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, 2020 and 2019

Contents

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

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

REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

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

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, 2020 and 2019, 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 consolidated 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.

Grant Thornton

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of The Domestic and Foreign Missionary Society of the Protestant Episcopal Church in the United States of America and Affiliates as of December 31, 2020 and 2019, and the changes in their net assets and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other matters

Supplementary information

Our audits were conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The consolidated schedule of financial position as of December 31, 2020 and the consolidating schedule of activities for the year ended December 31, 2020 on pages 33 and 34, respectively, 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 the 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 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 consolidated financial statements as a whole.

Grant Thornton LLP

New York, New York
July 23, 2021

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

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

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

	2020	2019
ASSETS		
Cash and cash equivalents	$ 31,873	$ 28,064
Receivables:		
Diocesan commitments receivable, net	453	778
Loans receivable, net	7,728	7,074
Government grants	1,454	1,013
Contributions and other receivables, net	6,415	8,302
Prepaid expenses and other assets	2,198	1,562
Investments:		
DFMS-controlled funds	413,580	355,338
Funds held for the benefit of others and in a trustee relationship	211,495	180,448
Property and equipment, net	29,755	31,315
Beneficial interest in outside trusts	8,800	8,114
Total assets	$ 713,751	$ 622,008
LIABILITIES AND NET ASSETS		
LIABILITIES		
Accounts payable and accrued expenses	$ 10,040	$ 7,131
Payroll Protection Program loans	5,099	-
Notes payable and line of credit	22,283	23,763
Interest rate swap	60	94
Mortgage payable	2,864	2,540
Accrued postretirement benefits other than pensions	18,472	16,857
Funds held for the benefit of others	175,848	149,385
Funds held in a trustee relationship	35,647	31,063
Total liabilities	270,313	230,833
CONTINGENCIES		
NET ASSETS		
Net assets without donor restrictions	200,389	174,384
Net assets with donor restrictions	243,049	216,791
Total net assets	443,438	391,175
Total liabilities and net assets	$ 713,751	$ 622,008

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

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

CONSOLIDATED STATEMENTS OF ACTIVITIES

Years ended December 31,
(Dollars amounts in thousands)

	2020			2019		
	Net Assets Without Donor Restrictions	Net Assets With Donor Restrictions	Total	Net Assets Without Donor Restrictions	Net Assets With Donor Restrictions	Total
REVENUES AND OTHER SUPPORT						
Diocesan commitments	$ 29,679	$ -	$ 29,679	$ 28,074	$ -	$ 28,074
Contributions and bequests	666	731	1,397	601	1,814	2,415
Contributions and other income - Episcopal Relief and Development	-	15,687	15,687	-	18,101	18,101
Contributed services	160	-	160	172	-	172
Investment return designated for current operations	10,841	1,987	12,828	10,612	1,973	12,585
Other investment income	1,129	337	1,466	1,276	374	1,650
Government revenue	6,678	(69)	6,609	8,063	89	8,152
Fees and other income	4,952	35	4,987	5,037	340	5,377
Revenue from the Episcopal Church in Micronesia	7,983	-	7,983	8,190	-	8,190
Net assets released from restrictions	31,514	(31,514)	-	30,194	(30,194)	-
Total revenues and other support	93,602	(12,806)	80,796	92,219	(7,503)	84,716
EXPENSES						
Program services:						
Canonical and missional programs	32,684	-	32,684	40,721	-	40,721
General convention	3,136	-	3,136	3,486	-	3,486
Grant-related activities and other	3,213	-	3,213	3,259	-	3,259
Episcopal Relief & Development						
Development	12,081	-	12,081	12,789	-	12,789
Disaster	4,046	-	4,046	6,492	-	6,492
Expenses from the Episcopal Church in Micronesia	7,652	-	7,652	7,940	-	7,940
Total program services	62,812	-	62,812	74,687	-	74,687
Supporting services:						
General and administrative	9,107	-	9,107	8,951	-	8,951
Fundraising	395	-	395	297	-	297
General and administrative - Episcopal Relief and Development	1,343	-	1,343	1,168	-	1,168
Fundraising - Episcopal Relief and Development	2,929	-	2,929	3,020	-	3,020
Total supporting services	13,774	-	13,774	13,436	-	13,436
Total expenses	76,586	-	76,586	88,123	-	88,123
Changes in net assets from operations	17,016	(12,806)	4,210	4,096	(7,503)	(3,407)
NON-OPERATING ACTIVITIES						
Investment return	21,647	41,981	63,628	9,561	51,697	61,258
Less: Other investment loss	(1,129)	(930)	(2,059)	(1,276)	(1,290)	(2,566)
Net investment gain	20,518	41,051	61,569	8,285	50,407	58,692
Less: Investment return designated for current operations	(10,841)	(1,987)	(12,828)	(10,612)	(1,973)	(12,585)
Change in value of interest rate swap agreement	34	-	34	331	-	331
Postretirement related activities other than service cost	(722)	-	(722)	1,285	-	1,285
Total non-operating activities	8,989	39,064	48,053	(711)	48,434	47,723
Changes in net assets	26,005	26,258	52,263	3,385	40,931	44,316
Net assets, beginning of year	174,384	216,791	391,175	170,999	175,860	346,859
Net assets, end of year	$ 200,389	$ 243,049	$ 443,438	$ 174,384	$ 216,791	$ 391,175

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

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

CONSOLIDATED STATEMENTS OF CASH FLOWS

Years ended December 31,
(Dollar amounts in thousands)

	2020	2019
CASH FLOWS FROM OPERATING ACTIVITIES		
Changes in net assets	52,263	44,316
Adjustments to reconcile changes in net assets to net cash used in operating activities:		
Non-cash items:		
Depreciation	2,129	2,433
Change in allowance for uncollectible amounts	333	213
Amortization of discount to present value receivables	(72)	2
Total non-cash adjustments	2,390	2,648
Change in working capital:		
Diocesan commitments receivable	(8)	119
Loans receivable	(654)	1,532
Government grants receivable	(441)	342
Contributions and other receivables	1,959	(2,805)
Prepaid expenses and other assets	(636)	1
Accounts payable and accrued expenses	2,909	119
Total change in working capital accounts	3,129	(692)
Change in investments:		
Net realized and unrealized gains on investments	(61,569)	(58,692)
Total change in investments	(61,569)	(58,692)
Other changes:		
Change in value of beneficial interests in outside trusts	(686)	(990)
Change in value of interest rate swap agreement	(34)	331
Change in accrued postretirement benefits other than pensions	1,615	3,798
Total other changes	895	3,139
Total change in working capital accounts and other	(57,545)	(56,245)
Net cash used in operating activities	(2,892)	(9,281)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of property and equipment	(569)	(764)
Proceeds from sales of investments	67,644	51,379
Purchases of investments	(64,317)	(52,849)
Net cash provided by (used in) investing activities	2,758	(2,234)
CASH FLOWS FROM FINANCING ACTIVITIES		
Repayments under notes payable and line of credit	(1,480)	(9,130)
Proceeds from Payroll Protection Program loans	5,099	-
Principal payments on mortgage loan	324	(111)
Net cash provided by (used in) financing activities	3,943	(9,241)
Net increase (decrease) in cash and cash equivalents	3,809	(20,756)
Cash and cash equivalents, beginning of year	28,064	48,820
Cash and cash equivalents, end of year	$ 31,873	$ 28,064
Supplemental disclosure of cash flow information:		
Cash paid for interest during the year	$ 877	$ 926

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

NOTE 1 - ORGANIZATION AND NATURE OF ACTIVITIES

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

DFMS's consolidated financial statements include the activities of Episcopal Relief & Development ("ERD"), a separate 501(c)(3) not-for-profit corporation. ERD was established by resolution of the General Convention in 1940 in order to meet the needs of refugees fleeing the war in Europe. Today, ERD is a compassionate response of the Episcopal Church to human suffering in the world. Hearing God's call to seek and serve Christ in all persons and to respect the dignity of every human being, ERD serves to bring together the generosity of Episcopalians and others to heal a hurting world.

DFMS's consolidated financial statements also include the activities of Episcopal Church Women, United Thank Offering and all other direct agencies of DFMS, as well as the missional church and school activities in Micronesia ("Guam").

All intercompany transactions are eliminated upon consolidation. These entities and programs are collectively known as the "Society."

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

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

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The accompanying consolidated financial statements have been prepared using the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America ("U.S. GAAP"). Accordingly, the classification of the Society's net assets and its support, revenues and expenses are based on the existence or absence of donor-imposed restrictions.

Net assets consist of the following:

Without donor restrictions - net assets that are not restricted by donor-imposed stipulations and, therefore, are available to carry out the Society's operations. Net assets without donor restrictions also include those net assets that are limited as to their use by action of the Executive Council.

With donor restrictions - net assets resulting from contributions and other inflows of assets whose use by the Society is limited by donor-imposed stipulations that either expire by passage of time or can be fulfilled and removed by actions of the Society pursuant to those stipulations. When such stipulations end or are fulfilled, such net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the consolidated statements of activities as net assets released from restrictions.

(Dollar amounts in thousands)

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

Concentration of Credit Risk

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

Diocesan Commitments Receivable

The Society provides for an allowance for uncollectible receivables based on an assessment of various factors, including historical collection experience and current economic conditions. These allowances are maintained at a level management considers adequate to provide for potentially uncollectible accounts. These estimates are reviewed periodically and, if the financial condition of a diocese changes significantly, the Society will evaluate the recoverability of any commitments due from that diocese and write-off any amounts that are no longer considered to be recoverable. Subsequent collections of receivables previously written-off are recorded as revenue in the year received.

Diocesan commitments receivables, net, at December 31, 2020 and 2019 are as follows:

	2020	2019
Amounts expected to be collected:		
Within one year	$ 587	$ 912
Between one and five years	-	-
Greater than five years	370	703
Total Diocesan commitments	957	1,615
Allowance for uncollectible receivables	(504)	(837)
Diocesan commitments receivable, net	$ 453	$ 778

Investments

Investments include those that belong to the Society as well as those held on behalf of others. They consist of both marketable and non-marketable securities, stated at quoted market values or values provided by the respective fund manager or general partner as of the measurement date. Purchases and sales of securities are reflected on a trade-date basis. Dividends and interest pertaining to the Society are recognized as earned. Realized and unrealized gains or losses on investments pertaining to the Society are recorded on the consolidated statements of activities in the period in which the securities are sold.

Investment securities, in general, are exposed to various risks, such as interest rate, credit and overall market volatility changes. Due to the level of risk associated with certain investment securities, it is reasonably possible that changes in the values of investment securities will occur in the near term and such changes could materially affect the amounts reported on the accompanying consolidated financial statements.

Fair Value Measurements

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

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

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

Level 2 - Pricing inputs other than quoted prices in active markets, which are either directly or indirectly observable as of the measurement date. The nature of these securities includes investments for which quoted prices are available but traded less frequently and investments that are fair valued using other securities, the parameters of which can be directly observed.

Level 3 - Securities that have little to no pricing observability as of the measurement date. These securities are measured using management's best estimate of fair value, where the inputs into the determination of fair value are not observable and require significant management judgment or estimation.

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

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

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

Cash and Cash Equivalents

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

Valuation of Investments

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

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

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

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

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

(Dollar amounts in thousands)

Property and Equipment

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

Beneficial Interest in Outside Trusts

From time to time, certain donors have established trusts with third-party administrators, typically banks or other Episcopal entities that call for the income earned on these gifts to be paid to the Society and/or other stipulated beneficiaries and the principal to be invested in perpetuity. Historically, the income received from these outside trusts has been recorded as either net assets with donor restrictions or net assets without donor restrictions based upon the donors' imposed stipulations. The fair value of these outside trust assets is recognized as a component of net assets with donor restrictions. The beneficial interest in outside trusts is adjusted each year and the change in fair value is recognized on the consolidated statements of activities based on changes in the fair values of the trusts' underlying investments. Pursuant to certain of the trust arrangements, however, the earnings that are initially paid to the Society are distributable to other beneficiaries. A liability has been recorded for such amounts payable to others and is reflected as annuities payable in the accompanying consolidated statements of financial position. The Society's beneficial interest in outside trusts is classified as Level 3 within the fair value hierarchy as of December 31, 2020 and 2019.

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, 2020 and 2019:

	2020	2019
Balance, beginning of the year	$ 8,114	$ 7,124
Change in value of amounts due to beneficiaries	60	35
Unrealized gains	626	955
Balance, end of the year	$ 8,800	$ 8,114

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 statements of activities but is reflected as a change in value of related assets and liabilities.

Funds Held in a Trustee Relationship

Funds held in a trustee relationship are funds held in a fiduciary relationship by the Society, as trustee, where the original principal is invested permanently, and the income is payable to specific third-party beneficiaries. Amounts held on behalf of others are reflected as assets and equivalent liabilities. The income derived from these investments is not included on the consolidated statements of activities but is reflected as a change in value of related assets and liabilities.

Contributions, Bequests and Government Contracts

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

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

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

Contributed Services

Contributed services are recorded at their estimated fair value and are recognized as revenues and expenses on the consolidated statements of activities in the period received. Contributed legal services for the years ended December 31, 2020 and 2019 totaled $160 and $172, respectively.

Income Taxes

DFMS follows guidance that clarifies the accounting for uncertainty in tax positions taken or expected to be taken in a tax return, including issues relating to financial statement recognition and measurement. This guidance provides that the tax effects from an uncertain tax position can only be recognized in the consolidated financial statements if the position is "more-likely-than-not" to be sustained if the position were to be challenged by a taxing authority. The assessment of the tax position is based solely on the technical merits of the position, without regard to the likelihood that the tax position may be challenged.

DFMS is exempt from federal income tax under IRC section 501(c)(3), though it is subject to tax on income unrelated to its exempt purpose, unless that income is otherwise excluded by the Internal Revenue Code. DFMS has processes presently in place to ensure the maintenance of its tax-exempt status, to identify and report unrelated income, to determine its filing and tax obligations in jurisdictions for which it was nexus, and to identify and evaluate other matters that may be considered tax positions. At December 31, 2020 and 2019, 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.

Reclassification

Certain information in the fiscal 2019 financial statements has been reclassified to conform to the fiscal 2020 presentation. Specifically, postretirement related activities other than service cost for ERD which had previously been included and presented as expenses on the statement of activities have now been reported as a separate line item on the statements of activities to conform with the 2020 presentation.

Subsequent Events

The Society evaluated its December 31, 2020 consolidated financial statements for subsequent events through July 23, 2021, the date the consolidated financial statements were available to be issued. Subsequent to year end management became aware of and settled a legal matter under a confidential settlement agreement. Management has determined the amount of the settlement is not material to the consolidated financial statements. Except for this event, and the events noted in Notes 7 and 8, the Society is not aware of any subsequent events which would require recognition or disclosure in the accompanying consolidated financial statements.

New Pronouncements

In February 2016, the FASB issued ASU No. 2016-02, *Leases (Topic 842)*, which requires organizations that lease assets (lessees) to recognize the assets and related liabilities for the rights and obligations created by the leases on the statement of financial position for leases with terms exceeding 12 months. ASU No. 2016-02 defines a lease as a contract or part of a contract that conveys the right to control the use of identified assets for a period of time in exchange for consideration. The lessee in a lease will be required to initially measure the right-of-use asset and the lease liability at the present value of the remaining lease payments, as well as capitalize initial direct costs as part of the right-of-use asset. In June 2020, the FASB issued ASU No. 2020-05, *Revenue from Contracts with Customers (Topic 606) and Leases (Topic 842)*, that allowed certain entities the option to defer the adoption of ASU 2016-02 by one year. ASU No. 2016-02 is effective for the Society for fiscal year 2022. Early adoption is permitted. The Society is in the process of evaluating the impact this standard will have on the consolidated financial statements.

(Dollar amounts in thousands)

NOTE 3 - INVESTMENTS

At December 31, 2020, total investments of approximately $625,075 consist of $586,475 in trust fund endowment assets, $6,500 in unit-trust and pooled income funds, $28,300 in medium-term investments, and $3,800 in St. John's School (Guam) investments.

At December 31, 2019, total investments of approximately $535,786 consist of $498,686 in trust fund endowment assets, $6,700 in unit-trust and pooled income funds, $26,900 in medium-term investments, and $3,500 in St. John's School (Guam) investments.

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

	Fair Value	
	2020	2019
Stocks:		
Common stock	$ 356,116	$ 285,835
Stock funds	60,650	48,447
Total stocks	416,766	334,282
Bonds:		
Corporate	8,107	6,928
Government	4,712	5,164
Other, primarily mutual bond funds	18,042	17,528
Total bonds	30,861	29,620
Mutual funds (primarily common stock and bonds)	4,854	4,926
Other, primarily money market funds and other cash equivalents	6,943	8,822
Alternative investments:		
Commingled funds	165,651	158,136
Total investments	625,075	535,786
Funds held for the benefit others	(211,495)	(180,448)
Total DFMS-controlled funds	$ 413,580	$ 355,338

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 Domestic and Foreign Missionary Society
of the Protestant Episcopal Church in the
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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

December 31, 2020 and 2019
(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, 2020 and 2019.

	2020			
	Level 1	Level 2	Level 3	Total
Stocks	$ 416,766	$ -	$ -	$ 416,766
Bonds	30,861	-	-	30,861
Mutual funds	4,854	-	-	4,854
Other, primarily money market funds and other cash equivalents	6,943	-	-	6,943
	$ 459,424	$ -	$ -	459,424
Alternative Investments reported at NAV				165,651
Total				$ 625,075

	2019			
	Level 1	Level 2	Level 3	Total
Stocks	$ 334,282	$ -	$ -	$ 334,282
Bonds	29,620	-	-	29,620
Mutual funds	4,926	-	-	4,926
Other, primarily money market funds and other cash equivalents	8,822	-	-	8,822
	$ 377,650	$ -	$ -	377,650
Alternative Investments reported at NAV				158,136
Total				$ 535,786

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

The Society uses the NAV per share, or its equivalent to determine the fair value as of the measurement date of all the underlying investments which: (a) do not have a readily determinable fair value and (b) prepare their investees financial statements consistent with the measurement principles of an investment company or have the attributes of an investment company.

(Dollar amounts in thousands)

The following tables detail certain attributes pertaining to the investments reported at fair value using a NAV, or its equivalent, as of December 31, 2020 and 2019:

2020

Type	Strategy	NAV in Funds	# of Funds	Remaining Life	$ Amount of Unfunded Commitments	Redemption Terms	Redemption Restrictions
Commingled funds	Commodities, equity, and interest rate-driven focused commingled funds.	$ 165,651	4	N/A	$ -	1 fund has daily redemption with 15 days' notice; 1 fund has semimonthly redemption with 30 days' notice; 1 fund has quarterly redemption with 90 days' notice; 1 fund has quarterly redemption with 100 days' notice	None
Total		$ 165,651	4		$ -		

2019

Type	Strategy	NAV in Funds	# of Funds	Remaining Life	$ Amount of Unfunded Commitments	Redemption Terms	Redemption Restrictions
Commingled funds	Commodities, equity, and interest rate-driven focused commingled funds.	$ 158,136	5	N/A	$ -	2 funds have monthly redemption with 5-10 days' notice and 2 funds have daily redemption with 10 days' notice; 1 fund has quarterly redemption with 100 days' notice	None
Total		$ 158,136	5		$ -		

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 2020 and 2019) 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)

NOTE 4 - CONTRIBUTIONS AND OTHER RECEIVABLES, NET

Contributions and other receivables, net, consist of the following at December 31, 2020 and 2019:

	2020	2019
Contributions receivable, net	$ 1,403	$ 2,090
Other receivables	5,012	6,212
Total other receivables	$ 6,415	$ 8,302

Contributions receivable, net, which are recorded at the present value of their expected future cash flows, consist of the following at December 31, 2020 and 2019:

	2020	2019
Amounts expected to be collected:		
Within one year	$ 808	$ 679
In one to four years	599	1,487
Total contributions receivable	1,407	2,166
Less:		
Present value discount (rates ranging from 1.50% to 6.00%)	(4)	(76)
Total contributions receivables, net	$ 1,403	$ 2,090

NOTE 5 - LOANS RECEIVABLE, NET

Loans receivable, net, consist of the following at December 31, 2020 and 2019:

	2020	2019
Construction loans to dioceses and missionary districts	$ 525	$ 421
Economic justice and community investment loans	5,500	4,950
Loans to reorganizing Dioceses	2,003	2,003
	8,028	7,374
Less:		
Allowance for uncollectible accounts	(300)	(300)
Total loans receivable, net	$ 7,728	$ 7,074

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

(Dollar amounts in thousands)

NOTE 6 - PROPERTY AND EQUIPMENT, NET

Property and equipment, net, consists of the following at December 31, 2020 and 2019:

	2020	2019
Land	$ 7,995	$ 7,995
Buildings and improvements	69,700	69,692
Other equipment and furnishings	4,464	2,860
	82,159	80,547
Less: Accumulated depreciation	(52,404)	(49,232)
Property and equipment, net	$ 29,755	$ 31,315

Depreciation expense amounted to $2,129 and $2,433 for the years ended December 31, 2020 and 2019, respectively.

NOTE 7 - MORTGAGE AND NOTES PAYABLE

Mortgage

A mortgage payable on the St. John’s School property, located in Guam, amounted to $2,864 and $2,540 as of December 31, 2020 and 2019, respectively. The interest rate of 4.5% is adjusted every three years on March 11 to 1% over the Federal Home Loan rate. The note is collateralized by a third-party mortgage on real and leasehold property and matures in September 15, 2025. The effective interest rate was 1% at December 31, 2020 and 2019.

Interest expense pertaining to this mortgage amounted to $119 and $124 for the years ended December 31, 2020 and 2019, respectively.

As of December 31, 2020, scheduled annual principal payments are as follows:

	Amount
2021	$ 543
2022	563
2023	129
2024	134
2025	141
Thereafter	1,354
	$ 2,864

(Dollar amounts in thousands)

Term Loan

On January 11, 2011, DFMS obtained a $37 million term loan, secured by DFMS's investment in unrestricted marketable securities, from U.S. Bank, to be used primarily for working capital and other business purposes. The facility was structured as a five-year loan with a fixed annual interest rate of 3.69% and annual repayments on a 25-year schedule. 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 five-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.

On January 19, 2021, DFMS completed Amendment No. 10 to the amended and restated credit agreement dated April 8, 2014, with U.S. Bank. Amendment No. 10 extended the Loan Termination Date to January 23, 2026 and adjusted the interest rate on the unpaid principal balance of the Term Loan to an annual rate of 1.15% plus the one-month LIBOR rate. Concurrent with Amendment No. 10, DFMS entered into an interest rate swap transaction with U.S. Bank whereby, effective January 25, 2021, DFMS will pay an annual fixed interest rate of 1.656% through January 23, 2026. Terms and covenants of the renewed credit agreement were unchanged. At January 25, 2021 total principal outstanding equaled $20,803.

At December 31, 2020 and 2019, $22,283 and $23,763, 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 $720 and $764 for the years ended December 31, 2020 and 2019, respectively.

As of December 31, 2020, scheduled annual principal payments are as follows:

	Amount
2021	$ 1,480
2022	1,480
2023	1,480
2024	1,480
2025	1,480
2026	1,480
Thereafter	13,403
	$ 22,283

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, 2020.

(Dollar amounts in thousands)

Revolving Lines of Credit

On January 11, 2011, the Society obtained a $5 million revolving credit facility from U.S. Bank, which was then expanded to $15 million as of April 8, 2014. The facility, which is unsecured, bears interest based on the Eurodollar rate plus 75 basis points and matures on November 29, 2021. The facility is renewed annually. Interest only is payable monthly. At December 31, 2020 and 2019, no amounts were outstanding under this revolving credit facility. Maintenance fees amounted to $63 and $38 for the years ended December 31, 2020 and 2019, respectively.

Interest Rate Swap

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

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

As of and for the years ended December 31, 2020 and 2019, amounts included within the accompanying consolidated financial statements relating to the interest rate swap agreement are as follows:

Fair Value at December 31, 2020	Fair Value at December 31, 2019	Consolidated Statements of Financial Position Location	Change in Value of Interest Rate Swap Agreement for Year Ended December 31, 2020	Change in Value of Interest Rate Swap Agreement for Year Ended December 31, 2019	Consolidated Statements of Activities Location
$ (60)	$ (94)	Interest rate swap	$ 34	$ (331)	Change in value of Interest rate swap

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

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

NOTE 8 - COVID-19 AND PAYROLL PROTECTION PROGRAM LOAN

The COVID-19 pandemic, whose effects first became known in January 2020, is having a broad and negative impact on commerce and financial markets around the world. The extent of the impact of COVID-19 on our operational and financial performance will depend on certain developments, including the duration and containment of the outbreak and its impact on our contributing dioceses, other donors, employees and vendors, all of which at present, cannot be determined. Accordingly, the extent to which COVID-19 may impact on our financial position and changes in net assets and cash flows is uncertain, so the accompanying consolidated financial statements include no adjustments relating to the effects of this pandemic, if any.

DFMS, ERD, and SJS received loans of $3,025, $1,207, and $867, respectively, under the Paycheck Protection Program (“PPP”) under the under the Coronavirus Aid, Relief, and Economic Security Act (“CARES Act”). Based on the terms of the loans and the program, the loan balances may be forgiven and converted into grants to the Society if certain conditions are met. If a portion of the loan must be repaid, however, the terms are 1% per annum, repayable over a maximum of five years with a six-month deferral period. Forgiveness for the full amount of ERD’s loan was approved by the Small Business Association on May 23, 2021.

The Society believes that accepting these loans is a fiduciarily prudent decision. The extent and depth of the effects of the COVID-19 disruption are unknown but are likely to be as severe as the consequences after the Great Recession that followed the financial crisis of 2009 when: i) income from dioceses declined 15% during 2010-2012 after the recession of 2009; ii) income from trust funds was maintained only by increasing the dividend draw by 10%; and iii) 50 employees (26% of staff) were laid off during 2009 and 2010 to balance the budget. The Society expects these loans will be forgiven and converted to a grant, as it maintains employment in accordance with the PPP guidelines.

NOTE 9 - 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 $1,610 and $1,495 for the years ended December 31, 2020 and 2019, 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 $826 and $796 for the years ended December 31, 2020 and 2019, 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 $416 and $478 for the years ended December 31, 2020 and 2019, respectively.

(Dollar amounts in thousands)

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 $148 and $148 for the years ended December 31, 2020 and 2019, respectively.

NOTE 10 - 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, 2020 and 2019:

	2020	2019
Change in benefit obligation:		
Benefit obligation, beginning of year	$ 16,857	$ 13,059
Service cost	668	544
Interest cost	501	531
Amendment	-	1,738
Actuarial loss	902	1,542
Benefits paid	(456)	(557)
Benefit obligation, end of year	$ 18,472	$ 16,857
Fair value of plan assets at December 31	$ -	$ -
Funded status at December 31	$ (18,472)	$ (16,857)
Fair value of plan assets at beginning of year	$ -	$ -
Employer contributions	456	557
Benefits paid	(456)	(557)
Fair value of plan assets at end of year	$ -	$ -
Components of accrued benefit cost:		
Funded status	$ 18,472	$ 16,857
Unrecognized actuarial net gain	(1,929)	(1,253)
Accrued benefit cost	$ 16,543	$ 15,604

(Dollar amounts in thousands)

	2020	2019
Amounts not yet reflected in net periodic benefit cost and included in net assets without donor restrictions:		
Net actuarial loss	$ 1,929	$ 1,253
Components of net periodic benefit cost:		
Service cost	$ 668	$ 544
Interest cost	500	531
Amortization of unrecognized prior service costs	226	(122)
Net periodic benefit cost for fiscal year	$ 1,394	$ 953
Changes in assets and benefit obligations recognized in net assets without donor restrictions:		
Net actuarial loss	$ 902	$ 1,542
Amortization of unrecognized loss/gain	-	235
Prior service cost	-	1,738
Amortization of unrecognized prior service cost	(226)	(113)
Total change recognized in net assets without donor restrictions	$ 676	$ 3,402

The amount of contributions and benefit payments from the Plan for the years ended December 31, 2020 and 2019 were:

	2020	2019
Employer contributions	$ 456	$ 557
Participant contributions	-	-
Benefit payments	$ 456	$ 557

	2020		2019	
	MedSup Plan	Self-Insured Plan	MedSup Plan	Self-Insured Plan
Assumed health care trend rates at December 31:				
Discount rate	2.5%	2.5%	3.2%	3.2%
Health care cost trend rate assumed for next year	3.8%	4.0%	3.8%	4.0%
Rate to which the cost trend rate assumed to decline (ultimate trend rate)	3.8%	3.8%	3.8%	3.8%
Year that the rate reaches the ultimate trend	2074	2074	2074	2074

Total net expenses incurred for both plans for 2020 and 2019 totaled $1,615 and $3,798, respectively.

(Dollar amounts in thousands)

For the year ended December 31, 2020, the effect of a 1% change in the health care cost trend rate was as follows:

	1% Increase	1% Decrease
Effect on net periodic benefit cost	$ 267	$ 206
Effect on postretirement benefit obligation	3,490	2,766

Contributions

Annual contributions are determined by the Society based upon calculations prepared by the Society's actuary. Projected contributions for 2021 are expected to be $456.

Benefit Payments

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

2021	$ 612
2022	611
2023	612
2024	609
2025	610
2026 - 2030	3,399

The estimated net loss (gain) and prior service cost included in net assets without donor restrictions expected to be recognized as components of net periodic benefit cost during the fiscal year ending December 31, 2020 are $0 and $226, respectively.

NOTE 11 - NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions are held for the following purposes at December 31, 2020 and 2019:

	2020	2019
Other program related funds	$ 497	$ 6,617
Episcopal Relief and Development – Disaster relief and recovery	6,115	6,920
Guam - School Scholarships	3,184	3,000
United Thank Offering and Episcopal Church Women Fund	950	725
Beneficial Interest in outside trust	8,800	8,114
Donor-restricted endowment funds:		
Corpus	25,087	25,082
Accumulated unspent earnings	198,416	166,333
Total net assets with donor restrictions	$ 243,049	$ 216,791

NOTE 12 - 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.

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.

Certain amounts previously included in the Society's board-designated endowment fund have now been reflected as part of the donor-restricted endowment fund. The reclassification of the endowment net assets is included in the transfer line in the table below. The effect of this net asset transfer had no impact on current or historical endowment fund distributions or asset values.

(Dollar amounts in thousands)

The following tables summarize endowment net asset composition, by type of fund as of December 31, 2020 and 2019:

	2020		
Composition of Endowment Net Assets by Type of Fund	Without Donor Restrictions	With Donor Restrictions	Total
Donor-restricted endowment funds	$ -	$ 223,503	$ 223,503
Board-designated endowment funds	166,206	-	166,206
Total	$ 163,206	$ 223,503	$ 389,709
Changes in Endowment Net Assets			
Endowment net assets, beginning of year	$ 148,505	$ 191,415	$ 339,920
Investment return:			
Investment income	210	-	210
Net appreciation (realized and unrealized)	21,227	44,583	65,810
Contributions	106	5	111
Appropriation of endowment assets for expenditure	(3,842)	(12,500)	(16,342)
Endowment net assets, end of year	$ 166,206	$ 223,503	$ 389,709

	2019		
Composition of Endowment Net Assets by Type of Fund	Without Donor Restrictions	With Donor Restrictions	Total
Donor-restricted endowment funds	$ -	$ 191,415	$ 191,415
Board-designated endowment funds	148,505	-	148,505
Total	$ 148,505	$ 191,415	$ 339,920
Changes in Endowment Net Assets			
Endowment net assets, beginning of year	$ 125,176	$ 152,952	$ 278,128
Investment return:			
Investment income	210	-	210
Net appreciation (realized and unrealized)	11,327	50,161	61,487
Contributions	16,135	105	16,240
Appropriation of endowment assets for expenditure	(4,343)	(11,803)	(16,146)
Endowment net assets, end of year	$ 148,505	$ 191,415	$ 339,919

NOTE 13 - 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 board of directors between meetings of General Convention. DFMS engages in financial transactions with both foreign and domestic entities affiliated with the Episcopal Church and the worldwide Anglican Communion. DFMS receives its principal financial support in the form of Diocesan commitments, which totaled $29,679 and $28,074 for the years ended December 31, 2020 and 2019, respectively. In addition, DFMS receives non-governmental fees from related parties, including lease payments and fees for events. These receipts are not material and are offset by the costs of services provided. DFMS expended $62 for each of the years ended December 31, 2020 and 2019, 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, 2020 and 2019, $1,994 for each of the years ended December 31, 2020 and 2019 represent loans to related entities which bear interest at rates ranging from 3.0% to 8.0% per annum.

NOTE 14 - 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, 2020 and 2019, there were $7,180 and $8,547, respectively, of refugee loans outstanding. Such amounts are not reflected on the accompanying consolidated financial statements, and the Society does not guarantee the loans.

Litigation

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

(Dollar amounts in thousands)

NOTE 15 - FUNCTIONAL EXPENSES

The following table summarizes the Society's functional expense classification presented below for the year ended December 31, 2020.

	Program Services							Supporting Services						
	DFMS			ERD				DFMS		ERD				
	Canonical & Missional Expenses	General Convention	Grant-related activities and other	Sustainable	Disaster	Guam	Total Program	General & Administration	Fundraising	General & Administration	Fundraising	Total Supporting Services	Total 2020	Total 2019
Direct support	$ 13,844	$ -	$ 2,938	$ 5,578	$ 2,840	$ 56	$ 25,256	$ -	$ -	$ -	$ -	$ -	$ 25,256	$ 30,024
Contributed services	-	-	-	-	-	-	-	160	-	-	-	160	160	172
Salary	9,071	1,274	-	3,369	728	5,150	19,592	3,598	202	878	1,197	5,875	25,467	25,155
Employee benefits	4,130	464	23	1,330	292	48	6,287	1,169	73	209	469	1,920	8,207	10,545
Insurance	47	23	-	40	9	99	218	448	-	7	10	465	683	655
Printing and mailing cost	203	4	-	142	3	-	352	25	107	93	445	670	1,022	1,413
Advertising and promotion	18	-	22	14	-	-	54	-	-	-	148	148	202	127
Telephone/telecommunication	89	11	-	16	21	2	139	77	-	4	4	85	224	308
Rent and utilities	229	-	-	31	-	503	763	934	-	-	-	934	1,697	1,810
Equipment and depreciation	1,509	216	77	180	44	675	2,701	455	13	33	64	565	3,266	3,857
Bank charges, legal and accounting fees	382	1	-	200	29	207	819	1,038	-	42	35	1,115	1,934	2,063
Office supplies	615	20	2	15	3	177	832	141	-	4	3	148	980	798
Resources & reference materials	537	-	43	-	-	-	580	58	-	3	4	65	645	487
Consultants	788	426	71	787	50	88	2,210	986	-	32	506	1,524	3,734	4,327
Travel	1,093	238	37	105	18	2	1,493	18	-	27	20	65	1,558	4,877
Conference/workshop/ memberships/meeting exp	129	459	-	274	9	3	874	-	-	11	24	35	909	911
Scholarship and financial aid	-	-	-	-	-	642	642	-	-	-	-	-	642	634
Total	$ 32,684	$ 3,136	$ 3,213	$ 12,081	$ 4,046	$ 7,652	$ 62,812	$ 9,107	$ 395	$ 1,343	$ 2,929	$ 13,774	$ 76,586	$ 88,123

December 31, 2020 and 2019 (Dollar amounts in thousands)

The following table summarizes the Society's functional expense classification presented below for the year ended December 31, 2019.

	Program Services							Supporting Services					
	DFMS			ERD				DFMS		ERD			
	Canonical & Missional Expenses	General Convention	Grant-related activities and other	Sustainable	Disaster	Guam	Total Program	General & Administration	Fundraising	General & Administration	Fundraising	Total Supporting Services	Total 2019
Direct support	$ 16,213	$ -	$ 2,951	$ 6,330	$ 4,476	$ 54	$ 30,024	$ -	$ -	$ -	$ -	$ -	$ 30,024
Contributed services	-	-	-	-	-	-	-	172	-	-	-	172	172
Salary	10,290	1,181	-	2,786	930	5,309	20,496	2,468	153	843	1,155	4,619	25,115
Employee benefits	6,152	523	121	1,227	391	44	8,458	1,468	42	144	433	2,087	10,545
Insurance	45	21	-	29	13	100	208	432	-	5	10	447	655
Printing and mailing cost	452	12	3	128	50	-	645	44	89	58	577	768	1,413
Advertising and promotion	27	-	3	-	-	-	30	-	-	-	97	97	127
Telephone/telecommunication	111	12	-	48	32	3	206	73	-	7	22	102	308
Rent and utilities	148	-	-	37	5	470	660	1,150	-	-	-	1,150	1,810
Equipment and depreciation	1,846	331	73	236	41	769	3,296	476	9	31	45	561	3,857
Bank charges, legal and accounting fees	580	-	-	164	103	188	1,035	969	-	15	44	1,028	2,063
Office supplies	229	31	2	28	8	190	488	299	-	4	7	310	798
Resources & reference materials	397	-	17	9	4	-	427	55	-	2	3	60	487
Consultants	1,207	370	22	607	188	154	2,548	1,231	4	19	525	1,779	4,327
Travel	2,886	676	67	834	190	-	4,653	112	-	33	79	224	4,877
Conference/workshop/ memberships/meeting exp	138	329	-	326	61	25	879	2	-	7	23	32	911
Scholarship and financial aid	-	-	-	-	-	634	634	-	-	-	-	-	634
Total	$ 40,721	$ 3,486	$ 3,259	$ 12,789	$ 6,492	$ 7,940	$ 74,687	$ 8,951	$ 297	$ 1,168	$ 3,020	$ 13,436	$ 88,123

(Dollar amounts in thousands)

NOTE 16 - LIQUIDITY AND AVAILABILITY OF RESOURCES

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

The Society receives approximately $30 million, or 63%, of its annual cash requirements from contributions without donor restrictions mandated from its 109 dioceses and other Episcopal entities. The Society receives an additional $5.4 million, or 11%, 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 $10.5 million or 24% of the annual cash requirement - is provided from a Board-approved appropriation of (currently 5%) assets from the trust funds designated as support to the budget. The DFMS has approximately $197 million of unrestricted trust funds (after deducting funds specified for Episcopal Relief & Development) that support the budget each year with a 5% dividend draw. The DFMS could draw (with approval from Executive Council) additional principal from about $84 million of those trust funds.

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

Financial Assets as of December 31, 2020 and 2019	2020	2019
Cash and cash equivalents	$ 20,078	$ 18,782
Receivables:		
Diocesan commitments receivable, net	453	2,166
Loans receivable, net	7,728	7,074
Government grants	1,454	1,013
Contributions and other receivables, net	3,016	4,029
Appropriation from the Society's endowment for subsequent year's spending	10,841	10,612
Total financial assets available within one year	$ 43,570	$ 43,676

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

SUPPLEMENTAL 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, 2020
(Dollars amounts in thousands)

ASSETS	**DFMS**	**ERD**	**GUAM**	**Consolidating Entries**	**Total**
Cash and cash equivalents	$ 20,078	$ 8,691	$ 3,104	$ -	$ 31,873
Receivables:					
Diocesan commitments receivable, net	453	-	-	-	453
Loans receivable, net	7,728	-	-	-	7,728
Government grants	1,454	-	-	-	1,454
Contributions and other receivables, net	3,016	3,304	95	-	6,415
Prepaid expenses and other assets	1,878	277	43	-	2,198
Investments:					
DFMS-controlled funds	389,649	20,177	3,754	-	413,580
Funds held for the benefit of others	211,495	-	-	-	211,495
Property and equipment, net	24,373	45	5,337	-	29,755
Beneficial interests in outside trusts	8,382	418	-	-	8,800
Total assets	$ 668,506	$ 32,912	$ 12,333	$ -	$ 713,751
LIABILITIES AND NET ASSETS					
Accounts and accrued expenses	$ 4,580	$ 3,740	$ 1,720	$ -	$ 10,040
Payroll Protection Program Loans	3,026	1,207	866	-	5,099
Notes payable	22,283	-	-	-	22,283
Interest rate swap agreement	60	-	-	-	60
Mortgage payable	-	-	2,864	-	2,864
Accrued postretirement benefits other than pensions	15,074	3,398	-	-	18,472
Funds held for the benefit of others	175,848	-	-	-	175,848
Funds held in a trustee relationship	35,647	-	-	-	35,647
Total liabilities	256,518	8,345	5,450	-	270,313
Contingencies					
NET ASSETS					
Net assets without donor restrictions	194,680	45	-	5,664	200,389
Net assets with donor restrictions	217,308	24,522	6,883	(5,664)	243,049
Total net assets	411,988	24,567	6,883	-	443,438
Total liabilities and net assets	$ 668,506	$ 32,912	$ 12,333	$ -	$ 713,751

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

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

CONSOLIDATING SCHEDULE OF ACTIVITIES

**As of December 31, 2020
(Dollars amounts in thousands)**

	DFMS	ERD	GUAM	Consolidating Entries	Total
REVENUES AND OTHER SUPPORT					
Diocesan commitments	$ 29,679	$ -	$ -	$ -	$ 29,679
Contributions and bequests	1,397	-	-	-	1,397
Contributions and other income - Episcopal Relief and Development	-	15,687	-	-	15,687
Contributed services	160	1,210	-	(1,210)	160
Investment return designated for current operations	12,828	-	-	-	12,828
Other investment income	1,466	-	-	-	1,466
Government revenue	6,678	(69)	-	-	6,609
Fees and other income	5,541	16	-	(570)	4,987
Revenues from the Episcopal Church in Micronesia	-	-	8,033	(50)	7,983
Total revenues and other support	57,749	16,844	8,033	(1,830)	80,796
EXPENSES					
Program services:					
Canonical and missional programs	32,684	-	-	-	32,684
General convention	3,136	-	-	-	3,136
Grant-related activities and other	3,263	-	-	(50)	3,213
Episcopal Relief and Development					
Sustainable Development	-	12,968	-	(887)	12,081
Disaster relief and recovery	-	4,248	-	(202)	4,046
Episcopal Church in Micronesia	-	-	7,877	(225)	7,652
Total program services	39,083	17,216	7,877	(1,364)	62,812
Supporting services:					
General and administrative	9,107	-	-	-	9,107
Fundraising	395	-	-	-	395
General and administrative - Episcopal Relief and Development	-	1,576	-	(233)	1,343
Fundraising - Episcopal Relief and Development	-	3,162	-	(233)	2,929
Total supporting services	9,502	4,738	-	(466)	13,774
Total expenses	48,585	21,954	7,877	(1,830)	76,586
Changes in net assets from operations	9,164	(5,110)	156	-	4,210
NON-OPERATING ACTIVITIES					
Investment return	60,016	3,612	-	-	63,628
Less: other investment loss	(2,059)	-	-	-	(2,059)
Net investment loss - trust fund	57,957	3,612	-	-	61,569
Less: investment return designated for current operations	(12,828)	-	-	-	(12,828)
Change in value of interest rate swap	34	-	-	-	34
Postretirement related activities other than net periodic pension cost	(416)	(306)	-	-	(722)
Total non-operating activities	44,747	3,306	-	-	48,053
Changes in net assets	53,911	(1,804)	156	-	52,263
Net assets, beginning of year	358,077	26,371	6,727	-	391,175
Net assets, end of year	$ 411,988	$ 24,567	$ 6,883	$ -	$ 443,438

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