Financial Statements and Report of Independent Certified Public Accountants

Episcopal Relief & Development

December 31, 2021 and 2020

Contents

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REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

To the Board of Directors of
Episcopal Relief & Development

Opinion

We have audited the financial statements of Episcopal Relief & Development (the "Organization"), which comprise the statements of financial position as of December 31, 2021 and 2020, and the related statements of activities and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Organization as of December 31, 2021 and 2020, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for opinion

We conducted our audits of the financial statements in accordance with auditing standards generally accepted in the United States of America (US GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Organization and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of management for the financial statements

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

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

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with US GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Organization's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Grant Thornton LLP

New York, New York
July 25, 2022

Episcopal Relief & Development

STATEMENTS OF FINANCIAL POSITION

December 31,

	2021	2020
ASSETS		
Cash and cash equivalents	$ 8,091,093	$ 8,691,027
Receivables, net	4,062,027	3,303,941
Beneficial interest in trusts held by DFMS	20,833,079	20,176,893
Prepaid expenses	227,757	277,512
Beneficial interest in outside trusts held by others	474,809	418,107
Property and equipment, net	30,710	45,125
Total assets	$ 33,719,475	$ 32,912,605
LIABILITIES AND NET ASSETS		
Liabilities		
Accounts payable and accrued expenses	$ 1,755,018	$ 3,177,078
Payroll Protection Program loans	-	1,207,245
Due to DFMS	214,202	562,869
Accrued postretirement benefits other than pensions	2,560,771	3,397,910
Total liabilities	4,529,991	8,345,102
Net assets		
Net assets without donor restrictions	16,309,220	15,040,923
Net assets with donor restrictions	12,880,264	9,526,580
Total net assets	29,189,484	24,567,503
Total liabilities and net assets	$ 33,719,475	$ 32,912,605

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

Episcopal Relief & Development

STATEMENTS OF ACTIVITIES

Years ended December 31,

	2021			2020		
	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	$ 11,252,171	$ 12,008,883	$ 23,261,054	$ 10,035,006	$ 5,650,457	$ 15,685,463
Investment return	1,576,406	66,263	1,642,669	3,379,995	232,486	3,612,481
Change in beneficial interest in outside trusts held by others	-	56,702	56,702	-	33,358	33,358
Contributed services	1,212,471	-	1,212,471	1,209,815	-	1,209,815
Other income	3,785	-	3,785	16,073	-	16,073
Payroll Protection Program Loan Forgiveness	1,207,245		1,207,245			
Government revenue	-	-	-	(68,931)	-	(68,931)
Net assets released from restrictions	8,778,164	(8,778,164)	-	8,563,402	(8,563,402)	-
Total revenues and other support	24,030,242	3,353,684	27,383,926	23,135,360	(2,647,101)	20,488,259
Expenses						
Sustainable development	15,376,753	-	15,376,753	12,968,353	-	12,968,353
Disaster relief and recovery	4,384,925	-	4,384,925	4,248,368	-	4,248,368
Total program expenses	19,761,678	-	19,761,678	17,216,721	-	17,216,721
Fundraising	2,893,518	-	2,893,518	3,162,281	-	3,162,281
Administration	1,192,559	-	1,192,559	1,575,055	-	1,575,055
Total expenses	23,847,755	-	23,847,755	21,954,057	-	21,954,057
Changes in net assets before postretirement related other than service cost	182,487	3,353,684	3,536,171	1,181,303	(2,647,101)	(1,465,798)
Postretirement related activities other than service cost	1,085,810	-	1,085,810	(305,834)	-	(305,834)
CHANGES IN NET ASSETS	1,268,297	3,353,684	4,621,981	875,469	(2,647,101)	(1,771,632)
Net assets, beginning of year	15,040,923	9,526,580	24,567,503	14,165,454	12,173,681	26,339,135
Net assets, end of year	$ 16,309,220	$ 12,880,264	$ 29,189,484	$ 15,040,923	$ 9,526,580	$ 24,567,503

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

Episcopal Relief & Development

STATEMENTS OF CASH FLOWS

Years ended December 31,

	2021	2020
Cash flows from operating activities:		
Changes in net assets	$ 4,621,981	$ (1,771,632)
Adjustments to reconcile changes in net assets to net cash used in operating activities:		
Change in value of beneficial interest in outside trusts	(56,702)	(33,358)
Depreciation	14,415	20,404
Change in discount on contribution receivables	2,177	(73,450)
Net realized and unrealized gain on investments	(1,642,669)	(2,774,434)
Payroll Protection Program Loan Forgiveness	(1,207,245)	-
Changes in assets and liabilities:		
Receivables	(760,263)	875,150
Prepaid expenses	49,755	(48,743)
Due (to) from DFMS net	(348,667)	256,198
Accounts payable and accrued expenses	(1,422,060)	1,791,747
Accrued postretirement benefits other than pensions	(837,139)	475,997
Net cash used in operating activities	(1,586,417)	(1,282,121)
Cash flows from investing activities:		
Purchases of equipment	-	(8,288)
Purchases of investments	-	(851,150)
Distribution from trust funds	986,483	2,851,150
Net cash provided by investing activities	986,483	1,991,712
Cash flows from financing activities:		
Proceeds from Payroll Protection Program loans	-	1,207,245
Net cash provided by financing activities	-	1,207,245
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(599,934)	1,916,836
Cash and cash equivalents, beginning of year	8,691,027	6,774,191
Cash and cash equivalents, end of year	$ 8,091,093	$ 8,691,027

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

Episcopal Relief & Development

NOTES TO FINANCIAL STATEMENTS

December 31, 2021 and 2020

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 April 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, 2021 and 2020. The Organization's financial position, changes in net assets and cash flows are also included in the Society's financial statements as of and for the years ended December 31, 2021 and 2020.

Working closely with Anglican and ecumenical partners, the Organization serves the needs of more than three 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.

<u>Women</u> - 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.

<u>Children</u> - 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.

<u>Climate</u> - 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 ("U.S. 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 may 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 U.S. 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; and

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.

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 (five 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 Financial Accounting Standards Board ("FASB") fair value hierarchy as of December 31, 2021 and 2020.

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, 2021 and 2020:

	2021	2020
Balance as of beginning of the year	$ 418,107	$ 384,749
Realized and unrealized gain	56,702	33,358
Balance as of end of the year	$ 474,809	$ 418,107

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 7 and 8 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 statements of activities. Contributed services for the years ended December 31, 2021 and 2020, totaled $1,212,471 and $1,209,815, respectively. Such contributed services include office space, payroll, financial management and accounting, human resources benefits management, 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 U.S. 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 U.S. 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, 2021 and 2020, 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, 2021 financial statements for subsequent events through July 25, 2022, 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 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 Organization for fiscal year 2022. Early adoption is permitted. The Organization is in the process of evaluating the impact this standard will have on the financial statements.

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

NOTE 3 - RECEIVABLES, NET

Receivables, net, consist of the following at December 31, 2021 and 2020:

	2021	2020
Pledges receivable, net	$ 825,544	$ 1,402,796
Other contributions receivable	1,618,318	845,967
Contributed rent receivable, net	-	346,212
Matching gifts receivable	30,266	23,306
Other receivables	1,587,899	685,660
Total receivables, net	$ 4,062,027	$ 3,303,941

Pledges receivable, net, which are recorded at the present value of their expected future cash flows at December 31, 2021 and 2020, consist of the following:

	2021	2020
Amounts expected to be collected:		
Within one year	$ 695,748	$ 808,121
In one to four years	134,440	597,052
Total contributions receivable	830,188	1,405,173
Present value discount (rates ranging from 0.65% to 1.76%)	(4,644)	(2,377)
Contributions receivables, net	$ 825,544	$ 1,402,796

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 3.27% and 3.47% of the Society's total trust fund investment portfolio as of December 31, 2021 and 2020, 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 determines, on an annual basis, the amount of funds to be withdrawn from the trust funds in support of the annual operating budget.

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, 2021 and 2020:

	2021	2020
Balance, beginning of year	$ 20,176,893	$ 19,402,459
Investment return	1,642,669	3,625,584
Distribution from trusts	(986,483)	(2,851,150)
Balance, end of year	$ 20,833,079	$ 20,176,893

NOTE 5 - PROPERTY AND EQUIPMENT, NET

Property and equipment, net, consists of the following at December 31, 2021 and 2020:

	2021	2020
Leasehold improvements	$ 8,450	$ 8,450
Equipment and furniture	476,905	476,905
	485,355	485,355
Accumulated depreciation	(454,645)	(440,230)
Property and equipment, net	$ 30,710	$ 45,125

Depreciation expense amounted to $14,415 and $20,404 for the years ended December 31, 2021 and 2020, respectively.

NOTE 6 - COVID-19 AND PAYROLL PROTECTION PROGRAM LOAN

The Organization received a loan of $1,207,245 under the Paycheck Protection Program ("PPP") under the Coronavirus Aid, Relief, and Economic Security Act ("CARES Act"). Forgiveness for the full amount of the loan was approved by the Small Business Association on May 23, 2021. This is reflected as PPP Loan Forgiveness on the statements of activities for the year ended December 31, 2021.

NOTE 7 - 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. Pension expense for this plan recognized on the accompanying financial statements, relating to the Organization's staff, amounted to $488,293 and $489,990 for the years ended December 31, 2021 and 2020, respectively.

NOTE 8 - 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, 2021 and 2020:

	2021	2020
Change in benefit obligation:		
Benefit obligation, beginning of year	$ 3,397,910	$ 2,921,913
Service cost	248,671	170,163
Interest cost	91,269	86,422
DFMS Plan amendment	(1,249,701)	-
Actuarial loss	82,138	223,972
Benefits paid	(9,516)	(4,560)
Benefit obligation, end of year	$ 2,560,771	$ 3,397,910
Change in plan assets:		
Plan assets, beginning of year	$ -	$ -
Employer contributions	9,516	4,560
Benefits paid	(9,516)	(4,560)
Plan assets, end of year	$ -	$ -
Components of accrued benefit cost:		
Funded status	$ (2,560,771)	$ (3,397,910)
Unrecognized actuarial net gain	622,834	592,366
Unrecognized prior service (credit) cost	(938,274)	359,487
Accrued benefit cost	$ (2,876,211)	$ (2,446,057)
Amounts recognized in net assets without donor restrictions consist of:		
Net (loss) gain	$ (938,274)	$ 359,487
Prior service cost	622,834	592,366
Net amount recognized	$ (315,440)	$ 951,853

The net periodic postretirement benefit cost for the years ended December 31, 2021 and 2020 includes the following components:

	2021	2020
Service cost	$ 248,671	$ 170,163
Interest cost	91,269	86,422
Amortization of unrecognized prior service cost (credit)	99,739	48,060
Net periodic postretirement benefit cost	$ 439,670	$ 304,645

	2021	2020
Changes in assets and benefit obligations recognized in unrestricted net assets:		
Net loss	$ 30,468	$ 223,972
Amortization of unrecognized prior service cost	(1,297,761)	(48,060)
Total change recognized in net assets without donor restrictions	$ (1,267,293)	$ 175,912
Total recognized in net periodic benefit cost and net assets without donor restrictions	$ (827,623)	$ 480,557

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	$ 88,833	$ 67,300
Effect on postretirement benefit obligation	590,816	459,289

	2021	2020
Weighted-average assumptions used to determine benefit obligations at December 31:		
Discount rate	2.81%	2.52%
Weighted-average assumptions used to determine net periodic benefit cost for years ended December 31:		
Discount rate	2.52%	3.20%
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	3.70%	3.80%
Rate to which the cost trend rate assumed to decline (ultimate trend rate)	3.70%	3.80%
Year that the rate reaches the ultimate trend	2074	2074

Amendment

For the year ended December 31, 2021, there was an amendment to the Plan which reflects the change from a Medicare Supplement Plan to a Medicare Advantage Plan. The Society elected to treat the amendment as a plan change and set up a prior service cost base, recognized in level payments based on expected future service.

Contributions

Annual contributions are determined by the Organization based upon calculations prepared by the Plan's actuary. Projected contributions for 2021 are expected to be $9,516.

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
2022	$ 16,482
2023	21,718
2024	27,835
2025	34,842
2026	40,532
2027 - 2031	395,524

NOTE 9 - 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, 2021 and 2020:

	2021	2020
Sustainable development	$ 5,144,392	$ 1,510,122
Disaster relief and recovery	5,188,650	4,668,737
DFMS donated rental lease (Note 11)	-	346,212
Pledges due in future fiscal years	830,203	1,402,796
Endowment funds:		
Corpus	475,188	475,017
Accumulated unspent earnings	768,087	705,589
Beneficial interest in investments held by third-party trustees	473,744	418,107
Total	$ 12,880,264	$ 9,526,580

NOTE 10 - 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 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 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 the withdrawal of funds from its trust funds to support its annual operating budget. These funds have included both a spending rate of the trust funds' average fair value over the preceding five years and additional withdrawals to support organizational activity.

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 2021 and 2020, the spending amounts approved totaled $826,589 and $644,877, 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, 2021 and 2020:

	2021		
Composition of Endowment Net Assets by Type of Fund	Net Assets without Donor Restrictions	Net Assets with Donor Restrictions	Total
Donor-restricted endowment funds	$ -	$ 1,243,275	$ 1,243,275
Board-designated quasi-endowment funds	19,589,804	-	19,589,804
Total	$ 19,589,804	$ 1,243,275	$ 20,833,079
Changes in Endowment Net Assets			
Endowment net assets, beginning of year	$ 18,996,287	$ 1,180,606	$ 20,176,893
Investment return	1,576,406	66,263	1,642,669
Appropriation of endowment assets for expenditure	(783,603)	(3,594)	(787,197)
Withdrawal from endowment funds	(199,286)	-	(199,286)
Endowment net assets, end of year	$ 19,589,804	$ 1,243,275	$ 20,833,079

	2020		
Composition of Endowment Net Assets by Type of Fund	Net Assets without Donor Restrictions	Net Assets with Donor Restrictions	Total
Donor-restricted endowment funds	$ -	$ 1,180,606	$ 1,180,606
Board-designated quasi-endowment funds	18,996,287	-	18,996,287
Total	$ 18,996,287	$ 1,180,606	$ 20,176,893
Changes in Endowment Net Assets			
Endowment net assets, beginning of year	$ 18,436,212	$ 982,644	$ 19,418,856
Investment return	3,170,428	232,486	3,402,914
Appropriation of endowment assets for expenditure	(610,353)	(34,524)	(644,877)
Withdrawal from endowment funds	(2,000,000)	-	(2,000,000)
Endowment net assets, end of year	$ 18,996,287	$ 1,180,606	$ 20,176,893

Also included in net assets without donor restrictions at December 31, 2021 and 2020 are a reserve for the liability for accrued postretirement benefits other than pensions totaling $(2,560,771) and $(3,397,910) respectively, in addition to an undesignated net deficit totaling $(719,813) and $(557,454), respectively.

NOTE 11 - 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, 2021.

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 three-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 to 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 to 2021 budget. As of December 31, 2021 and 2020, the Organization recognized a contributed rent receivable of $0 and $346,212, respectively, for the remaining term of this lease.

On September 17, 2021 the Organization renewed its agreement for a one-year lease term for the period January 1, 2022 through December 31, 2022. The value of this lease is calculated at a monthly rate of $29,716.50. This monthly rate is payable solely from the grant authorized by the General Convention of The Episcopal Church in its 2022 to 2024 budget.

NOTE 12 - 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 year ended December 31, 2021:

	Program Services			Supporting Services		
	Sustainable Development	Disaster Relief and Recovery	Total	Administration	Fundraising	Total
Direct support	$ 7,451,562	$ 3,040,605	$10,492,167	$ -	$ -	$10,492,167
Contributed services	1,169,013	-	1,169,013	155,868	233,802	1,558,683
Salaries	3,738,838	762,926	4,501,764	809,660	991,119	6,302,543
Employee benefits	1,513,990	337,787	1,851,777	105,323	337,705	2,294,805
Insurance	45,419	12,952	58,371	2,012	6,376	66,759
Printing and mailing costs	160,489	31,423	191,912	4,372	482,046	678,331
Advertising and promotion	46,298	5,887	52,185	992	103,505	156,682
Telephone	19,999	57,069	77,068	3,129	3,663	83,860
Rent and utilities	15,062	4,886	19,948	-	-	19,948
Equipment and depreciation	263,443	36,795	300,238	16,719	43,176	360,133
Bank charges, legal and accounting fees	204,031	44,796	248,827	23,687	22,053	294,567
Office supplies	4,825	946	5,771	6,207	2,486	14,464
Resource and reference	70	387	457	943	-	1,400
Consultants	576,021	33,472	609,943	42,364	655,341	1,307,198
Travel	6,379	2,578	8,957	14,872	832	24,661
Conferences/workshops/ memberships/meeting expense	161,314	12,416	173,730	6,411	11,414	191,555
Total expenses	$15,376,753	$ 4,834,925	$19,761,678	$ 1,192,559	$ 2,893,518	$ 23,847,755

Expenditures allocated to functional categories on the accompanying statements of activities based on program and administrative activities are as follows for the year ended December 31, 2020:

	Program Services			Supporting Services		
	Sustainable Development	Disaster Relief and Recovery	Total	Administration	Fundraising	Total
Direct support	$ 5,578,404	$ 2,839,592	$ 8,417,996	$ -	$ -	$ 8,417,996
Contributed services	886,936	202,284	1,089,220	233,404	233,404	1,556,028
Salaries	3,369,320	728,373	4,097,693	877,976	1,197,396	6,173,065
Employee benefits	1,330,614	291,971	1,622,585	207,358	469,560	2,299,503
Insurance	39,836	9,085	48,921	6,113	10,484	65,518
Printing and mailing costs	140,848	3,444	144,292	93,475	445,418	683,185
Advertising and promotion	14,149	-	14,149	-	147,531	161,680
Telephone	15,870	20,463	36,333	4,692	3,613	44,638
Rent and utilities	30,756	-	30,756	-	-	30,756
Equipment and depreciation	180,383	43,207	223,590	33,210	62,565	319,365
Bank charges, legal and accounting fees	200,388	29,377	229,765	42,531	35,065	307,361
Office supplies	14,670	2,510	17,180	3,803	2,945	23,928
Resource and reference	349	13	362	2,671	4,362	7,395
Consultants	787,201	50,420	837,621	32,094	505,814	1,375,529
Travel	104,850	18,292	123,142	26,525	20,288	169,955
Conferences/workshops/ memberships/meeting expense	273,779	9,337	283,116	11,203	23,836	318,155
Total expenses	$12,968,353	$ 4,248,368	$17,216,721	$ 1,575,055	$ 3,162,281	$21,954,057

NOTE 13 - LIQUIDITY AND AVAILABILITY OF RESOURCES

The Organization manages its liquidity risk through Board of Directors' oversight over its overall liquidity as well as through 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 statements of financial position date for general expenditures are as follows:

	2021	2020
Financial assets as of December 31:		
Cash and cash equivalents	$ 8,091,903	$ 8,691,027
Receivables, net	4,111,421	3,303,941
Beneficial interest in trusts held by DFMS	20,834,144	20,176,893
Beneficial interest in outside trusts held by others	473,744	418,107
	33,510,402	32,589,968
Less:		
Donor-imposed restrictions unavailable for general expenditures, due to:		
Purpose - development & disaster - and pledges with no donor-imposed purpose restrictions due	1,117,833	1,402,796
Donated rental lease	-	346,212
Beneficial interest in outside trusts held by others	474,809	418,107
Amounts relating to donor-restricted endowment funds	1,243,275	1,180,606
	2,835,917	3,347,721
Board designated endowment fund	19,589,803	18,996,287
Total financial assets available within one year	$ 11,084,682	$ 10,245,960