Financial Statements and
Report of Independent Certified Public Accountants

EPISCOPAL RELIEF & DEVELOPMENT

December 31, 2016 and 2015

EPISCOPAL RELIEF & DEVELOPMENT

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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, 2016 and 2015, 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, 2016 and 2015, 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 July 28, 2017, 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 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 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
July 28, 2017

EPISCOPAL RELIEF & DEVELOPMENT
Statements of Financial Position
As of December 31, 2016 and 2015

ASSETS	2016	2015
Cash and cash equivalents	$ 3,240,164	$ 6,134,653
Receivables, net (Note 3)	3,024,991	2,104,672
Beneficial interest in trusts held by DFMS (Note 4)	20,284,923	21,026,588
Prepaid expenses	224,330	219,997
Beneficial interest in outside trusts held by others (Note 2)	370,961	366,518
Property and equipment, net (Note 5)	116,547	112,765
Total assets	$ 27,261,916	$ 29,965,193
LIABILITIES AND NET ASSETS		
LIABILITIES		
Accounts payable and accrued expenses	$ 1,127,363	$ 878,166
Due to DFMS	364,751	236,457
Accrued postretirement benefits other than pensions (Note 7)	1,530,601	1,473,129
Total liabilities	3,022,715	2,587,752
NET ASSETS (Note 2)		
Unrestricted	18,405,688	19,986,780
Temporarily restricted (Note 8)	4,986,342	6,548,933
Permanently restricted (Notes 8 and 9)	847,171	841,728
Total net assets	24,239,201	27,377,441
Total liabilities and net assets	$ 27,261,916	$ 29,965,193

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

EPISCOPAL RELIEF & DEVELOPMENT
Statements of Activities
For the years ended December 31, 2016 and 2015

	2016				2015			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
REVENUES AND OTHER SUPPORT								
Contributions, bequests, grants, and other	$ 9,235,090	$ 5,637,009	$ 1,000	$ 14,873,099	$ 10,703,907	$ 4,461,784	$ -	$ 15,165,691
Investment return (loss) (Note 4)	988,597	43,776	-	1,032,373	(275,631)	(52,621)	-	(328,252)
Change in beneficial interest in outside trusts held by others	-	-	4,443	4,443	-	-	(11,213)	(11,213)
Contributed services (Note 2)	1,040,094	978,696	-	2,018,790	1,324,129	-	-	1,324,129
Other income	29,909	-	-	29,909	152,659	-	-	152,659
Government revenue	409,587	-	-	409,587	-	-	-	-
Net assets released from restrictions	8,222,072	(8,222,072)	-	-	9,997,266	(9,997,266)	-	-
Total revenues and other support	19,925,349	(1,562,591)	5,443	18,368,201	21,902,330	(5,588,103)	(11,213)	16,303,014
EXPENSES								
Food security	3,995,265	-	-	3,995,265	6,860,920	-	-	6,860,920
Primary health care	8,378,909	-	-	8,378,909	7,813,760	-	-	7,813,760
Emergency relief and rebuilding	5,765,760	-	-	5,765,760	5,575,519	-	-	5,575,519
Total program expenses	18,139,934	-	-	18,139,934	20,250,199	-	-	20,250,199
Fundraising	1,923,895	-	-	1,923,895	2,398,979	-	-	2,398,979
Administration	1,442,612	-	-	1,442,612	1,196,973	-	-	1,196,973
Total expenses	21,506,441	-	-	21,506,441	23,846,151	-	-	23,846,151
Changes in net assets	(1,581,092)	(1,562,591)	5,443	(3,138,240)	(1,943,821)	(5,588,103)	(11,213)	(7,543,137)
Net assets, beginning of year	19,986,780	6,548,933	841,728	27,377,441	21,930,601	12,137,036	852,941	34,920,578
Net assets, end of year	$ 18,405,688	$ 4,986,342	$ 847,171	$ 24,239,201	$ 19,986,780	$ 6,548,933	$ 841,728	$ 27,377,441

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

EPISCOPAL RELIEF & DEVELOPMENT
Statements of Cash Flows
For the years ended December 31, 2016 and 2015

	2016	2015
CASH FLOWS FROM OPERATING ACTIVITIES		
Changes in net assets	$ (3,138,240)	$ (7,543,137)
Adjustments to reconcile changes in net assets to net cash used in operating activities:		
Change in value of beneficial interest in outside trusts held by others	(4,443)	11,213
Depreciation	47,137	40,319
Change in allowance for doubtful accounts	(2,333)	1,667
Change in discount on contribution receivables	(28,224)	(10,325)
Net realized and unrealized (gain) loss on investments	(881,418)	947,701
Changes in assets and liabilities:		
Receivables	(889,762)	(1,257,484)
Prepaid expenses	(4,333)	(39,626)
Accounts payable and accrued expenses	249,197	978,092
Due to DFMS	128,294	(615,880)
Accrued postretirement benefits other than pensions	57,472	277,961
Net cash used in operating activities	(4,466,653)	(7,209,499)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of equipment	(50,919)	(17,261)
Purchases of investments	(480,357)	(510,674)
Distribution from trust funds	2,103,440	924,061
Net cash provided by investing activities	1,572,164	396,126
Net decrease in cash and cash equivalents	(2,894,489)	(6,813,373)
Cash and cash equivalents, beginning of year	6,134,653	12,948,026
Cash and cash equivalents, end of year	$ 3,240,164	$ 6,134,653

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

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 in the United States of America (the "Society" or "DFMS"). Episcopal Relief & Development was established by resolution of the General Convention in 1940 in order to meet the needs of refugees fleeing the war in Europe. Today, the Organization is a compassionate response of the Episcopal Church to human suffering in the world. Hearing God's call to seek and serve Christ in all persons and to respect the dignity of every human being, the Organization serves to bring together the generosity of Episcopalians and others to heal a hurting world.

Episcopal Relief & Development 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, 2016 and 2015. 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, 2016 and 2015.

Working with Anglican and ecumenical partners, the Organization implements programs in the following areas:

Food Security

This program works to alleviate hunger and improve the food supply by ensuring that people have the tools to access and maintain healthy food sources. The Organization's programs make sure families have enough food to eat on a daily basis and that food supplies are available, affordable and accessible. Food security programs consist of the following:

- Distributing livestock to families, boosting their ability to cultivate their land and generate income from selling eggs and dairy
- Providing tools, seeds, and other resources to support family farms
- Teaching farming techniques
- Supporting sustainable agriculture
- Providing vocational training and micro-finance opportunities for people to start small businesses and expand sources of income

Primary Health Care

This program promotes health and fights disease, ensuring that children and families live healthier lives. Globally, the Organization works in partnership with local communities to provide access to treatment, medicines, clean water, safe environments, prevention education and care to vulnerable people, such as mothers and their children. Primary health care programs consist of the following:

- Building clean water and sanitation systems, including wells and latrines
- Providing medicines and immunizations
- Training health workers to educate communities about disease prevention
- Offering maternal and child health programs and caring for children orphaned by HIV/AIDS
- Preventing diseases such as malaria through education and intervention

Emergency Relief and Rebuilding

This program supports the disaster relief and recovery efforts of Church and ecumenical partners worldwide. Internationally, the Organization provides assistance to local organizations that are caring for people's basic needs following disasters such as hurricanes, earthquakes and floods, and in the midst of crises such as civil conflicts. In the United States, the Organization works primarily through Episcopal dioceses to assist with disaster preparedness planning and to support local relief and recovery activities. Emergency relief and rebuilding programs consist of the following:

- Responding quickly with critical assistance
- Rebuilding/repairing homes, schools, clinics, and other civic buildings
- Training communities to respond to disasters
- Offering trauma counseling
- Supporting the restoration of the social and economic fabric of communities

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:

<u>Permanently restricted</u> - 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.

<u>Temporarily restricted</u> - net assets resulting from 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.

<u>Unrestricted</u> - net assets that are neither permanently restricted nor temporarily restricted by donor-imposed stipulations. Unrestricted net assets also include those net assets which are designated for a certain purpose(s) by the Organization's Board of Directors.

The significant amount of unrestricted and temporarily restricted 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 temporarily restricted or unrestricted support 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 permanently restricted net assets. 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, 2016 and 2015.

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, 2016 and 2015:

	2016	2015
Balance as of beginning of the year	$ 366,518	$ 377,731
Change in value	4,443	(11,213)
Balance as of end of the year	$ 370,961	$ 366,518

Contributions and Grants

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.

Government Revenue

Revenue from government grants and contracts is recognized as earned, that is, as related costs are incurred under the grant or contract agreement. Amounts received in advance under 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, 2016 and 2015, totaled $2,018,790 and $1,324,129, 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.

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, 2016, 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, 2016 financial statements for subsequent events through July 28, 2017, the date the financial statements were available to be issued.

3. RECEIVABLES, NET

Receivables, net, consist of the following at December 31, 2016 and 2015:

	2016	2015
Pledges receivable, net	$ 1,060,092	$ 1,820,728
Other contributions receivable	435,742	1,030
Contributed rent receivable	652,464	-
Stock gifts receivable	402,302	29,766
Matching gifts receivable	14,086	10,685
Government grants receivable	121,152	-
Other receivables	339,153	242,463
Total receivables	$ 3,024,991	$ 2,104,672

Pledges receivable, net, which are recorded at the present value of their expected future cash flows at December 31, 2016 and 2015, consist of the following:

	2016	2015
Amounts expected to be collected:		
Within one year	$ 598,166	$ 817,760
In one to four years	475,903	1,047,502
Total contributions receivable	1,074,069	1,865,262
Less: allowance for uncollectible pledges	(1,667)	(4,000)
Less: present value discount (rates ranging from 0.65% to 1.76%)	(12,310)	(40,534)
Contributions receivables, net	$ 1,060,092	$ 1,820,728

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 5.26% and 5.85% of the Society's total trust fund investment portfolio as of December 31, 2016 and 2015, 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, 2016 and 2015:

	2016	2015
Balance, beginning of year	$ 21,026,588	$ 21,799,584
Contributions	329,402	510,674
Investment income	276,058	288,296
Realized and unrealized gains (losses) and investment income	881,418	(457,733)
Management fees and other investment expenses	(125,103)	(164,160)
Distributions from trusts	(2,103,440)	(950,073)
Balance, end of year	$ 20,284,923	$ 21,026,588

5. PROPERTY AND EQUIPMENT, NET

Property and equipment, net, consists of the following at December 31, 2016 and 2015:

	2016	2015
Leasehold improvements	$ 8,450	$ 8,450
Equipment and furniture	428,090	377,171
	436,540	385,621
Less: accumulated depreciation	(319,993)	(272,856)
Property and equipment, net	$ 116,547	$ 112,765

Depreciation expense amounted to $47,137 and $40,319 for the years ended December 31, 2016 and 2015, respectively.

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 $361,556 and $340,249 for the years ended December 31, 2016 and 2015, respectively.

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, 2016 and 2015:

	2016	2015
Change in benefit obligation:		
Benefit obligation, beginning of year	$ 1,473,129	$ 1,195,168
Service cost	136,808	214,865
Interest cost	55,293	51,807
Actuarial (gain) loss	(126,314)	19,124
Benefits paid	(8,315)	(7,835)
Benefit obligation, end of year	$ 1,530,601	$ 1,473,129
Change in plan assets:		
Plan assets, beginning of year	$ -	$ -
Employer contributions	8,315	7,835
Benefits paid	(8,315)	(7,835)
Plan assets, end of year	$ -	$ -
Components of accrued benefit cost:		
Funded status	$ (1,530,601)	$ (1,473,129)
Unrecognized actuarial net loss	45,053	171,367
Accrued benefit cost	$ (1,485,548)	$ (1,301,762)
Amounts not yet reflected in net periodic benefit cost and included in unrestricted net assets:		
Net gain	$ 45,053	$ 171,367

The net periodic postretirement benefit cost for the years ended December 31, 2016 and 2015 includes the following components:

	2016	2015
Service cost	$ 136,808	$ 214,865
Interest cost	55,293	51,807
Amortization of accumulated net loss	-	19,468
Net periodic postretirement benefit cost	$ 192,101	$ 286,140

The estimated net loss included in unrestricted net assets expected to be recognized as components of net periodic benefit cost for the year ending December 31, 2016 is $0.

	2016	2015
Changes in assets and benefit obligations recognized in unrestricted net assets:		
Net (gain) loss	$ (126,314)	$ 19,124
Amortization of unrecognized prior service cost	-	(19,468)
Total change recognized in unrestricted net assets	$ (126,314)	$ (344)
Total recognized in net periodic benefit cost and unrestricted net assets	$ 65,787	$ 285,796

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	$ 53,843	$ (40,912)
Effect on postretirement benefit obligation	$ 365,220	$ (280,666)

	2016	2015
Weighted-average assumptions used to determine benefit obligations at December 31:		
Discount rate	4.11%	4.22%
Weighted-average assumptions used to determine net periodic benefit cost for years ended December 31:		
Discount rate	4.22%	3.81%
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	6.70%	2.30%
Rate to which the cost trend rate assumed to decline (ultimate trend rate)	4.20%	4.60%
Year that the rate reaches the ultimate trend	2078	2080

Contributions

Annual contributions are determined by the Organization based upon calculations prepared by the Plan's actuary. Projected contributions for 2017 are expected to be $16,226.

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
2017	$ 16,226
2018	16,366
2019	16,158
2020	15,970
2021	17,089
2022 - 2026	171,427

8. NET ASSETS

Temporarily restricted net assets 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, 2016 and 2015:

	Fiscal 2016			
	December 31, 2015	Contributions and Other	Net Assets Released	December 31, 2016
Food security	$ -	$ 950,661	$ (950,661)	$ -
Primary health care	332,350	1,500,670	(1,173,703)	659,317
Emergency relief and rebuilding	6,216,583	3,031,454	(5,771,476)	3,476,561
DFMS donated rental lease	-	978,696	(326,232)	652,464
Pledges due in future fiscal years	-	198,000	-	198,000
Total	$ 6,548,933	$ 6,659,481	$ (8,222,072)	$ 4,986,342

	Fiscal 2015			
	December 31, 2014	Contributions and Other	Net Assets Released	December 31, 2015
Food security	$ -	$ 885,185	$ (885,185)	$ -
Primary health care	440,476	1,292,839	(1,400,965)	332,350
Emergency relief and rebuilding	11,696,560	2,231,139	(7,711,116)	6,216,583
Total	$ 12,137,036	$ 4,409,163	$ (9,997,266)	$ 6,548,933

Permanently restricted net assets consist of the following at December 31, 2016 and 2015:

	2016	2015
Endowment funds	$ 476,210	$ 475,210
Beneficial interest in investments held by third-party trustees	370,961	366,518
	$ 847,171	$ 841,728

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 permanently restricted net assets: (a) the original value of gifts donated to its permanent endowment, (b) the original value of subsequent gifts to its permanent endowment; and, (c) accumulations to its permanent endowment made in accordance with the directions of the applicable donor gift instrument, at the time the accumulation is added to the fund.

The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted nets assets 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 2016 and 2015, the spending amounts approved totaled $1,003,440 and $950,073, respectively. For 2016, the Board approved an additional special appropriation of $1,100,000 from the Organization's board designated reserves in support of programmatic and operational needs.

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, 2016 and 2015:

	2016			
Composition of Endowment Net Assets By Type of Fund	**Unrestricted**	**Temporarily Restricted**	**Permanently Restricted**	**Total**
Donor-restricted endowment funds	$ -	$ 396,309	$ 476,210	$ 872,519
Board-designated quasi-endowment funds	19,412,404	-	-	19,412,404
Total	$ 19,412,404	$ 396,309	$ 476,210	$ 20,284,923
Changes in Endowment Net Assets				
Endowment net assets, beginning of year	$ 20,155,684	$ 395,694	$ 475,210	$ 21,026,588
Investment return:				
Investment income	265,016	11,042	-	276,058
Net appreciation (realized and unrealized)	843,499	37,919	-	881,418
Contributions	328,402	-	1,000	329,402
Management fees and other investment expenses	(119,918)	(5,185)	-	(125,103)
Appropriation of endowment assets for expenditure	(960,279)	(43,161)	-	(1,003,440)
Withdrawal from endowment funds	(1,100,000)	-	-	(1,100,000)
Endowment net assets, end of year	$ 19,412,404	$ 396,309	$ 476,210	$ 20,284,923

	2015			
Composition of Endowment Net Assets By Type of Fund	**Unrestricted**	**Temporarily Restricted**	**Permanently Restricted**	**Total**
Donor-restricted endowment funds	$ -	$ 395,694	$ 475,210	$ 870,904
Board-designated quasi-endowment funds	20,155,684	-	-	20,155,684
Total	$ 20,155,684	$ 395,694	$ 475,210	$ 21,026,588
Changes in Endowment Net Assets				
Endowment net assets, beginning of year	$ 20,875,177	$ 449,197	$ 475,210	$ 21,799,584
Investment return:				
Investment income	276,348	11,948	-	288,296
Net depreciation (realized and unrealized)	(432,539)	(25,194)	-	(457,733)
Contributions	510,674	-	-	510,674
Management fees and other investment expenses	(163,278)	(882)	-	(164,160)
Appropriation of endowment assets for expenditure	(910,698)	(39,375)	-	(950,073)
Endowment net assets, end of year	$ 20,155,684	$ 395,694	$ 475,210	$ 21,026,588

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, 2018.

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. As of December 31, 2016, the Organization recognized a contributed rent receivable of $652,464 for the remaining term of this lease.

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, 2016 and 2015.

	Program Services				Supporting Services		
	Food security	Primary health care	Emergency relief and rebuilding	Total	Fund -raising	Administration	2016 Total
Direct support	$ 2,783,328	$ 4,747,088	$ 3,179,568	$ 10,709,984	$ -	$ -	$ 10,709,984
Contributed services	205,230	639,086	302,151	1,146,467	67,439	134,878	1,348,784
Salaries	465,412	1,390,984	1,281,880	3,138,276	529,493	809,310	4,477,079
Employee benefits	172,248	511,073	471,334	1,154,655	213,513	186,827	1,554,995
Insurance	10,045	20,928	12,471	43,444	6,714	6,603	56,761
Printing and mailing costs	32,071	83,709	47,840	163,620	482,463	91,551	737,634
Advertising and promotion	1,385	2,634	2,067	6,086	99,244	-	105,330
Telephone	10,266	48,761	15,920	74,947	28,544	11,960	115,451
Rent and utilities	3,390	23,750	4,991	32,131	-	-	32,131
Equipment and depreciation	42,294	113,974	74,353	230,621	19,430	61,978	312,029
Bank charges, legal and accounting fees	33,328	69,735	31,227	134,290	13,087	102,580	249,957
Office supplies	2,525	3,109	4,411	10,045	2,270	2,802	15,117
Resource and reference	169	353	311	833	1,293	1,387	3,513
Consultants	83,808	217,037	51,645	352,490	391,841	9,386	753,717
Travel	123,774	419,631	244,542	787,947	51,686	23,350	862,983
Conferences/workshops/ memberships/meeting expense	25,992	87,057	41,049	154,098	16,878	-	170,976
Total expenses	$ 3,995,265	$ 8,378,909	$ 5,765,760	$ 18,139,934	$ 1,923,895	$ 1,442,612	$ 21,506,441

	Program Services				Supporting Services		
	Food Security	Primary Health Care	Emergency Rrelief and Rebuilding	Total	Fund -raising	Administration	2015 Total
Direct support	$ 5,069,214	$ 3,974,398	$ 3,423,166	$ 12,466,778	$ -	$ -	$ 12,466,778
Contributed services	298,901	532,965	242,221	1,074,087	126,363	63,181	1,263,631
Salaries	624,600	1,381,477	851,403	2,857,480	778,907	795,602	4,431,989
Employee benefits	211,423	601,655	310,682	1,123,760	324,400	143,585	1,591,745
Insurance	1,762	23,451	-	25,213	8,708	10,552	44,473
Printing and mailing costs	87,964	145,207	73,225	306,396	586,696	38,054	931,146
Advertising and promotion	485	237	1,116	1,838	67,710	-	69,548
Telephone	15,163	34,325	15,052	64,540	14,739	7,103	86,382
Rent and utilities	-	30,104	9,168	39,272	-	-	39,272
Equipment and depreciation	16,232	93,609	8,502	118,343	28,326	19,139	165,808
Bank charges, legal and accounting fees	42,789	113,656	75,082	231,527	32,133	22,613	307,569
Office supplies	5,524	6,968	3,781	16,273	2,956	6,433	25,662
Resource and reference	154	155	220	529	-	1,098	1,627
Consultants	167,191	241,623	152,794	561,608	337,235	17,092	915,935
Travel	214,261	479,517	287,078	980,855	72,648	40,656	1,094,160
Conferences/workshops/ memberships/meeting expense	105,257	154,412	122,030	381,699	18,157	10,570	410,426
Total expenses	$ 6,860,920	$ 7,813,760	$ 5,575,519	$ 20,250,199	$ 2,398,979	$ 1,175,680	$ 23,846,151

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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 statements of financial position as of December 31, 2016 and 2015, and the related statements of activities and cash flows for the years then ended, and the related notes to the financial statements, and have issued our report thereon dated July 28, 2017.

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.

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
July 28, 2017