CONSOLIDATED FINANCIAL STATEMENTS TOGETHER
WITH REPORT OF INDEPENDENT CERTIFIED PUBLIC
ACCOUNTANTS

**THE DOMESTIC AND FOREIGN MISSIONARY SOCIETY
OF THE PROTESTANT EPISCOPAL CHURCH IN THE
UNITED STATES OF AMERICA AND AFFILIATES**

December 31, 2006 and 2005

CONTENTS

REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

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

We have audited the accompanying consolidated statements of financial position of The Domestic and Foreign Missionary Society of the Protestant Episcopal Church in the United States of America and Affiliates (the "Society") as of December 31, 2006 and 2005, and the related consolidated statements of activities and cash flows for the years then ended. These consolidated financial statements are the responsibility of the Society's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We did not audit the financial statements of the St. John's School, which statements reflect total assets and revenues constituting 2% and 5%, respectively, and 3% and 6%, respectively, of the related consolidated totals as of December 31, 2006 and 2005. These statements were audited by other auditors whose reports have been furnished to us, and our opinion, insofar as it relates to the amounts included for St. John's School, is based solely on the reports of the other auditors.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America as established by the American Institute of Certified Public Accountants. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Society's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of The Domestic and Foreign Missionary Society of the Protestant Episcopal Church in the United States of America and Affiliates as of December 31, 2006 and 2005, and the consolidated changes in their net assets and their consolidated cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

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

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

As of December 31, 2006 and 2005
(Dollar amounts in thousands)

ASSETS	**2006**	2005
Assets:		
Current assets:		
Cash and cash equivalents	**$ 24,434**	$ 47,925
Accounts receivable:		
Diocesan commitments receivable, net (Note B)	**1,890**	1,283
Loans receivable, net (Notes D and J)	**251**	173
Government grants	**110**	248
Other receivables	**7,013**	1,738
Inventory, net	**233**	246
Prepaid expenses and other	**249**	330
Total current assets	**34,180**	51,943
Investments (Note C):		
DFMS-controlled funds	**304,438**	268,839
Funds held for the benefit of others	**81,565**	74,848
Total investments	**386,003**	343,687
Property and equipment, net (Note E)	**56,906**	47,923
Loans receivable - noncurrent, net (Notes D and J)	**6,063**	4,892
Other assets	**163**	156
Beneficial interest in outside trusts	**8,425**	7,727
Total assets	**$ 491,740**	$ 456,328
LIABILITIES AND NET ASSETS		
Liabilities:		
Current liabilities:		
Accounts payable and accrued expenses	**$ 7,486**	$ 9,524
Mortgage payable (Note F)	**105**	105
Grants payable	**1,579**	1,917
Total current liabilities	**9,170**	11,546
Mortgage payable, net of current installments (Note F)	**1,810**	1,910
Notes payable (Note F)	**37,500**	27,000
Accrued postretirement benefits other than pensions (Note H)	**9,667**	9,580
Funds held for the benefit of others	**55,258**	51,267
Funds held in a trustee relationship	**26,829**	24,097
Total liabilities	**140,234**	125,400
Contingencies (Note K)		
Net assets:		
Unrestricted:		
Available for general operations	**78,368**	73,454
Executive Council Designated Employee Benefit Program	**3,180**	3,180
Executive Council Designated Principal and Appreciation	**88,774**	80,691
Invested in property and equipment (Note E)	**24,818**	26,100
Total unrestricted	**195,140**	183,425
Temporarily restricted (Note I)	**125,269**	117,114
Permanently restricted	**31,097**	30,389
Total net assets	**351,506**	330,928
Total liabilities and net assets	**$ 491,740**	$ 456,328

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

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

CONSOLIDATED STATEMENTS OF ACTIVITIES

For the years ended December 31, 2006 and 2005
(Dollar amounts in thousands)

	2006				2005			
	Unrestricted	Temporarily Restricted	Permanently Restricted	**Total**	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Revenues and other support:								
Diocesan commitments (Note J)	$ 28,604	$ -	$ -	**$ 28,604**	$ 29,100	$ -	$ -	$ 29,100
Contributions, bequests and grants	486	3,676	10	**4,172**	2,318	2,916	-	5,234
Investment return designated for current operations (Note C)	9,680	2,261	-	**11,941**	11,309	1,997	-	13,306
Other investment income	1,465	142	-	**1,607**	851	90	-	941
Government revenue	5,497	-	-	**5,497**	5,603	-	-	5,603
Fees, sales and other	4,545	-	-	**4,545**	2,271	1	-	2,272
Episcopal Relief and Development	-	20,721	1	**20,722**	-	38,095	1	38,096
Net assets released from restrictions	32,919	(32,919)	-	**-**	21,719	(21,719)	-	-
Revenue from the Episcopal Church in Micronesia	6,312	-	10	**6,322**	6,649	(1,363)	288	5,574
Total revenues and other support	89,508	(6,119)	21	**83,410**	79,820	20,017	289	100,126
Expenses:								
Program services-								
Canonical and missional programs	35,958	-	-	**35,958**	36,810	-	-	36,810
Government expenses	6,527	-	-	**6,527**	5,801	-	-	5,801
General convention	3,440	-	-	**3,440**	1,975	-	-	1,975
Grant-related activities and other	7,168	-	-	**7,168**	5,761	-	-	5,761
Episcopal Relief and Development	19,380	-	-	**19,380**	13,185	-	-	13,185
Expenses from the Episcopal Church in Micronesia	7,318	-	-	**7,318**	6,921	-	-	6,921
Total program services	79,791	-	-	**79,791**	70,453	-	-	70,453
Supporting services-								
Fundraising	1,784	-	-	**1,784**	1,753	-	-	1,753
General and administrative	10,988	-	-	**10,988**	7,835	-	-	7,835
Total supporting services	12,772	-	-	**12,772**	9,588	-	-	9,588
Total expenses	92,563	-	-	**92,563**	80,041	-	-	80,041
Change in net assets from operations	(3,055)	(6,119)	21	**(9,153)**	(221)	20,017	289	20,085
Nonoperating activities:								
Investment return	25,915	16,677	-	**42,592**	15,003	4,680	-	19,683
Less: Other investment (loss) income	(1,465)	(142)	687	**(920)**	(851)	(90)	(451)	(1,392)
Net investment gain - trust fund	24,450	16,535	687	**41,672**	14,152	4,590	(451)	18,291
Less: Investment return designated for current operations	(9,680)	(2,261)	-	**(11,941)**	(11,309)	(1,997)	-	(13,306)
Total nonoperating activities	14,770	14,274	687	**29,731**	2,843	2,593	(451)	4,985
Change in net assets	11,715	8,155	708	**20,578**	2,622	22,610	(162)	25,070
Net assets, beginning of year	183,425	117,114	30,389	**330,928**	180,803	94,504	30,551	305,858
Net assets, end of year	$ 195,140	$ 125,269	$ 31,097	**$ 351,506**	$ 183,425	$ 117,114	$ 30,389	$ 330,928

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

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

CONSOLIDATED STATEMENTS OF CASH FLOWS

For the years ended December 31, 2006 and 2005
(Dollar amounts in thousands)

	2006	2005
Cash flows from operating activities:		
Change in net assets	**$ 20,578**	$ 25,070
Adjustments to reconcile change in net assets to net cash (used in) provided by operating activities:		
Noncash items:		
Depreciation	**2,002**	1,444
Bad debt expense	**360**	364
Total noncash adjustments	**2,362**	1,808
Change in working capital:		
Increase in diocesan commitments receivable	**(967)**	(462)
Increase in loans receivable	**(1,249)**	(831)
Decrease in government grants receivable	**138**	414
(Increase) decrease in other receivables	**(5,275)**	157
Decrease in inventory, prepaid expenses and other	**94**	35
Increase in other assets	**(6)**	(6)
(Decrease) increase in accounts payable and accrued expenses	**(2,038)**	348
Decrease in grants payable	**(338)**	(1,288)
Total change in working capital accounts	**(9,641)**	(1,633)
Change in investments:		
Net realized and unrealized gains on investments	**(37,762)**	(13,476)
Total change in investments	**(37,762)**	(13,476)
Other changes:		
Change in beneficial interests in outside trusts	**(687)**	442
Increase in accrued postretirement benefits other than pensions	**87**	175
Permanently restricted contributions	**(11)**	(1)
Total other changes	**(611)**	616
Total change in working capital accounts and other	**(45,652)**	(12,685)
Net cash (used in) provided by operating activities	**(25,074)**	12,385
Cash flows from investing activities:		
Purchases of property and equipment	**(10,985)**	(19,841)
Proceeds from sales of investments	**2,163**	17,222
Purchases of investments	**(6)**	(931)
Net cash used in investing activities	**(8,828)**	(3,550)
Cash flows from financing activities:		
Permanently restricted contributions	**11**	1
Borrowing under notes payable	**10,500**	27,000
Principal payments on mortgage loan	**(100)**	(88)
Net cash provided by financing activities	**10,411**	26,913
Net (decrease) increase in cash and cash equivalents	**(23,491)**	35,748
Cash and cash equivalents, beginning of year	**47,925**	12,177
Cash and cash equivalents, end of year	**$ 24,434**	$ 47,925
Supplemental disclosure of cash flow information:		
Cash paid for interest during the year	**$ 116**	$ 135

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2006 and 2005
(Dollar amounts in thousands)

NOTE A - ORGANIZATION AND NATURE OF ACTIVITIES

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

DFMS's consolidated financial statements include the activities of Episcopal Relief and Development ("ERD"), a separate 501(c)(3) not-for-profit corporation, Episcopal Church Women, United Thank Offering and all other direct agencies of DFMS, as well as missional church and school activities in Micronesia (Guam). All intercompany transactions are eliminated upon consolidation. These entities and programs are collectively known as the "Society."

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

The Society 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. Therefore, no provision for income taxes has been made in the accompanying consolidated financial statements.

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

1. *Basis of Presentation*

The accompanying consolidated financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America. Accordingly, the classification of the Society's net assets and its support, revenues and expenses are based on the existence or absence of donor-imposed restrictions. The amounts for each of three classes of net assets, permanently restricted, temporarily restricted and unrestricted, are displayed in the consolidated statements of financial position and the amounts of change in each of those classes of net assets are displayed in the consolidated statements of activities.

NOTE B (continued)

Net assets consist of the following:

Unrestricted – Net assets that are neither permanently nor temporarily restricted by donor-imposed stipulations and, therefore, are available to carry out the Society's operations. Unrestricted net assets also include those net assets that are restricted as to their use by action of the Executive Council.

Temporarily Restricted – Net assets resulting from contributions and other inflows of assets whose use by the Society is limited by donor-imposed stipulations that either expire by passage of time or can be fulfilled and removed by actions of the Society pursuant to those stipulations. When such stipulations end or are fulfilled, such temporarily restricted net assets are reclassified to unrestricted net assets and reported in the consolidated statements of activities as net assets released from restrictions. Temporarily restricted net assets are comprised primarily of funds designated for disaster relief and other specific diocesan programs at the Society.

Permanently Restricted – Net assets resulting from contributions and other inflows of assets whose use by the Society is limited in perpetuity by donor-imposed stipulations that neither expire by the passage of time nor can be fulfilled or otherwise removed by actions of the Society. Permanently restricted net assets are comprised primarily of funds designated by the donor to be held in perpetuity for the purpose of supporting the operations of the Society.

2. *Cash and Cash Equivalents*

The Society considers all highly liquid investments with original maturities of less than three months to be cash or cash equivalents, except for those included within the investment portfolio which are considered to be for long-term investment purposes.

3. *Diocesan Commitments Receivable*

The Society provides for an allowance for uncollectible receivables based on an assessment of various factors, including historical information and current conditions. The allowance for uncollectible accounts was approximately $317 and $300 at December 31, 2006 and 2005, respectively.

NOTE B (continued)

4. *Investments*

Investments, which include those that belong to the Society as well as those held on behalf of others, are stated at quoted market values. The realized and unrealized gains or losses on investments belonging to the Society have been reflected in the accompanying consolidated statements of activities. Investment securities, in general, are exposed to various risks, such as interest rate, credit and overall market volatility risks. Due to the level of risk associated with certain investment securities, it is reasonably possible that changes in the values of investment securities will occur in the near term and such changes could materially affect the amounts reported in the consolidated financial statements.

5. *Inventory*

Inventory is recorded at the lower of cost or market and is accounted for using the average cost method. Such inventory consists primarily of program-related literature and other materials. The allowance for obsolescence was approximately $8 and $15 at December 31, 2006 and 2005, respectively.

6. *Property and Equipment*

The Society's investment in property and equipment consists of its New York headquarters and the school and missional churches of Micronesia ("Guam"). Property and equipment, with the exception of land, are depreciated using the straight-line method over the estimated service lives of the respective assets.

7. *Beneficial Interest in Outside Trusts*

From time to time, certain donors have established trusts with third party administrators, typically banks or other Episcopal entities, that call for the income earned on these gifts to be paid to the Society and/or other beneficiaries and the principal to be invested in perpetuity. Historically, the income received from these outside trusts has been recorded as either temporarily restricted or unrestricted based upon the donors' imposed stipulations. Accounting principles generally accepted in the United States of America require that the fair value of these outside trust assets be recognized as permanently restricted net assets. The recorded value is changed each year and recognized in the consolidated statements of activities as a change in beneficial interest in outside trusts.

NOTE B (continued)

8. *Grants Payable*

The awarding of grants is reflected in the consolidated financial statements at the time they are approved by the appropriate board. Grants represent unconditional promises to give that are expected to be paid within one year.

9. *Funds Held for the Benefit of Others*

In the ordinary course of business, the Society acts as a custodian for funds owned by others and for which no benefit of income or principal is received. In these cases, the balances are treated as liabilities rather than included in the Society's net assets and as assets held in the investment accounts. The income from these investments is not included in the accompanying consolidated statements of activities but reflected as a change in the value of such assets and liabilities.

10. *Funds Held in a Trustee Relationship*

Funds held in a trustee relationship are funds held in a fiduciary relationship by the Society, as trustee, where the original principal is invested permanently and the income is used in support of specific third-party beneficiaries.

11. *Contributed Goods and Services*

The Society benefits from contributed goods and services. Contributed goods have not been reflected in the accompanying consolidated financial statements since they are deemed by management to be immaterial. Contributed services are received by the Society but have not been recorded in the accompanying consolidated financial statements since they do not meet the criteria for recognition.

12. *Fair Value of Financial Instruments*

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

(Dollar amounts in thousands)

NOTE B (continued)

13. *Use of Estimates*

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and judgments that affect the reported amounts of assets and liabilities and disclosures of contingencies at the date of the financial statements and revenues and expenses recognized during the reporting period. It is the Society's policy to provide a specific reserve against loans and other amounts receivable which are deemed to have had an impairment in value. Actual results may differ from these estimates.

NOTE C - INVESTMENTS

At December 31, 2006, the total investments of approximately $386,000 consisted of $342,000 in trust fund assets, $12,000 in unit-trust and pooled income funds, $26,000 in medium-term investments, $3,000 in St. John's School (Guam) investments and $3,000 in certificates of deposit with minority-controlled banks. At December 31, 2005, the total investments of approximately $344,000 consisted of $298,000 in trust fund endowment assets, $13,000 in unit-trust and pooled income funds, $27,000 in medium-term investments, $3,000 in St. John's School (Guam) investments and $3,000 in certificates of deposit with minority-controlled banks.

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

	Market Value		Cost	
	2006	2005	**2006**	2005
Common stock	**$ 273,241**	$ 239,925	**$ 221,285**	$ 208,444
Bonds:				
Corporate	**34,675**	34,197	**34,282**	34,112
Government	**52,541**	42,714	**52,278**	42,279
Other, primarily mutual bond funds	**8,473**	9,046	**8,472**	9,101
Total bonds	**95,689**	85,957	**95,032**	85,492

(Dollar amounts in thousands)

NOTE C (continued)

	Market Value		Cost	
	2006	2005	**2006**	2005
Mutual funds (primarily common stock and bonds)	**$ 7,327**	$ 7,037	**$ 7,497**	$ 7,523
Certificates of deposit	**2,600**	2,600	**2,600**	2,600
Other, primarily money market and other cash equivalents	**7,146**	8,168	**7,145**	8,156
Total investments	**386,003**	343,687	**333,559**	312,215
Funds held for others	**(81,565)**	(74,848)	**(73,043)**	(70,095)
Total DFMS-controlled funds	**$ 304,438**	$ 268,839	**$ 260,516**	$ 242,120

Subject to donor restrictions and consistent with the provisions of the Uniform Management of Institutional Funds Act, earnings on temporarily and permanently restricted net assets are available for the operations of the Society unless otherwise restricted by the donor.

The Society follows the "Total Return Approach" to investments whereby it applies a prudent portion of the realized and unrealized returns on investments to meet current designated and undesignated expenditures. Total return consists of two elements: yield and appreciation. Based on the Society's long-term investment strategy, the Executive Council sets the payout rate on the DFMS trust funds at a percentage (currently 5.5%) of a five-year moving average market value of the portfolio. Any return in excess of this percentage is reinvested to protect the real dollar value of these funds against the effects of inflation.

Investment income is comprised of the following for the years ended December 31:

	2006	2005
Interest and dividends	**$ 8,415**	$ 7,787
Realized and unrealized gains	**37,762**	13,476
Total investment income	**46,177**	21,263
Less: ERD investment income	**(3,585)**	(1,580)
Investment return	**$ 42,592**	$ 19,683

(Dollar amounts in thousands)

NOTE D - LOANS RECEIVABLE, NET

Loans receivable are comprised of the following at December 31:

	2006	2005
Construction loans to dioceses and missionary districts	**$ 970**	$ 989
Economic justice and community investment loans	**5,850**	4,549
Residential loans to employees	**42**	48
	6,862	5,586
Reserve for uncollectible accounts	**(548)**	(521)
	6,314	5,065
Less: Current portion	**(251)**	(173)
Long-term loans receivable	**$ 6,063**	$ 4,892

Such loans bear interest in varying amounts ranging from 0.9% to 8.0% and are payable as installment loans or on demand. These loans are generally unsecured.

NOTE E - PROPERTY AND EQUIPMENT, NET

Property and equipment, net consist of the following as of December 31:

	2006	2005	Useful Lives
Land	**$ 7,503**	$ 7,503	-
Buildings and improvements	**66,846**	36,727	30
Other equipment and furnishings	**8,717**	6,755	5
Building renovations in progress	**460**	21,823	-
	83,526	72,808	
Less: Accumulated depreciation	**(26,620)**	(24,885)	
Property and equipment, net	**$ 56,906**	$ 47,923	

Depreciation expense amounted to $2,002 and $1,444 for the years ended December 31, 2006 and 2005, respectively.

(Dollar amounts in thousands)

NOTE F - MORTGAGE AND NOTES PAYABLE

1. *Property*

In June 1998, the St. John's School obtained a loan from DFMS to rebuild school properties destroyed by a typhoon in 1997. In February 1999, the School repaid this loan by obtaining a $2,400 mortgage (secured by the underlying property owned by DFMS) which carried an interest rate of 7.60% per annum through February 2002. The interest rate was adjusted in February 2002 to 6.5% and was adjusted in February 2005 to 5.7%, which is a rate equal to the Federal Home Loan three-year fixed rate in effect for those dates plus 1.75%. The full balance of unpaid principal and accrued interest is due and payable in February 2008.

Principal payments due under the mortgage for the years ended subsequent to December 31, 2006 are as follows:

2007	**$ 105**
2008	**1,810**
Total payments due	**$ 1,915**

Interest expense amounted to $116 and $135 for the years ended December 31, 2006 and 2005, respectively.

2. *Line of Credit*

In December 2005, DFMS obtained a $50 million line of credit, secured by DFMS's investment in unrestricted marketable securities, from the Bank of New York to be used primarily for working capital and other business purposes. As of December 31, 2006 and 2005, $37,500 and $27,000 was outstanding under this line of credit and is reflected on the accompanying consolidated statements of financial position as notes payable. The line of credit bears interest at rates based on the Prime Rate or the Eurodollar Rate of various maturities selected by DFMS at the time of each borrowing (5.69% at December 31, 2006).

NOTE G - PENSION PLANS

DFMS maintains a defined contribution pension plan (the "Plan") for all eligible lay employees. Under the Plan, DFMS contributes 5% of eligible salaries and DFMS matches employee contributions to the Plan up to 4%. It is the opinion of counsel to the Plan that, as a Church Plan, this Plan is exempt from the requirements of the Employee Retirement Income Security Act of 1974 ("ERISA"). Pension expense for this Plan recognized in the accompanying consolidated financial statements amounted to $820 and $736 for the years ended December 31, 2006 and 2005, respectively.

DFMS is a participant in a separate pension plan administered by the Church Pension Fund (an independent organization) that provides pension benefits to all ordained clergy of the Episcopal Church, including those who hold positions within DFMS. Pension expense for this plan recognized in the accompanying consolidated financial statements amounted to $903 and $912 for the years ended December 31, 2006 and 2005, respectively.

The Executive Council of DFMS has voluntarily paid pension supplements to employees who retired prior to 1971 and had 20 years of service with DFMS. These benefits are accounted for on a "pay-as-you-go basis." Pension expense for this "plan," recognized in the accompanying consolidated financial statements, amounted to $25 and $37 for the years ended December 31, 2006 and 2005, respectively.

The St. John's School maintains a defined contribution pension plan. This plan covers all eligible employees of the St. John's School. Benefits under this plan are provided by fixed-dollar annuities issued by the Teachers Insurance and Annuity Association and by variable annuities offered by its companion organization, the College Retirement Equities Fund. The St. John's School contributes 5% of the gross base pay of its employees. After 10 years of employment, the St. John's School will increase its contribution by a graduated percentage rate (7%-17%) depending on the number of years of employment. Pension expense for this plan recognized in the accompanying consolidated financial statements amounted to $182 and $182 for the years ended December 31, 2006 and 2005, respectively.

(Dollar amounts in thousands)

NOTE H - ACCRUED POSTRETIREMENT BENEFITS OTHER THAN PENSIONS

DFMS sponsors postretirement 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 tables set forth the status of the plans and the components of net periodic benefit cost as of December 31, 2006 and 2005:

	2006	2005
Change in benefit obligation:		
Benefit obligation, beginning of year	**$ 6,915**	$ 7,131
Service cost	**313**	326
Amendments	**291**	-
Interest cost	**421**	425
Actuarial loss (gain)	**296**	(552)
Benefits paid	**(415)**	(415)
Benefit obligation, end of year	**$ 7,821**	$ 6,915
Components of accrued benefit cost:		
Funded status	**$ (7,821)**	$ (6,915)
Unrecognized net prior service cost	**291**	-
Unrecognized actuarial net gain	**(2,137)**	(2,665)
Accrued benefit cost	**$ (9,667)**	$ (9,580)
Components of net periodic benefit cost:		
Service cost	**$ 313**	$ 326
Interest cost	**421**	425
Amortization of gain	**(180)**	(161)
Net periodic benefit cost for fiscal year	**$ 554**	$ 590

(Dollar amounts in thousands)

NOTE H (continued)

The discount rates used in determining the accumulated postretirement benefit obligations was 6% for both the years ended December 31, 2006 and 2005. The assumed medical care cost trend rate used was 8.5% for the current year, decreasing gradually in the future years to 5.0% by fiscal year 2013 and remaining at that level thereafter. Increasing the assumed medical care cost trend rate by 1% in each year would increase the accumulated postretirement benefit obligation as of December 31, 2006 by $918 and increase the aggregate of the service cost and interest cost by $121. Decreasing the assumed medical care cost trend rate by 1% in each year would decrease the accumulated postretirement benefit obligation as of December 31, 2006 by $766 and decrease the aggregate of the service cost and interest cost by $98.

The following benefit payments are expected to be paid:

2007	**$ 501**
2008	**501**
2009	**495**
2010	**504**
2011	**521**
Years 2012-2015	**2,885**
Total	**$ 5,407**

In September 2006, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards ("SFAS") No. 158, "Employers' Accounting for Defined Benefit Pension and Other Postretirement Plans." The new statement revises the current reporting and certain required disclosures for pension and other postretirement plans. SFAS No. 158 will require the Society to recognize the funded status of its postretirement health plan in its consolidated balance sheets. Adoption of SFAS No. 158 is required for fiscal 2007. The Society is currently in the process of assessing the impact of adoption of this new standard on its consolidated financial statements as of and for the year ending December 31, 2007.

(Dollar amounts in thousands)

NOTE I - TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets include the following as of December 31, 2006 and 2005:

	2006	2005
Net cumulative earnings from endowment funds restricted as to use	**$ 56,430**	$ 48,882
Program-specific trust funds	**39,823**	35,295
Guam - School Scholarships	**1,149**	1,424
Episcopal Relief and Development	**21,373**	24,692
United Thank Offering and Episcopal Church Women Fund	**2,649**	3,031
Various other program funds	**3,845**	3,790
Total temporarily restricted net assets	**$ 125,269**	$ 117,114

NOTE J - RELATED PARTIES

The Episcopal Church is an unincorporated association governed by the General Convention. It carries out its administrative, finance and other program activities through DFMS, a New York corporation. DFMS is governed by the Executive Council whose members are elected by the General Convention and the Provinces. The Executive Council acts as the General Convention between meetings. DFMS engages in financial transactions with both foreign and domestic entities affiliated with the Episcopal Church and the Worldwide Anglican Communion. DFMS receives its principal financial support in the form of Diocesan commitments, which totaled approximately $29,000 per annum for the years ended December 31, 2006 and 2005, respectively. In addition, DFMS receives a significant portion of nongovernmental fees from related parties as well, which totaled approximately $3,600 and $3,000 for the years ended December 31, 2006 and 2005, respectively. DFMS expended approximately $47,000 and $39,000 for the years ended December 31, 2006 and 2005, respectively, in either direct payments/grants to affiliated entities or expenses incurred on behalf of these related parties. Of the total loans receivable reported in the consolidated statements of financial position at December 31, 2006 and 2005, approximately $1,000 and $1,000, respectively, represent loans to related entities which bear interest at rates ranging from 3.0% to 8.0% per annum.

NOTE K - CONTINGENCIES

1. *Building Renovation*

   The Society entered into contracts totaling an estimated $31,800 for renovation of the Society's headquarters offices in New York City, which also included asbestos abatement. In January 2006, the renovation budget was amended by the Executive Council not to exceed $34,000. Through December 31, 2006, the Society has incurred $32,700 of the total contract amount and is committed to up to an additional $1,300 to complete the project.

2. *Government Funding*

   The Society enters into contracts with agencies of the United States Government under which the government provides funding for various refugee resettlement activities carried on by the Society in the United States and in other countries. The expenditures of these funds by the Society and its affiliated organizations are subject to audit by the federal government.

3. *Refugee Loan Receivables and Collections*

   In connection with its cooperative agreements with the United States Government for refugee resettlement, the Society acts as the collection agent for travel loans made to refugees by the International Organization for Migration. In return for these services, the Society retains 25% of all loan collections as a recovery of its administrative costs incurred. As of December 31, 2006 and 2005, there were $3,519 and $3,699, respectively, of refugee loans outstanding.

4. *Litigation*

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

(Dollar amounts in thousands)

NOTE L - EPISCOPAL RELIEF AND DEVELOPMENT

The following represents summarized financial information for ERD for the years ended December 31, 2006 and 2005:

	2006	2005
Revenue:		
Contributions	**$ 17,136**	$ 36,520
Investments and other	**3,586**	1,576
Total	**$ 20,722**	$ 38,096
Expenses:		
Program	**$ 19,380**	$ 13,185
Fundraising	**1,784**	1,753
General and administration	**1,889**	1,511
Total	**$ 23,053**	$ 16,449