 31, 2025 and 2024
(Dollar amounts in thousands)

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 Revenue and Receivable

The Society obtains commitments of support from Episcopal entities each year with the revenue recognized in the year to which the commitment pertains. The Society provides for an allowance for credit losses from estimated 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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

December 31, 2025 and 2024
(Dollar amounts in thousands)

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 bond obligations, mutual funds, 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.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

December 31, 2025 and 2024
(Dollar amounts in thousands)

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. 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. When observable prices are not available for these investments, 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 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 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 five 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' 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 part of the funds held for the benefit of others balance 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, 2025 and 2024.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

December 31, 2025 and 2024
(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, 2025 and 2024:

	2025	2024
Balance, beginning of the year	\$ 8,757	\$ 8,260
Change in value of amounts due to beneficiaries	36	14
Unrealized gains	664	483
Balance, end of the year	\$ 9,457	\$ 8,757

Grants Payable

The awarding of grants is reflected on the consolidated financial statements at the time they are approved by the appropriate granting authority 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 in a trustee relationship for the benefit 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 Codification ("ASC") 958-605: *Revenue Recognition - Contributions* ("ASC 958-605"). In accordance with ASC 958-605, 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") 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.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

December 31, 2025 and 2024
(Dollar amounts in thousands)

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. 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 IRC. 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, 2025 and 2024, 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, 2025 consolidated financial statements for subsequent events through June __, 2026, the date the consolidated financial statements were available to be issued.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

**December 31, 2025 and 2024
(Dollar amounts in thousands)**

In June 2026, following consultation with The Episcopal Church's Executive Council, the Organization announced that it will begin marketing its New York, NY headquarters building. While it may sell the property, the Organization prefers to enter into a long-term ground lease with a developer to provide affordable housing.

Except as noted above and as disclosed in Note 7, Management is not aware of any subsequent events which would require recognition or disclosure in the accompanying consolidated financial statements.

NOTE 3 - INVESTMENTS

At December 31, 2025, total investments of approximately \$729,338 consist of \$693,775 in trust fund investment assets, \$5,453 in unit-trust and pooled income funds, and \$30,110 in medium-term investments.

At December 31, 2024, total investments of approximately \$654,727 consist of \$609,789 in trust fund investment assets, \$5,440 in unit-trust and pooled income funds, and \$34,628 in medium-term investments, and \$4,870 in St. John's School (Guam) investments.

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

	Fair Value	
	2025	2024
Stocks:		
Common stock	\$ 420,950	\$ 374,268
Stock funds	83,748	64,166
Total stocks	504,698	438,434
Bonds:		
Corporate	21,991	7,202
Government	54,015	5,740
Other, primarily mutual bond funds	28,191	20,963
Total bonds	104,197	33,905
Mutual funds (primarily common stock and bonds)	5,453	7,017
Other, primarily money market funds and other cash equivalents	7,926	60,931
Alternative investments:		
Commingled funds	107,063	114,440
Total investments	729,337	654,727
Funds held for the benefit others	(264,613)	(243,922)
Total DFMS-controlled funds	\$ 464,724	\$ 410,805

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

**December 31, 2025 and 2024
(Dollar amounts in thousands)**

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

The following tables prioritize the inputs used to measure the fair value of the Society's investments within the fair value hierarchy at December 31, 2025 and 2024.

2025				
	Level 1	Level 2	Level 3	Total
Stocks	\$ 504,698	\$ -	\$ -	\$ 504,698
Bonds	104,197	-	-	104,197
Mutual funds	5,453	-	-	5,453
Money market funds and cash equivalents	7,926	-	-	7,926
	<u>\$ 622,272</u>	<u>\$ -</u>	<u>\$ -</u>	622,272
Alternative Investments reported at NAV				107,063
Total				<u>\$ 729,337</u>

2024				
	Level 1	Level 2	Level 3	Total
Stocks	\$ 438,433	\$ -	\$ -	\$ 438,433
Bonds	33,906	-	-	33,906
Mutual funds	7,017	-	-	7,017
Money market funds and cash equivalents	60,931	-	-	60,931
	<u>\$ 540,287</u>	<u>\$ -</u>	<u>\$ -</u>	540,287
Alternative Investments reported at NAV				114,440
Total				<u>\$ 654,727</u>

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

DRAFT

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

**December 31, 2025 and 2024
(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, 2025 and 2024:

2025							
Type	Strategy	NAV in Funds	# of Funds	Remaining Life	\$ Amount of Unfunded Commitments	Redemption Terms	Redemption Terms
Commingled funds	Commodities, equity, and interest rate-driven focused commingled funds.	\$ 107,063	3	N/A	\$ -	2 funds have quarterly redemption within 90- 100 days' notice and 1 fund has daily redemption with 15 days' notice	None
2024							
Type	Strategy	NAV in Funds	# of Funds	Remaining Life	\$ Amount of Unfunded Commitments	Redemption Terms	Redemption Terms
Commingled funds	Commodities, equity, and interest rate-driven focused commingled funds.	\$ 114,440	3	N/A	\$ -	2 funds have quarterly redemption within 90- 100 days' notice and 1 fund has daily redemption with 15 days' notice	None

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 2025 and 2024) 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, 2025 and 2024:

	2025	2024
Contributions receivable, net	\$ 4,624	\$ 6,595
Other receivables	3,999	4,585
Total contributions and other receivables	\$ 8,623	\$ 11,180

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

DRAFT

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

**December 31, 2025 and 2024
(Dollar amounts in thousands)**

Contributions receivable, net, which are recorded at the present value of their expected future cash flows, consist of the following at December 31, 2025 and 2024:

	2025	2024
Amounts expected to be collected:		
Within one year	\$ 2,489	\$ 3,051
In one to four years	2,374	4,067
Total contributions receivable	4,863	7,118
Less:		
Present value discount (rates ranging from 1.50% to 6.00%)	(239)	(523)
Total contributions receivables, net	\$ 4,624	\$ 6,595

NOTE 5 - LOANS RECEIVABLE, NET

Loans receivable, net, consist of the following at December 31, 2025 and 2024:

	2025	2024
Construction loans to dioceses and missionary districts	\$ 267	\$ 346
Economic justice and community investment loans	5,800	6,150
Loans to reorganizing Dioceses	-	2,161
	6,067	8,657
Less: allowance for credit losses	-	(234)
Total loans receivable, net	\$ 6,067	\$ 8,423

Such loans bear interest at varying rates ranging from 1.35% to 4.80% 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.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

December 31, 2025 and 2024
(Dollar amounts in thousands)

NOTE 6 - PROPERTY AND EQUIPMENT, NET

Property and equipment, net, consists of the following at December 31, 2025 and 2024:

	2025	2024
Land	\$ 2,280	\$ 7,995
Buildings and improvements	58,242	70,939
Other equipment and furnishings	4,155	5,902
	64,677	84,836
Less: accumulated depreciation	(45,930)	(59,500)
Property and equipment, net	\$ 18,747	\$ 25,336

Depreciation expense amounted to \$1,377 and \$1,789 and for the years ended December 31, 2025 and 2024, respectively.

NOTE 7 - MORTGAGE AND NOTES PAYABLE

Mortgage

The St. John's School property, located in Guam, is subject to a mortgage. The DFMS transferred the Guam property and mortgage loan to one of its dioceses in 2025. Mortgages payable amounted to \$227 as of December 31, 2024.

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 amortization 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 amount was continued as an unsecured term loan. All other terms remained unchanged.

On July 23, 2014, DFMS completed Amendment No. 1 to the amended and restated credit agreement dated April 8, 2014, extending the Loan Termination Date to January 23, 2021 and adjusting 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. The Amendment 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, extending the Loan Termination Date to January 23, 2026 and adjusting the interest rate on the unpaid principal balance of the Term Loan to an annual rate of 1.15% plus the one-month Secured Overnight Funding Rate ("SOFR") rate. Terms and covenants of the renewed credit agreement were unchanged.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

December 31, 2025 and 2024
(Dollar amounts in thousands)

The credit agreement was subsequently renewed and extended several times, with terms and covenants unchanged. On January 19, 2026, DFMS completed Amendment No. 16, which extended the term until January 19, 2029. Terms and covenants were unchanged.

At December 31, 2025 and 2024, \$14,883 and \$16,363, 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 \$279 and \$327 for the years ended December 31, 2025 and 2024, respectively.

As of December 31, 2025, scheduled annual principal payments are as follows:

	Amount
2026	\$ 1,480
2027	1,480
2028	1,480
2029	10,443
	\$ 14,883

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, 2025.

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 annually. The facility is renewed annually. Interest only is payable monthly. At December 31, 2025 and 2024, no amounts were outstanding under this revolving credit facility.

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.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

**December 31, 2025 and 2024
(Dollar amounts in thousands)**

As of and for the years ended December 31, 2025 and 2024, amounts included within the accompanying consolidated financial statements relating to the interest rate swap agreement are as follows:

Fair Value at December 31, 2025	Fair Value at December 31, 2024	Consolidated Statements of Financial Position Location	Change in Value of Interest Rate Swap Agreement for Year Ended December 31, 2025	Change in Value of Interest Rate Swap Agreement for Year Ended December 31, 2024	Consolidated Statements of Activities Location
\$ 71	\$ 623	Interest rate swap	\$ 552	\$ 561	Change in value of interest rate swap

Fair value for 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.

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 \$2,310 and \$2,395 for the years ended December 31, 2025 and 2024, 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 \$673 and \$836 for the years ended December 31, 2025 and 2024, 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 \$445 and \$305 for the years ended December 31, 2025 and 2024, respectively.

The St. John's School in Guam 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 \$143 for the year ended December 31, 2024.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

December 31, 2025 and 2024
(Dollar amounts in thousands)

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, 2025 and 2024:

	2025	2024
Change in benefit obligation:		
Benefit obligation, beginning of year	\$ 13,837	\$ 10,067
Service cost	724	673
Interest cost	792	680
Amendment	215	-
Assumption changes	2,781	(1,280)
Actuarial loss	586	4,017
Benefits paid	(471)	(320)
Curtailment	(1,693)	-
	<u>\$ 16,771</u>	<u>\$ 13,837</u>
Benefit obligation, end of year		
Change in plan assets		
Fair value of plan assets at beginning of year	\$ -	\$ -
Employer contributions	471	320
Benefits paid	(471)	(320)
	<u>\$ -</u>	<u>\$ -</u>
Fair value of plan assets at end of year		
Amounts recognized in the statement of financial position consist of:		
Postretirement benefits		
Noncurrent assets	\$ -	\$ -
Current liabilities	(708)	(564)
Noncurrent liabilities	(16,062)	(13,273)
	<u>\$ (16,771)</u>	<u>\$ (13,837)</u>

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

DRAFT

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

**December 31, 2025 and 2024
(Dollar amounts in thousands)**

	2025	2024
Amounts recognized in accumulated other comprehensive income consist of:		
Postretirement benefits		
Net loss	\$ 1,118	\$ (511)
Prior service cost (credit)	(1,948)	(3,266)
	\$ (830)	\$ (3,777)
Summary of benefit obligations and plan assets at December 31,		
Accumulated postretirement benefit obligation	\$ 16,771	\$ 13,837
Fair value of plan assets	-	-
Market-related value of assets	-	-
Components of net periodic postretirement benefit cost:		
Service cost	\$ 724	\$ 673
Interest cost	792	680
Expected return on plan assets	-	-
Amortization of prior service cost	(586)	(600)
Amortization of net gain/(loss)	46	-
Amortization of unrecognized prior service cost (credit)	-	-
	\$ 976	\$ 753
Net periodic postretirement benefit cost		
	(517)	-
Curtailment charge		
	\$ 460	\$ 753
Total posretirement expense		
	\$ 460	\$ 753
Other changes in plan assets and benefit obligations recognized in other comprehensive income:		
	2025	2024
Net loss	\$ 1,629	\$ 2,737
Prior service cost	708	-
Amortization of prior service cost	92	600
Curtailment charge	517	-
	\$ 2,946	\$ 3,337
Total recognized in other comprehensive income		
	2025	2024
Total recognized in net periodic postretirement benefit cost and other comprehensive income	\$ 717	\$ 4,089
	\$ 717	\$ 4,089

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

DRAFT

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

**December 31, 2025 and 2024
(Dollar amounts in thousands)**

Assumptions

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

	2025		2024
	DFMS	ERD	
Discount rate	5.55%	5.57%	5.60%
Rate of compensation increase	N/A	N/A	N/A
First year medical trend rate	9.20%	7.20%	7.40%

Weighted-average assumptions used to determine net periodic benefit cost for fiscal years ended December 31:

	2025		2024
	DFMS	ERD	
Discount rate	5.60%	5.60%	4.90%
Expected long-term return on plan assets	N/A	N/A	N/A
Rate of compensation increase	N/A	N/A	N/A
First year medical trend rate	7.40%	6.90%	6.90%

Assumed health care trend rates at December 31	2025		2024
	DFMS	ERD	
Health care cost trend rate assumed for next year	7.20%	7.20%	7.40%
Rate to which the cost trend rate assumed to decline (ultimate trend rate)	3.70%	3.70%	3.70%
Year that the rate reaches the ultimate trend	2074	2074	2074

Contributions

The Domestic and Foreign Missionary Society of the Protestant Episcopal Church expects to contribute \$717 to its postretirement benefit plan in the fiscal year beginning January 1, 2026 and ending December 31, 2026.

Estimated Future Benefit Payments

2026	\$ 718
2027	765
2028	829
2029	884
2030	956
Year 2031 - 2035	5,425

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

December 31, 2025 and 2024
(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, 2025 and 2024:

	2025	2024
Other program related funds	\$ 8,498	\$ 2,179
Episcopal relief and development - disaster relief and recovery	8,015	10,314
Guam - school scholarships	-	11,939
United Thank Offering and Episcopal Church Women Fund	1,193	1,313
Beneficial interest in outside trust	9,457	8,757
Donor-restricted endowment funds:		
Corpus	31,907	27,140
Accumulated unspent earnings	213,334	181,673
Total net assets with donor restrictions	<u>\$ 272,405</u>	<u>\$ 243,316</u>

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.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

**December 31, 2025 and 2024
(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, 2025 and 2024:

Composition of Endowment Net Assets by Type of Fund	2025		
	Without Donor Restrictions	With Donor Restrictions	Total
Donor-restricted endowment funds	\$ -	\$ 245,241	\$ 245,241
Board-designated endowment funds	180,609	-	180,609
Total	\$ 180,610	\$ 245,241	\$ 425,850

Changes in Endowment Net Assets

Endowment net assets, beginning of year	\$ 166,506	\$ 208,832	\$ 375,338
Investment return:			
Investment income	251	-	251
Net appreciation (realized and unrealized)	20,341	48,938	69,279
Contributions	345	1,568	1,913
Appropriation of endowment assets for expenditure	(6,834)	(14,097)	(20,931)
Endowment net assets, end of year	\$ 180,609	\$ 245,241	\$ 425,850

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

**December 31, 2025 and 2024
(Dollar amounts in thousands)**

Composition of Endowment Net Assets by Type of Fund	2024		
	Without Donor Restrictions	With Donor Restrictions	Total
Donor-restricted endowment funds	\$ -	\$ 208,813	\$ 208,813
Board-designated endowment funds	166,506	-	166,506
Total	\$ 166,506	\$ 208,813	\$ 375,319
Changes in Endowment Net Assets			
Endowment net assets, beginning of year	\$ 161,109	\$ 195,086	\$ 356,195
Investment return:			
Investment income	242	-	242
Net appreciation (realized and unrealized)	12,088	26,167	38,255
Contributions	21	693	714
Appropriation of endowment assets for expenditure	(6,954)	(13,133)	(20,087)
Endowment net assets, end of year	\$ 166,506	\$ 208,813	\$ 375,319

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, 2025 and 2024.

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 \$31,852 and \$30,259 for the years ended December 31, 2025 and 2024, respectively. In addition, DFMS receives 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. Of the total loans receivable reported on the accompanying consolidated statements of financial position, \$267 and \$1,869 for the years ended December 31, 2025 and 2024, respectively, represent loans to related entities which bear interest at rates ranging from 3.0% to 8.0% per annum.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

December 31, 2025 and 2024
(Dollar amounts in thousands)

NOTE 13 - CONTINGENCIES

Government Funding

The Society entered into contracts with the U.S. Office of Refugee Resettlement ("ORR") and the U.S. Department of State Bureau of Population, Refugees, and Migration ("PRM") under which the government provided 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. On May 12, 2025, the Society notified ORR and PRM of its intent to terminate its contracts with those agencies, and the contracts terminated on September 30, 2025. Refundable advances associated with those contracts was \$7,912 at December 31, 2025, and the Society is working with ORR and PRM to close out the contracts in the U.S. government's payment management system. The Society plans to continue its immigrant resettlement activities with other sources of funding.

Refugee Loans Receivable and Collections

In connection with its agreements with the U.S. government for refugee resettlement, the Society acted as the collection agent for travel loans made to refugees by the International Organization for Migration ("IOM"). In return for these services, the Society retained 25% of all loan collections as a recovery of its administrative costs incurred. The Society and IOM terminated the travel loan agreement on December 31, 2025. As of December 31, 2025 and 2024, there were \$0 and \$7,739, 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.

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

DRAFT

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

**December 31, 2025 and 2024
(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, 2025:

	Program Services						Supporting Services						Total 2025	Total 2024
	DFMS			ERD			DFMS			ERD				
	Canonical and Missional Expenses	General Convention	Grant-Related Activities & Other	Sustainable Development	Disaster Relief & Recovery	Total Program	General & Administration	Fundraising	General & Administration	Fundraising	Total Supporting Services			
Direct support	\$ 22,487	\$ -	\$ 1,230	\$ 8,368	\$ -	\$ 4,702	\$ 36,787	\$ -	\$ -	\$ -	\$ -	\$ 36,787	\$ 72,963	
Salary	11,420	1,521	-	5,363	1,711	20,015	4,875	117	1,910	1,150	8,052	28,067	32,117	
Employee benefits	3,879	421	-	2,300	1,416	8,016	1,364	21	270	405	2,060	10,076	10,965	
Insurance	34	58	-	55	51	198	702	-	2	13	717	915	944	
Printing and mailing cost	76	22	-	68	1	167	39	50	17	449	555	722	937	
Advertising and promotion	26	-	-	13	-	39	-	-	2	246	248	287	245	
Telephone / telecommunication	63	10	-	48	128	249	59	-	3	15	77	326	277	
Rent and utilities	518	-	-	14	-	532	2,448	-	-	-	2,448	2,980	3,388	
Equipment and depreciation	1,877	299	30	197	51	2,454	471	4	87	65	627	3,082	3,552	
Bank charges, legal and accounting fees	401	5	-	266	22	694	544	-	75	4	623	1,317	1,673	
Office supplies	539	79	2	8	1	629	490	-	6	4	500	1,129	621	
Resources and reference materials	461	3	32	-	-	496	265	-	2	-	267	763	1,044	
Consultants	3,042	755	51	2,189	83	6,120	1,587	-	117	636	2,340	8,460	7,292	
Travel	2,491	919	121	815	285	4,631	32	-	77	74	183	4,814	6,259	
Conference/workshop/memberships/meeting expenses	104	284	-	139	31	558	155	1	40	22	218	775	2,154	
Scholarship and financial aid	-	-	-	-	-	-	-	-	-	-	-	-	413	
	\$ 47,418	\$ 4,376	\$ 1,466	\$ 19,843	\$ 8,482	\$ 81,585	\$ 13,031	\$ 193	\$ 2,608	\$ 3,083	\$ 18,915	\$ 100,500	\$ 144,844	

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

DRAFT

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

**December 31, 2025 and 2024
(Dollar amounts in thousands)**

The following table summarizes the Society's functional expense classification presented below for the year ended December 31, 2024:

	Program Services							Supporting Services							Total 2024	Total 2023
	DFMS			ERD		Guam	Total Program	DFMS		ERD		Total Supporting Services				
	Canonical and Missional Expenses	General Convention	Grant-Related Activities and Other	Sustainable Development	Disaster Relief and Recovery			General and Administration	Fundraising	General and Administration	Fundraising					
Direct support	\$ 56,061	\$ -	\$ 2,669	\$ 9,770	\$ 4,399	\$ 65	\$ 72,964	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 72,964	\$ 53,912		
Salary	12,066	1,537	-	4,975	2,433	5,313	26,324	4,345	167	380	901	5,793	32,117	28,807		
Employee benefits	4,604	548	-	1,936	456	31	7,575	2,350	49	662	329	3,390	10,965	9,728		
Insurance	66	32	-	64	20	117	299	554	-	81	12	647	946	800		
Printing and mailing cost	117	14	1	46	-	-	178	39	108	114	496	757	935	873		
Advertising and promotion	73	-	-	26	1	-	100	-	13	2	131	146	246	317		
Telephone/telecommunication	89	13	-	38	40	4	184	68	-	20	6	94	278	280		
Rent and utilities	447	-	-	15	1	612	1,075	2,313	-	1	-	2,314	3,389	3,133		
Equipment and depreciation	1,563	412	30	182	20	629	2,836	488	5	166	59	718	3,554	2,824		
Bank charges, legal and accounting fees	620	5	-	34	5	83	747	505	-	416	3	924	1,671	5,308		
Office supplies	22	39	16	12	-	324	413	188	-	17	2	207	620	830		
Resources and reference materials	714	1	54	2	1	-	772	248	12	7	5	272	1,044	754		
Consultants	2,738	863	127	1,517	14	98	5,357	897	-	335	704	1,936	7,293	7,469		
Travel	3,762	1,314	200	544	43	5	5,868	133	-	205	51	389	6,257	6,957		
Conference/workshop/ memberships/meeting exp	287	1,332	14	295	3	26	1,957	41	-	132	22	195	2,152	1,370		
Scholarship and financial aid	-	-	-	-	-	413	413	-	-	-	-	-	413	416		
Total	\$ 83,229	\$ 6,110	\$ 3,111	\$ 19,456	\$ 7,436	\$ 7,720	\$ 127,062	\$ 12,169	\$ 354	\$ 2,538	\$ 2,721	\$ 17,782	\$ 144,844	\$ 123,778		

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

**December 31, 2025 and 2024
(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 \$31 million, or 65%, of its annual cash requirements from contributions without donor restrictions mandated from its 109 dioceses. The Society receives an additional \$5 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 \$12 million or 25% of the annual cash requirement - is provided from a Board-approved appropriation of assets (at a rate of 5% in 2025) from the trust designated as support to the budget. At December 31, 2025, DFMS has approximately \$168 million of unrestricted trust funds (after deducting funds specified for Episcopal Relief & Development) that support the budget with a board-approved appropriation.

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

<u>Financial Assets as of December 31, 2025 and 2024</u>	<u>2025</u>	<u>2024</u>
Cash and cash equivalents	\$ 16,932	\$ 9,289
Receivables:		
Diocesan commitments receivable, net	1,283	820
Loans receivable, net	6,067	3,223
Government grants	97	9,669
Contributions and other receivables, net	2,075	8,125
Appropriation from the Society's endowment for subsequent year's spending	<u>12,892</u>	<u>12,477</u>
Total financial assets available within one year	<u>\$ 30,345</u>	<u>\$ 43,603</u>

To help manage unanticipated liquidity needs, the Society maintains short-term investments equal to at least one quarter of its annual operating budget. The DFMS held approximately \$20 million in short-term assets at December 21, 2025. As an additional source of liquidity, the Society may draw upon its \$15 million line of credit (as further discussed in Note 7).

SUPPLEMENTARY INFORMATION

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

DRAFT

CONSOLIDATING SCHEDULE OF FINANCIAL POSITION

As of December 31, 2025
(Dollars amounts in thousands)

	DFMS	ERD	GUAM	Eliminations	Total
ASSETS					
Cash and cash equivalents	\$ 16,932	\$ 6,409	\$ -	\$ -	\$ 23,341
Receivables:					
Diocesan commitments receivable, net	1,283	-	-	-	1,283
Loans receivable, net	6,067	-	-	-	6,067
Government grants	97	-	-	-	97
Contributions and other receivables, net	2,075	6,548	-	-	8,623
Prepaid expenses and other assets	2,769	506	-	-	3,275
Investments:					
DFMS-controlled funds	446,839	17,885	-	-	464,724
Funds held for the benefit of others	225,889	-	-	-	225,889
Funds held in a Trustee Relationship	38,724	-	-	-	38,724
Interest rate swap	71	-	-	-	71
Property and equipment, net	18,641	106	-	-	18,747
Lease - right of use	52	-	-	-	52
Beneficial interests in outside trusts	8,978	480	-	-	9,458
Total assets	<u>\$ 768,417</u>	<u>\$ 31,934</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 800,351</u>
LIABILITIES AND NET ASSETS					
Liabilities					
Accounts payable and accrued expenses	\$ 4,355	\$ 1,666	\$ -	\$ -	\$ 6,021
Refundable advances	7,912	-	-	-	7,912
Notes payable and line of credit	14,883	-	-	-	14,883
Mortgage payable	-	-	-	-	-
Accrued postretirement benefits other than pensions	12,883	3,888	-	-	16,771
Lease liability	52	-	-	-	52
Funds held for the benefit of others	225,889	-	-	-	225,889
Funds held in a trustee relationship	38,724	-	-	-	38,724
Total liabilities	<u>304,698</u>	<u>5,554</u>	<u>-</u>	<u>-</u>	<u>310,252</u>
Contingencies					
Net assets					
Net assets without donor restrictions	217,694	-	-	-	217,694
Net assets with donor restrictions	246,025	26,380	-	-	272,405
Total net assets	<u>463,719</u>	<u>26,380</u>	<u>-</u>	<u>-</u>	<u>490,099</u>
Total liabilities and net assets	<u>\$ 768,417</u>	<u>\$ 31,934</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 800,351</u>

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

DRAFT

CONSOLIDATING SCHEDULE OF ACTIVITIES

As of December 31, 2025
(Dollars amounts in thousands)

	DFMS	ERD	GUAM	Eliminations	Total
Revenues and other support					
Diocesan commitments	\$ 31,852	\$ -	\$ -	\$ -	\$ 31,852
Contributions and bequests	3,621	-	-	-	3,621
Contributions and other income - Episcopal Relief and Development	-	27,266	-	-	27,266
Contributed services	-	357	-	(357)	-
Investment return designated for current operations	15,619	-	-	-	15,619
Other investment income	6,128	-	-	-	6,128
Government revenue	8,797	-	-	-	8,797
Fees and other income	4,933	178	-	-	5,111
Revenues from the Episcopal Church in Micronesia	-	-	-	-	-
Total revenues and other support	70,950	27,801	-	(357)	98,394
Expenses					
Program services:					
DFMS					
Canonical and missional programs	47,418	-	-	-	47,418
General convention	4,376	-	-	-	4,376
Grant-related activities and other	1,466	-	-	-	1,466
Episcopal Relief and Development					
Sustainable Development	-	20,093	-	(250)	19,843
Disaster relief and recovery	-	8,482	-	-	8,482
Episcopal Church in Micronesia - GUAM	-	-	-	-	-
Total program services	53,259	28,575	-	(250)	81,585
Supporting services:					
DFMS					
General and administrative	13,031	-	-	-	13,031
Fundraising	193	-	-	-	193
Episcopal Relief and Development					
General and administrative	-	2,678	-	(70)	2,608
Fundraising	-	3,120	-	(37)	3,083
Total supporting services	13,224	5,799	-	(107)	18,915
Total expenses	66,483	34,374	-	(357)	100,500
Changes in net assets from operations	4,467	(6,573)	-	-	(2,106)
Non-operating activities					
Investment return	66,404	2,905	-	-	69,310
Less: other investment loss	(6,128)	-	-	-	(6,128)
Net investment gain - trust fund	60,276	2,905	-	-	63,182
Less: investment return designated for current operations	(15,619)	-	-	-	(15,619)
Change in value of interest rate swap	(552)	-	-	-	(552)
Postretirement related activities other than net periodic pension cost	(623)	(980)	-	-	(1,603)
Property Transfer -GUAM Net Asset Adj	-	-	(11,940)	-	(11,940)
Total non-operating activities	43,482	1,925	(11,940)	-	33,467
CHANGES IN NET ASSETS	47,949	(4,648)	(11,940)	-	31,361
Net assets, beginning of year	415,770	31,028	11,940	-	458,738
Net assets, end of year	\$ 463,719	\$ 26,380	\$ -	\$ -	\$ 490,099

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