Financial Statements and Report of Independent Certified Public Accountants

Episcopal Relief & Development

December 31, 2019 and 2018

Contents

GRANT THORNTON LLP
757 3rd Avenue, 9th Floor
New York, NY 10017

D +1 212 599 0100

REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

To the Board of Directors of
Episcopal Relief & Development:

We have audited the accompanying financial statements of Episcopal Relief & Development (the "Organization"), which comprise the statements of financial position as of December 31, 2019 and 2018, and the related statements of activities and cash flows for the years then ended, and the related notes to the financial statements.

Management's responsibility for the financial statements
Management is responsible for the preparation and fair presentation of these 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 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 financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Organization's preparation and fair presentation of the 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 Organization'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 financial statements.

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

Opinion
In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Episcopal Relief & Development as of December 31, 2019 and 2018, 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.

Other reporting required by Government Auditing Standards
In accordance with *Government Auditing Standards*, we have also issued our report, dated October 2, 2020, on our consideration of the Organization's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Organization's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Organization's internal control over financial reporting and compliance.

Grant Thornton LLP

New York, New York
October 2, 2020

Episcopal Relief & Development

STATEMENTS OF FINANCIAL POSITION

December 31,

ASSETS	**2019**	**2018**
Cash and cash equivalents	$ 6,774,191	$ 9,056,729
Receivables, net (Note 3)	4,105,641	3,404,401
Beneficial interest in trusts held by DFMS (Note 4)	19,402,459	18,526,543
Prepaid expenses	228,769	194,197
Due from DFMS	-	71,837
Beneficial interest in outside trusts held by others (Note 2)	384,749	353,087
Property and equipment, net (Note 5)	57,241	72,566
Total assets	$ 30,953,050	$ 31,679,360
LIABILITIES AND NET ASSETS		
LIABILITIES		
Accounts payable and accrued expenses	$ 1,385,331	$ 1,475,112
Due to DFMS	306,671	-
Accrued postretirement benefits other than pensions (Note 7)	2,921,913	1,729,179
Total liabilities	4,613,915	3,204,291
NET ASSETS (Note 2)		
Net Assets without Donor Restrictions	14,165,454	15,917,148
Net Assets with Donor Restrictions (Note 8)	12,173,681	12,557,921
Total net assets	26,339,135	28,475,069
Total liabilities and net assets	$ 30,953,050	$ 31,679,360

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

Episcopal Relief & Development

STATEMENTS OF ACTIVITIES

Years ended December 31,

	2019			2018		
	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						
Contributions, bequests, grants, and other	$ 10,947,449	$ 7,154,047	$ 18,101,496	$ 12,628,216	$ 7,009,336	$ 19,637,552
Investment return (Note 4)	3,610,708	145,601	3,756,309	(1,258,557)	(115,407)	(1,373,964)
Change in beneficial interest in outside trusts held by others	-	31,662	31,662	-	(40,717)	(40,717)
Contributed services (Note 2)	352,000	848,270	1,200,270	1,173,502	1,038,636	2,212,138
Other income	338,463	-	338,463	36,338	-	36,338
Government revenue	89,285	-	89,285	446,167	-	446,167
Net assets released from restrictions	8,563,820	(8,563,820)	-	8,010,858	(8,010,858)	-
Total revenues and other support	23,901,725	(384,240)	23,517,485	21,036,524	(119,010)	20,917,514
EXPENSES						
Sustainable Development	13,887,236	-	13,887,236	13,245,777	-	13,245,777
Disaster relief and recovery	7,163,453	-	7,163,453	6,450,448	-	6,450,448
Total program expenses	21,050,689	-	21,050,689	19,696,225	-	19,696,225
Fundraising	3,300,787	-	3,300,787	2,577,056	-	2,577,056
Administration	1,301,943	-	1,301,943	1,230,686	-	1,230,686
Total expenses	25,653,419	-	25,653,419	23,503,967	-	23,503,967
Changes in net assets	(1,751,694)	(384,240)	(2,135,934)	(2,467,443)	(119,010)	(2,586,453)
Net assets, beginning of year	15,917,148	12,557,921	28,475,069	18,384,591	12,676,931	31,061,522
Net assets, end of year	$ 14,165,454	$ 12,173,681	$ 26,339,135	$ 15,917,148	$ 12,557,921	$ 28,475,069

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

Episcopal Relief & Development

STATEMENTS OF CASH FLOWS

Years ended December 31,

	2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES		
Changes in net assets	$ (2,135,934)	$ (2,586,453)
Adjustments to reconcile changes in net assets to net cash (used in) operating activities:		
Change in value of beneficial interest in outside trusts	(31,662)	40,717
Depreciation	25,223	31,534
Change in allowance for doubtful accounts	-	1,667
Change in discount on contribution receivables	(28,433)	(8,891)
Net realized and unrealized gain on investments	(2,872,938)	1,534,249
Changes in assets and liabilities:		
Receivables	(675,289)	(368,181)
Prepaid expenses	(34,572)	12,694
Due to/from DFMS net	378,507	(100,681)
Accounts payable and accrued expenses	(89,781)	384,446
Accrued postretirement benefits other than pensions	1,192,734	(167,663)
Net cash (used in) operating activities	(4,272,145)	(1,226,562)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of equipment	(9,897)	(18,437)
Purchases of investments	(880,889)	(160,285)
Distribution from trust funds	2,880,393	1,923,357
Net cash provided by investing activities	1,989,607	1,744,635
Net (decrease) increase in cash and cash equivalents	(2,282,538)	518,073
Cash and cash equivalents, beginning of year	9,056,729	8,538,656
Cash and cash equivalents, end of year	$ 6,774,191	$ 9,056,729

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

NOTE 1 - ORGANIZATION AND NATURE OF ACTIVITIES

Episcopal Relief & Development (the “Organization”) is an affiliate of the Domestic and Foreign Missionary Society of the Protestant Episcopal Church of the United States of America (the “Society” or “DFMS”). Episcopal Relief & Development was established by a resolution of the General Convention of the Episcopal Church in 1940 in order to meet the needs of European refugees fleeing World War II. Today, the Organization facilitates healthier, more fulfilling lives in communities struggling with hunger, poverty, disaster and disease worldwide.

The Organization was incorporated in July 2002 and has been classified by the Internal Revenue Service as a not-for-profit organization exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code in accordance with an agreement between the Executive Council of the Episcopal Church and the Organization. The accompanying financial statements include the activity of the Organization, as a stand-alone entity, as of and for the years ended December 31, 2019 and 2018. The Organization’s financial position, changes in net assets and cash flows are also included in the Society’s consolidated financial statements as of and for the years ended December 31, 2019 and 2018.

Working closely with Anglican and ecumenical partners, the Organization serves the needs of more than 3 million people. Through its sustainable development and disaster efforts, the Organization implements programs in the following areas:

Sustainable Development

The Organization is focused on partnering with communities worldwide to overcome the challenges of hunger, poverty, and disease through a fully integrated and holistic approach to development. Using the Sustainable Development Goals (“SDGs”) as a framework, the Organization creates long-term development strategies, demonstrating a measurable impact in three transformative program priorities: women, children and climate.

Women - focuses on helping communities promote the rights of women and children and move toward the vision that everyone deserves a life free from violence in a society where they are treated with dignity and respect. Only then can communities truly heal and thrive.

Children - supports and protects kids under six so they reach appropriate health and developmental milestones. This focus on early development is foundational and critical to helping children achieve their full potential as future contributing members of their communities.

Climate - focuses on how families and communities can work together to adapt to the effects of rapidly changing weather patterns. This work includes preparing for and recovering from climate-caused traumas such as floods, hurricanes and other disasters.

Disaster Relief & Recovery

In collaboration with local Anglican and ecumenical partners, the Organization responds to emergencies, both natural and human-caused, in the United States of America and around the world — providing assistance to help alleviate suffering, restore dignity and jump-start economic recovery. With technical and financial support from the Organization, church and other partners deliver critical supplies such as food, water and other necessities after emergencies, and remain present long after the crisis is over to help communities heal, recover and rebuild long-term. The Organization focuses on reaching the most underserved and marginalized communities, and accompanying them through the long-term recovery process.

U.S. Disaster Program - Through a wide network of Episcopal dioceses and other church institutions in the U.S., the Organization offers resources and training to help people prepare for disasters and provide emergency support so vulnerable communities can make a full and sustained recovery.

Disaster Risk Reduction - Working with Anglican partners around the world, the Organization's efforts help individuals and congregations prepare in advance of crises to reduce the impact on vulnerable and underserved communities. This involves coordination and training of local partners and communities so they are better able to serve and care for at-risk populations.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The accompanying financial statements have been prepared using the accrual basis of accounting, in accordance with accounting principles generally accepted in the United States of America ("US GAAP").

The Organization's net assets consist of the following:

> With donor restrictions - net assets resulting from contributions and other inflows of assets whose use by the Organization is limited by donor-imposed stipulations that neither expire with the passage of time nor can be fulfilled by actions of the Organization. Donor-imposed stipulations require that the principal be maintained in perpetuity.
>
> Net assets with donor restrictions also include contributions and other inflows of assets whose use by the Organization is limited by donor-imposed stipulations that either expire with the passage of time or can be fulfilled by actions of the Organization pursuant to those stipulations.
>
> Without donor restrictions - net assets that do not contain donor-imposed stipulations. Net assets without donor restrictions also include those net assets that are designated for a certain purpose(s) by the Organization's Board of Directors.

The significant amount of net assets of the Organization has resulted from the Board's insistence on expending its funds prudently to ensure that the grant recipients derive the maximum long-term benefits from these funds as intended by the original donors.

Cash and Cash Equivalents

The Organization 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 Organization's investment accounts and intended for long-term investment purposes.

Concentration of Credit Risk

Financial instruments which potentially subject the Organization to concentration of credit risk consist primarily of cash and cash equivalents. The Organization maintains its cash and cash equivalents with creditworthy, high-quality financial institutions. At certain times the Organization's cash account balances may exceed federally insured limits. However, the Organization has not experienced, nor does it anticipate, any losses with respect to these bank accounts.

Fair Value Measurements

Fair value is the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. As required by US GAAP, for fair value measurements, the

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

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

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

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

Fair Value of Financial Instruments

The carrying amounts of cash and cash equivalents, receivables, accounts payable and accrued expenses approximate fair value due to the short maturity of these financial instruments.

Fixed Assets

Property and equipment are stated at cost, or in the case of donation, at fair value as determined on the date of gift. Assets, including improvements costing $1,500 or greater with an expected useful life longer than five years are capitalized and depreciated using the straight-line method over the estimated useful lives of the respective assets (5 years for furniture, vehicles, and equipment).

Leasehold improvements are amortized over the estimated useful lives of the improvements or the term of the leases to which they pertain, whichever is shorter.

Beneficial Interest in Outside Trusts

From time to time, certain donors have established trusts with third-party administrators, typically banks or other Episcopal entities, the terms of which require the income earned from such gifts to be paid to the Organization and/or other specified beneficiaries and the principal to be invested in perpetuity. The income received from these outside trusts has been recorded as either support with donor restrictions or without donor restrictions based upon the respective donor's imposed stipulations. The fair value of the Organization's outside trust assets has been recognized as a component of net assets with donor restrictions. The beneficial interest in outside trusts is measured each year and the change in fair value of the trust's underlying investments is recognized on the statement of activities. The Organization's beneficial interest in outside trusts is classified as Level 3 within the FASB's fair value hierarchy as of December 31, 2019 and 2018.

The following table summarizes the changes in fair value associated with the Organization's beneficial interest in outside trusts for the years ended December 31, 2019 and 2018:

	2019	2018
Balance as of beginning of the year	$ 353,087	$ 393,804
Realized and unrealized gain (loss)	31,662	(40,717)
Balance as of end of the year	$ $384,749	$ 353,087

Contributions, Grants and Contracts

The Organization 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 Organization 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 Organization 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 Organization evaluates whether the contribution is conditional based upon whether the agreement includes both (1) one or more barriers that must be overcome before the Organization 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 Organization has determined that its revenues from grants and contracts were not exchange contracts, and therefore treated the transfer of assets as contributions.

Contributions and grants, 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 articulates 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.

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.

Payroll, Pension and Retirement Plans

The Society provides and administers certain employee benefit plans on behalf of the Organization and is fully reimbursed for all related costs. See Notes 6 and 7 for details of the plans.

Contributed Services

Contributed services are valued at their estimated fair value and are recognized as revenues and expenses on the statement of activities. Contributed services for the years ended December 31, 2019 and 2018, totaled $1,200,270 and $1,173,502, respectively. Such contributed services include office space, payroll, financial management and accounting, computer services, human resources, telecommunications and building maintenance provided by the Society and outside legal services.

Additionally, a number of volunteers, including members of the Organization's Board of Directors, have made significant contributions of time to the Organization's policy-making, program and support activities. The value of such services does not meet the criteria for recognition as contributed services under US GAAP and, accordingly, is not reflected on the accompanying financial statements.

Functional Allocation of Expenses

The costs of providing the Organization's programs and supporting services have been summarized on a functional basis on the accompanying statements of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited. Expenses such as occupancy and related expenses are allocated based on square footage, and salary and benefits are allocated equitably based on time and effort.

Use of Estimates

The preparation of financial statements in conformity with US GAAP requires management to make estimates and judgments that affect the reported amounts of assets and liabilities, the disclosure of contingencies at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. The most significant management estimates and assumptions relate to the discounting of receivables; realizability of receivables; actuarial valuations; useful lives assigned to fixed assets; and, the reported fair value of certain of the Organization's assets. Actual results may differ from these estimates.

Income Taxes

The Organization follows guidance that clarifies the accounting for uncertainty in tax positions taken or expected to be taken in a tax return, including issues relating to financial statement recognition and measurement. This standard provides that the tax effects from an uncertain tax position can be recognized in the financial statements only if the position is "more-likely-than-not" to be sustained if the position were to be challenged by a taxing authority. The standard also provides guidance on measurement, classification, interest and penalties, and disclosure and had no impact on the accompanying financial statements. The Organization has processes presently in place to ensure the maintenance of its tax-exempt status; to identify and report unrelated income; to determine its filing and tax obligations in jurisdictions for which it has nexus; and, to identify and evaluate other matters that may be considered tax positions. As of December 31, 2019, the Organization has determined that there are no material uncertain tax positions that require recognition or disclosure in the financial statements.

Subsequent Events

The Organization evaluated its December 31, 2019 financial statements for subsequent events through October 2, 2020, the date the financial statements were available to be issued. The Organization is not aware of any subsequent events which would require recognition or disclosure in the accompanying consolidated financial statements, other than what is disclosed in the following paragraph.

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 spread of the outbreak and its impact on our participants in our common investment funds, donors, employees and vendors, all of which at present, cannot be determined. Accordingly, the extent to which COVID-19 may impact our financial position and changes in net assets and cash flows is uncertain and the accompanying consolidated financial statements include no adjustments relating to the effects of this pandemic, if any.

The Organization did receive a $1,207,245 loan under the Paycheck Protection Program under the under the Coronavirus Aid, Relief, and Economic Security Act. Based on the terms of the loan and the program the loan balance may be forgiven and converted into a grant to the Organization if certain conditions are met. However, if a portion of the loan must be repaid, the terms are 1% per annum and the loan is repayable over a maximum of five years with a six-month deferral period.

New Pronouncements

In June 2018, the FASB issued ASU No. 2018-08, *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*, which requires organizations to determine whether a contribution is conditional based on whether an agreement includes a barrier that must be overcome and either a right of return of assets transferred or a right of release of a promisor's obligation to transfer assets. If the agreement (or a referenced document) includes both, the recipient is not entitled to the transferred assets (or a future transfer of assets) until it has overcome the barriers in the agreement. For contributions received by the Organization, this update is effective for the fiscal year beginning January 1, 2019. For contributions made, this update is effective for the fiscal year beginning January 1, 2020. The Organization is currently evaluating the new guidance and has not determined the impact this standard may have on the financial statements nor decided upon the method of adoption.

NOTE 3 - RECEIVABLES, NET

Receivables, net, consist of the following at December 31, 2019 and 2018:

	2019	2018
Pledges receivable, net	$ 2,089,603	$ 975,631
Other contributions receivable	683,563	517,981
Contributed rent receivable, net	692,424	1,038,636
Stock gifts receivable	14,918	173,384
Matching gifts receivable	29,246	30,911
Government grants receivable	-	342,272
Other receivables	595,887	325,586
Total receivables, net	$ 4,105,641	$ 3,404,401

Pledges receivable, net, which are recorded at the present value of their expected future cash flows at December 31, 2019 and 2018, consist of the following:

	2019	2018
Amounts expected to be collected:		
Within one year	$ 678,115	$ 407,500
In one to four years	1,487,405	615,615
Total contributions receivable	2,165,520	1,023,115
Present value discount (rates ranging from 0.65% to 1.76%)	(75,917)	(47,484)
Contributions receivables, net	$ 2,089,603	$ 975,631

NOTE 4 - BENEFICIAL INTEREST IN TRUSTS HELD BY THE SOCIETY

The Organization maintains two beneficial interests in trusts, that are held and managed by the Society, and which consist of both marketable and non-exchange traded securities. The Organization's beneficial interest is reported at fair value or the value provided by the respective fund manager or general partner as of the measurement date. Earnings from these trust funds are used to support the administrative and program activities of the Organization. The change in fair value of the trust funds is reflected on the accompanying statements of activities as part of investment return. The trusts' investment portfolio consists of common stock, bonds, mutual funds, certificates of deposit, alternative investments, money market funds and cash equivalents. Each trust fund in the portfolio holds a designated number of shares in the pool or the portfolio of the Society as a whole. The fair value assigned to a share fluctuates with the changing fair value of the underlying investments. The number of shares assigned to each trust fund changes only when additions are made, usually by gifts or contributions, or by reinvestment of income distributions or by withdrawals of principal from those funds whose terms permit such withdrawals.

The Organization's trusts hold shares in the overall portfolio of the Society rather than the individual financial instruments and therefore have the same composition of investments as that of the Society's total trust fund portfolio. The Organization's trust funds represent 3.62% and 4.52% of the Society's total trust fund investment portfolio as of December 31, 2019 and 2018, respectively. While principally all of the underlying trusts' investments are readily marketable, based on quoted fair values, since the Organization's beneficial interest in the trusts cannot be priced on an active exchange, the interests in the trusts are classified as Level 3.

The Society follows the "total return" approach to investments and utilizes a prudent portion of realized and unrealized endowment fund returns, including interest and dividends, to provide for current designated and undesignated expenditures annually. Total return consists of two elements: yield and appreciation. Based on the Organization's long-term investment strategy, the Board of Directors of the Organization sets the payout rate on the endowment funds at a percentage (currently 5%) of a five-year moving average fair value of the endowment portfolio. Any return in excess of this percentage is reinvested to protect the real dollar value of these funds against the effects of inflation.

The following table summarizes the changes in fair value associated with the Organization's beneficial interest in trusts held by the Society for the years ended December 31, 2019 and 2018:

	2019	2018
Balance, beginning of year	$ 18,526,543	$ 21,823,864
Contributions	-	-
Investment Income/(Loss) return	3,756,309	(1,373,964)
Distribution from trusts	(2,880,393)	(1,923,357)
Balance, end of year	$ 19,402,459	$ 18,526,543

NOTE 5 - PROPERTY AND EQUIPMENT, NET

Property and equipment, net, consists of the following at December 31, 2019 and 2018:

	2019	2018
Leasehold improvements	$ 8,450	$ 8,450
Equipment and furniture	463,124	453,508
	471,574	461,958
Accumulated depreciation	(414,333)	(389,392)
Property and equipment, net	$ 57,241	$ 72,566

Depreciation expense amounted to $25,223 and $31,534 for the years ended December 31, 2019 and 2018, respectively.

NOTE 6 - PENSION PLAN

The Society maintains a defined contribution plan (the "Plan") for all eligible lay employees, including the Organization's staff. Under the Plan, the Organization contributes 5% of eligible employees' salaries and also matches employee contributions to the Plan up to 4%. It is the opinion of the Plan's legal counsel 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 financial statements, relating to the Organization's staff, amounted to $452,170 and $430,266 for the years ended December 31, 2019 and 2018, respectively.

NOTE 7 - POSTRETIREMENT BENEFITS OTHER THAN PENSIONS

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

The following sets forth the status of the plans, as they relate to the Organization's staff, at December 31, 2019 and 2018:

	2019	2018
Change in benefit obligation:		
Benefit obligation, beginning of year	$ 1,729,179	$ 1,896,842
Service cost	157,815	152,240
Interest cost	78,548	63,284
Plan changes	431,577	-
Actuarial loss (gain)	529,234	(378,927)
Benefits paid	(4,440)	(4,260)
Benefit obligation, end of year	$ 2,921,913	$ 1,729,179
Change in plan assets:		
Plan assets, beginning of year	$ -	$ -
Employer contributions	4,440	4,260
Benefits paid	(4,440)	(4,260)
Plan assets, end of year	$ -	$ -
Components of accrued benefit cost:		
Funded status	$ (2,921,913)	$ (1,729,179)
Unrecognized actuarial net gain (loss)	368,394	(165,818)
Unrecognized prior service cost	407,547	-
Accrued benefit cost	$ (2,145,972)	$ (1,894,997)
Amounts recognized in unrestricted net assets consist of:		
Net gain	$ 368,394	$ (165,818)
Prior service cost	407,547	-
Net amount recognized	$ 775,941	$ (165,818)

The net periodic postretirement benefit cost for the years ended December 31, 2019 and 2018 includes the following components:

	2019	2018
Service cost	$ 157,815	$ 152,240
Interest cost	78,548	63,284
Amortization of Unrecognized Prior Service Cost/(Credit)	24,030	-
Amortization of accumulated Net Loss or (Gain)	(4,978)	-
Net periodic postretirement benefit cost	$ 255,415	$ 215,524

The estimated net loss included in net assets without donor restrictions expected to be recognized as components of net periodic benefit cost for the year ended December 31, 2019 is $8,486.

	2019	2018
Changes in assets and benefit obligations recognized in unrestricted net assets:		
Net loss/(gain)	$ 529,234	$ (378,927)
Amortization of unrecognized loss	4,978	-
Prior service cost	431,577	-
Amortization of unrecognized prior service cost	(24,030)	-
Total change recognized in unrestricted net assets	$ 941,759	$ (378,927)
Total recognized in net periodic benefit cost and unrestricted net assets	$ 1,197,174	$ (163,403)

The changes in the postretirement benefits obligation are included as part of administration expense on the accompanying statements of activities.

Assumed health care cost trend rates have a significant effect on the amounts reported for the health care plans. A one-percentage-point change in assumed health care cost trend rates would have the following effects:

	1-percentage point increase	1-percentage point decrease
Effect on total of service and interest cost	$ 82,299	$ (62,715)
Effect on postretirement benefit obligation	684,968	(531,750)

	2019	2018
Weighted-average assumptions used to determine benefit obligations at December 31:		
Discount rate	3.20%	4.20%
Weighted-average assumptions used to determine net periodic benefit cost for years ended December 31:		
Discount rate	4.20%	3.59%
Expected long-term return on plan assets	N/A	N/A
Assumed health care trend rates at December 31:		
Health care cost trend rate assumed for next year	3.80%	6.40%
Rate to which the cost trend rate assumed to decline (ultimate trend rate)	3.80%	4.10%
Year that the rate reaches the ultimate trend	2074	2087

Contributions

Annual contributions are determined by the Organization based upon calculations prepared by the Plan's actuary. Projected contributions for 2019 are expected to be $18,412.

Benefit Payments

The following benefit payments, which reflect expected future service, as appropriate, are expected to be paid as follows:

Year Ending December 31:	Benefit Payments
2020	$ 18,412
2021	18,609
2022	25,538
2023	29,447
2024	35,760
2025 - 2029	299,862

NOTE 8 - NET ASSETS

Net assets with donor restrictions are available for the following purposes and net assets were released from donor restrictions by incurring expenses satisfying the purpose of the restriction, by the passage of time, or by the occurrence of other specific events, as follows for the years ended December 31, 2019 and 2018:

	2019	2018
Sustainable Development	$ 1,201,452	$ 425,790
Disaster relief and recovery	6,823,809	8,923,897
DFMS Donated Rental Lease (Note 10)	692,424	1,038,636
Pledges due in future fiscal years	2,089,603	975,631
Endowment funds:		
Corpus	476,210	476,210
Accumulated unspent earnings	506,434	364,670
Beneficial interest in investments held by third-party trustees	383,749	353,087
Total	$ 12,173,681	$ 12,557,921

NOTE 9 - ENDOWMENT FUNDS

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

Under New York State UPMIFA ("NYPMIFA"), the Organization 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) 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 Organization in a manner consistent with the standard of prudence prescribed by NYPMIFA.

In accordance with NYPMIFA, the Organization considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds: the purpose, duration, and preservation of the endowment fund; expected total return of investments; general economic conditions; other resources of the Organization; and the investment policy of the Organization.

The Organization has a policy of appropriating for distribution each year a Board of Directors approved spending rate of its endowment fund's average fair value over the preceding five years. In establishing this policy, the Organization considered the long-term expected return on its endowment. Accordingly, over the long-term, the Organization expects the current spending policy to grow at a pace at least equal to inflation. This is consistent with the Organization'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 Organization in cooperation with 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. For 2019 and 2018, the spending amounts approved totaled $649,200 and $949,001, respectively.

The Organization has adopted investment policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets. Endowment assets include those assets of donor-restricted funds that the Organization must hold in perpetuity or for a donor-specified period. Under this policy, as approved by the Board of Directors, 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 placing the assets at an imprudent level of risk.

With the exception of endowment pledges and beneficial interest in outside trusts held by others, the following tables summarize endowment net asset composition by type of fund as of December 31, 2019 and 2018:

	2019		
Composition of Endowment Net Assets By Type of Fund	Net Assets without Donor Restrictions	Net Assets with Donor Restrictions	Total
Donor-restricted endowment funds	$ -	$ 982,644	$ 982,644
Board-designated quasi-endowment funds	18,436,212	-	18,436,212
Total	$ 18,436,212	$ 982,644	$ 19,418,856
Changes in Endowment Net Assets			
Endowment net assets, beginning of year	$ 17,685,663	$ 840,880	$ 18,526,543
Investment income	3,407,797	183,716	3,591,513
Appropriation of endowment assets for expenditure	(657,248)	(41,952)	(699,200)
Withdrawal from endowment funds	(2,000,000)	-	(2,000,000)
Endowment net assets, end of year	$ 18,436,212	$ 982,644	$ 19,418,856

	2018		
Composition of Endowment Net Assets By Type of Fund	Net Assets without Donor Restrictions	Net Assets with Donor Restrictions	Total
Donor-restricted endowment funds	$ -	$ 840,880	$ 840,880
Board-designated quasi-endowment funds	17,685,663	-	17,685,663
Total	$ 17,685,663	$ 840,880	$ 18,526,543
Changes in Endowment Net Assets			
Endowment net assets, beginning of year	$ 20,823,618	$ 1,000,246	$ 21,823,864
Investment income	(1,258,557)	(115,407)	(1,373,964)
Appropriation of endowment assets for expenditure	(905,042)	(43,959)	(949,001)
Withdrawal from endowment funds	(974,356)	-	(974,356)
Endowment net assets, end of year	$ 17,685,663	$ 840,880	$ 18,526,543

NOTE 10 - COMMITMENTS

Effective January 1, 2016, the Organization entered into an agreement with the Executive Council of the Episcopal Church ("Executive Council") and the Society regarding the working relationship between the Organization and Executive Council and the Society. This agreement supersedes agreements from 2002, 2007 and 2011. The current agreement extends through December 31, 2019.

The agreement identifies the range of financial, accounting, building services, technology, human resources and investment services that the Society will provide at no cost to the Organization (see Note 2). The agreement also includes a 3-year lease for the Organization's current office suite that commenced on January 1, 2016. The value of the lease is calculated at a monthly rate of $27,186. This monthly rate is payable solely from the grant authorized by the General Convention of The Episcopal Church in its 2016-2018 budget. The rent is offset against the grant, such that neither the rent nor the grant is paid in cash, and the Organization has no obligation to pay rent during the lease term.

In addition, on October 19, 2018, the Organization entered into a similar agreement for a three-year lease term for the period January 1, 2019 through December 31, 2021. The value of this lease is calculated at a monthly rate of $28,851. This monthly rate is payable solely from the grant authorized by the General Convention of The Episcopal Church in its 2019-2021 budget. As of December 31, 2019 and 2018, the Organization recognized a contributed rent receivable of $692,424 and $1,038,638, respectively for the remaining term of this lease.

NOTE 11 - FUNCTIONAL EXPENSE ALLOCATION

Expenditures allocated to functional categories on the accompanying statements of activities based on program and administrative activities are as follows for the years ended December 31, 2019 and 2018.

	Program services			Supporting services		
	Sustainable Development	Disaster Relief & Recovery	Total	Administration	Fundraising	2019 Total
Direct support	$ 5,934,035	$ 4,475,432	$ 10,409,467	$ -	$ -	$ 10,409,467
Contributed services	896,440	402,749	1,299,189	79,922	167,372	1,546,483
Salaries	2,786,133	929,737	3,715,870	843,750	1,155,410	5,715,030
Employee benefits	1,825,434	660,456	2,485,890	198,164	546,122	3,230,176
Insurance	28,519	13,448	41,967	4,574	10,088	56,629
Printing and mailing costs	128,386	50,146	178,532	58,326	577,010	813,868
Advertising and promotion	-	-	-	-	97,119	97,119
Telephone	47,721	31,543	79,264	6,641	22,218	108,123
Rent and utilities	36,801	5,134	41,935	-	-	41,935
Equipment and depreciation	235,574	41,381	276,955	30,580	44,632	352,167
Bank charges, legal and accounting fees	164,465	103,051	267,516	15,421	44,170	327,107
Office supplies	27,746	8,119	35,865	4,310	6,826	47,001
Resource and reference	8,553	3,730	12,283	1,722	3,069	17,074
Consultants	606,944	187,560	794,504	18,636	525,496	1,338,636
Travel	834,283	190,394	1,024,677	32,565	78,613	1,135,855
Conferences/workshops/ memberships/meeting expense	326,202	60,573	386,775	7,332	22,642	416,749
Total expenses	$ 13,887,236	$ 7,163,453	$ 21,050,689	$ 1,301,943	$ 3,300,787	$ 25,653,419

	Program services			Supporting services		
	Sustainable Development	Disaster Relief & Recovery	Total	Administration	Fundraising	2018 Total
Direct support	$ 6,013,879	$ 3,882,966	$ 9,896,845	$ -	$ -	$ 9,896,845
Contributed services	880,715	394,059	1,274,774	149,973	74,987	1,499,734
Salaries	2,696,824	923,932	3,620,756	800,926	960,223	5,381,905
Employee benefits	888,327	282,186	1,170,513	161,342	409,805	1,741,660
Insurance	23,628	12,809	36,437	1,881	2,012	40,330
Printing and mailing costs	217,136	49,819	266,955	11,251	502,712	780,918
Advertising and promotion	26,271	11,646	37,917	2,443	36,278	76,638
Telephone	64,838	23,417	88,255	8,889	6,792	103,936
Rent and utilities	36,518	6,419	42,937	-	-	42,937
Equipment and depreciation	265,388	80,723	346,111	7,572	11,074	364,757
Bank charges, legal and accounting fees	244,117	126,446	370,563	18,814	36,616	425,993
Office supplies	21,449	5,024	26,473	4,416	9,638	40,527
Resource and reference	9,945	1,156	11,101	1,032	1,069	13,202
Consultants	695,438	402,868	1,098,306	18,203	462,506	1,579,015
Travel	765,562	203,041	968,603	20,953	45,722	1,035,278
Conferences/workshops/ memberships/meeting expense	395,742	43,937	439,679	22,991	17,622	480,292
Total expenses	$ 13,245,777	$ 6,450,448	$ 19,696,225	$ 1,230,686	$ 2,577,056	$ 23,503,967

NOTE 12 - LIQUIDITY AND AVAILABILITY OF RESOURCES

The Organization manages its liquidity risk in two folds; through a continuous board of directors' oversight over its overall liquidity as well as through an active and continuous management's monitoring and control over its liquidity activities.

The Board of Directors has also authorized management to keep 100% of all undesignated bequests received in a Liquidity Fund (i.e., cash and cash equivalent) up to a required ceiling, and this fund can be utilized at management discretion. As a condition to this discretionary fund, management is required to monitor and report to the Board of Directors on liquidity annually.

On a daily basis, management manages working capital needs actively and intentionally through a proactive organization-wide cash flow forecast- to ensure sound and stable operations across its programs and also to maintain reasonable assurance that both short- and long-term obligations will be discharged as well as optimizing investments returns. Excluded from donor-imposed restrictions are general expenditures for restricted programs available and intended to be expended within a year.

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

Financial assets as of December 31:	2019	2018
Cash and cash equivalents	$ 6,774,191	$ 9,056,729
Receivables, net	4,105,641	3,404,401
Beneficial interest in trusts held by DFMS	19,402,459	18,526,543
Beneficial interest in outside trusts held by others	384,749	353,087
	30,677,040	31,340,760
Less:		
Donor-imposed restrictions unavailable for general expenditures, due to:		
Purpose - Development & Disaster	-	1,058,093
Pledges with no donor-imposed purpose restrictions due in the future	2,089,603	975,631
Donated rental lease	692,424	1,038,636
Beneficial interest in outside trusts held by others	384,749	353,087
Amounts relating to donor-restricted endowment funds	982,644	840,880
	4,149,420	4,266,327
Board designated endowment fund:	17,685,663	14,685,663
	17,685,663	14,685,663
Total financial assets available within one year	$ 8,841,957	$ 12,388,770

GRANT THORNTON LLP
757 3rd Avenue, 9th Floor
New York, NY 10017

D +1 212 599 0100

REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS REQUIRED BY GOVERNMENT AUDITING STANDARDS

To the Board of Directors of
Episcopal Relief & Development

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Episcopal Relief & Development (the "Organization"), which comprise the statement of financial position as of December 31, 2019, and the related statements of activities and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated October 2, 2020.

Internal control over financial reporting

In planning and performing our audit of the financial statements, we considered the Organization's internal control over financial reporting ("internal control") to design audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of internal control. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the Organization's financial statements will not be prevented, or detected and corrected, on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in the Organization's internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

GrantThornton

Compliance and other matters
As part of obtaining reasonable assurance about whether the Organization's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Intended purpose
The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Organization's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Organization's internal control and compliance. Accordingly, this report is not suitable for any other purpose.

Grant Thornton LLP

New York, New York
October 2, 2020