Consolidated Financial Statements and OMB Circular A-133
Supplementary Information Together with
Reports 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, 2014 and 2013

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

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REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

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

We have audited the accompanying consolidated financial statements of The Domestic and Foreign Missionary Society of the Protestant Episcopal Church in the United States of America and Affiliates (collectively, the "Society"), which comprise the consolidated statements of financial position as of December 31, 2014 and 2013, and the related consolidated statements of activities and cash flows for the years then ended, and the related notes to the consolidated financial statements.

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

Auditor's responsibility
Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America 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 consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Society's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Society's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

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

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, 2014 and 2013, and the changes in their net assets and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other matters

Supplementary information

Our audits were conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The supplementary information, including the consolidated schedule of financial position as of December 31, 2014 and the consolidating schedule of activities for the year ended December 31, 2014 presented on pages 30 and 31, respectively, and the schedule of expenditures of federal awards for the year ended December 31, 2014, as required by the U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations* presented on page 32 are for purposes of additional analysis and are not a required part of the consolidated financial statements. Such supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audits of the consolidated financial statements and certain additional procedures. These additional procedures included comparing and reconciling the information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information is fairly stated, in all material respects, in relation to the consolidated financial statements as a whole.

Other reporting required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report, dated June 18, 2015, on our consideration of the Society'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 Society's internal control over financial reporting and compliance.

Grant Thornton LLP

New York, New York
June 18, 2015

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, 2014 and 2013
(Dollar amounts in thousands)

ASSETS	2014	2013
Cash and cash equivalents	$ 19,883	$ 25,917
Receivables:		
Diocesan commitments receivable, net (Note 2)	829	1,060
Loans receivable, net (Note 5)	13,497	8,124
Government grants	1,850	1,058
Other receivables, net (Note 4)	5,431	3,859
Collateral received under securities loan agreement (Note 3)	2,487	733
Prepaid expenses and other assets	1,103	1,060
Investments (Note 3):		
DFMS-controlled funds	302,057	297,264
Funds held for the benefit of others	109,897	105,261
Property and equipment, net (Note 6)	50,333	53,295
Beneficial interest in outside trusts (Note 2)	7,918	8,021
Total assets	$ 515,285	$ 505,652
LIABILITIES AND NET ASSETS		
LIABILITIES		
Accounts payable and accrued expenses	$ 6,558	$ 6,730
Payable under securities loan agreement (Note 3)	2,487	733
Grants payable	183	432
Notes payable (Note 7)	39,763	41,798
Interest rate swap agreement (Note 7)	468	-
Mortgage payable (Note 7)	2,249	2,323
Accrued postretirement benefits other than pensions (Note 9)	14,175	11,597
Annuities payable	493	542
Funds held for the benefit of others	82,587	78,154
Funds held in a trustee relationship	27,310	27,107
Total liabilities	176,273	169,416
Contingencies (Note 13)		
NET ASSETS (Note 11)		
Unrestricted	144,779	144,125
Temporarily restricted (Note 10)	162,955	160,851
Permanently restricted	31,278	31,260
Total net assets	339,012	336,236
Total liabilities and net assets	$ 515,285	$ 505,652

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, 2014 and 2013

(Dollar amounts in thousands)

	2014				2013			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
REVENUES AND OTHER SUPPORT								
Diocesan commitments (Note 12)	$ 27,019	$ -	$ -	$ 27,019	$ 27,092	$ -	$ -	$ 27,092
Contributions and bequests	1,135	3,598	108	4,841	726	2,682	107	3,515
Contributed services	307	-	-	307	343	43	-	386
Investment return designated for current operations (Note 3)	7,941	1,771	-	9,712	8,314	1,870	-	10,184
Other investment income	956	91	-	1,047	438	96	-	534
Government revenue	17,791	-	-	17,791	13,843	-	-	13,843
Fees and other income	3,457	6	-	3,463	3,738	1,782	-	5,520
Episcopal Relief & Development (Note 14)	-	17,516	-	17,516	-	20,882	-	20,882
Net assets released from restrictions	26,209	(26,209)	-	-	26,424	(26,424)	-	-
Revenue from the Episcopal Church in Micronesia	6,428	-	-	6,428	6,467	-	213	6,680
Total revenues and other support	91,243	(3,227)	108	88,124	87,385	931	320	88,636
EXPENSES								
Program services-								
Canonical and missional programs	45,747	-	-	45,747	38,305	-	-	38,305
General convention	2,693	-	-	2,693	1,917	-	-	1,917
Grant-related activities and other	4,768	-	-	4,768	4,507	-	-	4,507
Episcopal Relief & Development (Note 14)	17,312	-	-	17,312	16,381	-	-	16,381
Expenses from the Episcopal Church in Micronesia	7,408	-	-	7,408	6,031	-	-	6,031
Total program services	77,928	-	-	77,928	67,141	-	-	67,141
Supporting services-								
Fundraising	2,218	-	-	2,218	1,935	-	-	1,935
General and administrative	8,929	-	-	8,929	9,481	-	-	9,481
Total supporting services	11,147	-	-	11,147	11,416	-	-	11,416
Total expenses	89,075	-	-	89,075	78,557	-	-	78,557
Changes in net assets from operations	2,168	(3,227)	108	(951)	8,828	931	320	10,079
NONOPERATING ACTIVITIES								
Investment return (loss) (Note 3)	11,073	7,207	(50)	18,230	17,687	31,128	(287)	48,528
Less: Other investment (loss) income	(2,068)	(105)	(40)	(2,213)	(438)	(96)	483	(51)
Net investment (loss) gain - trust fund	9,005	7,102	(90)	16,017	17,249	31,032	196	48,477
Less: Investment return designated for current operations (Note 3)	(7,941)	(1,771)	-	(9,712)	(8,314)	(1,870)	-	(10,184)
Change in value of interest rate swap agreement	(468)	-	-	(468)	-	-	-	-
Postretirement related activities other than net periodic pension cost (Note 9)	(2,110)	-	-	(2,110)	2,842	-	-	2,842
Total nonoperating activities	(1,514)	5,331	(90)	3,727	11,777	29,162	196	41,135
Changes in net assets	654	2,104	18	2,776	20,605	30,093	516	51,214
Net assets, beginning of year	144,125	160,851	31,260	336,236	123,520	130,758	30,744	285,022
Net assets, end of year	$ 144,779	$ 162,955	$ 31,278	$ 339,012	$ 144,125	$ 160,851	$ 31,260	$ 336,236

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, 2014 and 2013

(Dollar amounts in thousands)

	2014	2013
CASH FLOWS FROM OPERATING ACTIVITIES		
Changes in net assets	$ 2,776	$ 51,214
Adjustments to reconcile changes in net assets to net cash used in operating activities:		
Noncash items:		
Depreciation	2,471	2,009
Loss on disposal of equipment	-	73
Change in allowance for uncollectible amounts	90	-
Amortization of discount to present value receivables	2	3
Total noncash adjustments	2,563	2,085
Change in working capital:		
Decrease in diocesan commitments receivable	141	19
Increase in loans receivable	(5,373)	(2,442)
(Increase) decrease in government grants receivable	(792)	1,916
Increase in other receivables	(598)	(1,600)
Increase in prepaid expenses and other assets	(44)	(617)
Decrease in accounts payable and accrued expenses	(172)	(1,005)
Decrease in grants payable	(249)	(332)
Total change in working capital accounts	(7,087)	(4,061)
Change in investments:		
Net realized and unrealized gains on investments	(14,138)	(47,007)
Total change in investments	(14,138)	(47,007)
Other changes:		
Change in value of beneficial interests in outside trusts	3	(483)
Change in value of interest rate swap agreement	468	-
Change in accrued postretirement benefits other than pensions	2,578	(2,459)
Permanently restricted contributions	(108)	(320)
Total other changes	2,941	(3,262)
Total change in working capital accounts and other	(18,284)	(54,330)
Net cash used in operating activities	(12,945)	(1,031)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of property and equipment	(491)	(309)
Proceeds from sales of investments	72,036	150,491
Purchases of investments	(62,633)	(141,770)
Net cash provided by investing activities	8,912	8,412
CASH FLOWS FROM FINANCING ACTIVITIES		
Permanently restricted contributions	108	320
Repayments under line of credit	(2,035)	-
Principal payments on mortgage loan	(74)	(79)
Net cash (used in) provided by financing activities	(2,001)	241
Net (decrease) increase in cash and cash equivalents	(6,034)	7,622
Cash and cash equivalents, beginning of year	25,917	18,295
Cash and cash equivalents, end of year	$ 19,883	$ 25,917
Supplemental disclosure of cash flow information:		
Cash paid for interest	$ 1,314	$ 1,494

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

1. ORGANIZATION AND NATURE OF ACTIVITIES

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

DFMS's consolidated financial statements include the activities of Episcopal Relief & Development ("ERD"), a separate 501(c)(3) not-for-profit corporation, 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.

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

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

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 statement of activities as net assets released from restrictions.

(Dollar amounts in thousands)

Temporarily restricted net assets are comprised primarily of funds designated for disaster relief and other specific diocesan programs of 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 restricted by donors to be held in perpetuity, the income from which is intended to support the operations of the Society.

Concentration of Credit Risk

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

Diocesan Commitments Receivable

The Society provides for an allowance for uncollectible receivables based on an assessment of various factors, including historical collection experience and current economic conditions. The allowance for uncollectible accounts totaled $1,546 and $1,456 at December 31, 2014 and 2013, respectively. The reduction in the receivable is due to payments from dioceses as final satisfaction of unpaid pledges. Diocesan commitment receivables at December 31, 2014 and 2013 are as follows:

	2014	2013
Amounts expected to be collected:		
Within one year	$ 855	$ 983
Between one and five years	742	1,082
Greater than five years	778	451
Total Diocesan commitments	2,375	2,516
Allowance for uncollectible receivables	(1,546)	(1,456)
Diocesan commitments receivable, net	$ 829	$ 1,060

Investments

Investments include those that belong to the Society as well as those held on behalf of others. They consist of both marketable and non-marketable securities, stated at quoted market values or values provided by the respective fund manager or general partner as of the measurement date. Realized and unrealized gains or losses on investments pertaining to the Society have been reflected on the accompanying consolidated statements of activities. Investment securities, in general, are exposed to various risks, such as interest rate, credit and overall market volatility changes. Due to the level of risk associated with certain investment securities, it is reasonably possible that changes in the values of investment securities will occur in the near term and such changes could materially affect the amounts reported on the accompanying consolidated financial statements.

Fair Value Measurements

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

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

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

Level 2 - Pricing inputs other than quoted prices in active markets, which are either directly or indirectly observable as of the measurement date. The nature of these securities 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. Also included in Level 2 are investments measured using a net asset value ("NAV") per share, or its equivalent, that may be redeemed at that NAV at the date of the statement of financial position or in the near term, which the Society has generally considered to be within 90 days.

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. Also included in Level 3 are investments measured using a NAV per share, or its equivalent, that can never be redeemed at the NAV or for which redemption at NAV is uncertain due to lockup periods or other investment restrictions.

Inputs are used in applying the various valuation techniques and broadly refer to the assumptions that market participants use to make valuation decisions, including assumptions about risk. Inputs may include price information, volatility statistics, specific and broad credit data, liquidity statistics, and other factors. A financial instrument's level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. However, the determination of what constitutes "observable" requires significant judgment by the entity. The Society considers observable data to be market data that 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 hierarchy is based upon the pricing transparency of the instrument and does not necessarily correspond to the Society's perceived risk of that instrument.

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

Cash and Cash Equivalents

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

Valuation of Investments

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

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

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

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

(Dollar amounts in thousands)

Property and Equipment

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

Beneficial Interest in Outside Trusts

From time to time, certain donors have established trusts with third-party administrators, typically banks or other Episcopal entities that call for the income earned on these gifts to be paid to the Society and/or other stipulated beneficiaries and the principal to be invested in perpetuity. Historically, the income received from these outside trusts has been recorded as either temporarily restricted or unrestricted based upon the donors' imposed stipulations. The fair value of these outside trust assets is recognized as a component of permanently restricted net assets. The beneficial interest in outside trust is adjusted each year and the change in fair value is recognized on the consolidated statement of activities based on changes in the fair values of the trusts' underlying investments. Pursuant to certain of the trust arrangements, however, the earnings that are initially paid to the Society are distributable to other beneficiaries. A liability has been recorded for such amounts payable to others and is reflected as annuities payable in the accompanying consolidated statements of financial position. The Society's beneficial interest in outside trusts is classified as Level 3 within the Financial Accounting Standards Board ("FASB") fair value hierarchy as of December 31, 2014 and 2013.

The following table summarizes the changes in fair value associated with the Society's beneficial interest in outside trusts for the years ended December 31, 2014 and 2013:

	2014	2013
Balance, beginning of the year	$ 8,021	$ 7,503
Change in value of amounts due to beneficiaries	35	35
Unrealized (losses) gains	(138)	483
Balance, end of the year	$ 7,918	$ 8,021

Grants Payable

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

Funds Held for the Benefit of Others

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

Funds Held in a Trustee Relationship

Funds held in a trustee relationship are funds held in a fiduciary relationship by the Society, as trustee, where the original principal is invested permanently and the income is payable to specific third-party beneficiaries. Amounts held on behalf of others are reflected as assets and equivalent liabilities.

Contributions

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

Contributed Services

Contributed services are recorded at their estimated fair value and are recognized as revenues and expenses on the consolidated statement of activities in the period received. Contributed legal services for the years ended December 31, 2014 and 2013 totaled $307 and $386, respectively.

Income Taxes

The Society follows guidance that clarifies the accounting for uncertainty in income 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 consolidated financial statements. The tax years ended 2012, 2013 and 2014 are still open to audit for both federal and state purposes. The Society 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.

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 and disclosure of contingencies at the date of the financial statements and revenues and expenses recognized during the reporting period. The most significant of which pertain to the determination of specific reserves against loans and other accounts receivable, the valuation of non-exchange traded alternative investments, postretirement benefit obligations, and the useful lives assigned to fixed assets, amongst others. Actual results may differ from these estimates.

Subsequent Events

The Society evaluated its December 31, 2014 consolidated financial statements for subsequent events through June 18, 2015, the date the consolidated financial statements were available to be issued. The Society is not aware of any subsequent events that would require recognition or disclosure in the accompanying consolidated financial statements.

3. INVESTMENTS

At December 31, 2014, total investments of approximately $412,000 consist of $375,000 in trust fund endowment assets, $8,700 in unit-trust and pooled income funds, $23,700 in medium-term investments, $2,500 in St. John’s School (Guam) investments and $2,100 in certificates of deposit with minority-controlled banks. At December 31, 2013, total investments of approximately $403,000 consist of $365,000 in trust fund endowment assets, $8,900 in unit-trust and pooled income funds, $23,400 in medium-term investments, $2,800 in St. John’s School (Guam) investments and $2,500 in certificates of deposit with minority-controlled banks.

(Dollar amounts in thousands)

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

	Fair Value		Cost	
	2014	2013	2014	2013
Stocks:				
Common stock	$ 233,702	$ 237,323	$ 192,292	$ 178,451
Commingled stock	17,124	-	18,398	-
Total stocks	250,826	237,323	210,690	178,451
Bonds:				
Corporate	7,640	22,792	7,526	22,444
Government	1,797	24,071	1,706	24,538
Other, primarily mutual bond funds	73,803	5,320	71,892	6,195
Total bonds	83,240	52,183	81,124	53,177
Mutual funds (primarily common stock and bonds)	5,973	34,649	5,590	30,544
Certificates of deposit	2,100	2,100	2,100	2,100
Other, primarily money market funds and other cash equivalents	8,337	6,651	8,337	6,650
Alternative investments:				
Fund of funds	29,676	29,981	20,350	20,461
Fixed income fund	19,138	26,883	17,823	26,684
Stock fund	12,664	12,755	12,557	12,333
Total investments	411,954	402,525	358,571	330,400
Funds held for the benefit others	(109,897)	(105,261)	(73,558)	(70,455)
Total DFMS-controlled funds	$ 302,057	$ 297,264	$ 285,013	$ 259,945

(Dollar amounts in thousands)

Since alternative investments may not be readily marketable, the estimated fair value assigned to such interests is subject to uncertainty and, therefore, may differ from the value that would have been used had a ready market for such investments existed. The fair values assigned to such holdings do not necessarily represent amounts which might ultimately be realized upon sale or other disposition since such amounts depend on future circumstances and cannot reasonably be determined until the actual liquidation occurs. Because of the inherent uncertainty of such valuations, the estimated fair values may differ significantly from the values that would have been used had a ready market for such investments existed and the differences could be material.

The following tables prioritize the inputs used to measure the fair value of the Society's investments within the fair value hierarchy at December 31, 2014 and 2013:

	2014			
	Level 1	**Level 2**	**Level 3**	**Total**
Stock:				
Common stock	$ 233,702	$ -	$ -	$ 233,702
Commingled funds	-	17,124	-	17,124
Bonds:				-
Corporate	7,640	-	-	7,640
Government	1,797	-	-	1,797
Other, primarily mutual bond funds	14,833	58,970	-	73,803
Mutual funds (primarily common stock and bonds)	528	5,445	-	5,973
Certificates of deposit	-	2,100	-	2,100
Other, primarily money market funds and				-
cash equivalents	8,337	-	-	8,337
Alternative investments:				-
Fund of funds	-	-	29,676	29,676
Fixed income fund	19,138	-	-	19,138
Stock fund	-	12,664	-	12,664
Total	$ 285,975	$ 96,303	$ 29,676	$ 411,954

(Dollar amounts in thousands)

	2013			
	Level 1	Level 2	Level 3	Total
Common stock	$ 237,323	$ -	$ -	$ 237,323
Bonds:				
Corporate	22,792	-	-	22,792
Government	24,071	-	-	24,071
Other, primarily mutual bond funds	2,622	2,698	-	5,320
Mutual funds (primarily common stock and bonds)	29,230	5,419	-	34,649
Certificates of deposit	-	2,100	-	2,100
Other, primarily money market funds and cash equivalents	6,651	-	-	6,651
Alternative investments:				
Fund of funds	-	-	29,981	29,981
Fixed income fund	-	26,883	-	26,883
Stock fund	-	12,755	-	12,755
Total	$ 322,689	$ 49,855	$ 29,981	$ 402,525

The following table summarizes the changes in fair value associated with the Society's Level 3 investments for the years ended December 31:

	2014	2013
Balance, beginning of the year	$ 29,981	$ 29,992
Realized gains	143	206
Unrealized gains	1,552	3,783
Redemptions	(2,000)	(4,000)
Balance, end of the year	$ 29,676	$ 29,981

The Society lends certain equities and bonds included in its investment portfolio to brokerage firms. In return for the securities loaned, the Society receives cash or securities as collateral in amounts at least equal to the fair value of the securities loaned. The Society retains all rights of ownership to the securities loaned and receives all interest and dividend income. The related collateral received under this arrangement at December 31, 2014 and 2013 is reflected as collateral received under securities loan agreement with an off-setting payable in the accompanying consolidated statements of financial position.

(Dollar amounts in thousands)

The Society uses the NAV per share, or its equivalent to determine the fair value as of the measurement date of all the underlying investments which: (a) do not have a readily determinable fair value and (b) prepare their investees financial statements consistent with the measurement principles of an investment company or have the attributes of an investment company. The following tables detail certain attributes pertaining to the investments reported at fair value using a NAV, or its equivalent, as of December 31, 2014 and 2013.

2014

Type	Strategy	NAV in Funds	# of Funds	Remaining Life	$ Amount of Unfunded Commitments	Timing to Drawdown Commitments	Redemption Terms
Fund of funds	Commodities, equity, and interest rate-driven focused commingled funds.	$ 29,676	1	N/A	$ -	N/A	Subject to 95 days, with prior written notice.
Fixed income fund	Global investment grade fixed income.	10,065	1	N/A	-	N/A	Any business day of the month, up to 10 business days notice depending on the size of the withdrawal.
Fixed income fund	Global equity and fixed income funds in market neutral strategies.	2,180	1	N/A	-	N/A	Subject to 2 days, with written notification.
Fixed income fund	U.S. government and corporate fixed income.	23,767	1	N/A	-	N/A	Subject to 2 days, with written notification.
Stock fund	Large and mid-capitalization equities in emerging economies.	11,110	1	N/A	-	N/A	Monthly, as of the last day of any month upon 10 days' prior written notice.
Total		$ 76,798	5		$ -		

2013

Type	Strategy	NAV in Funds	# of Funds	Remaining Life	$ Amount of Unfunded Commitments	Timing to Drawdown Commitments	Redemption Terms
Fund of funds	Commodities, equity, and interest rate-driven focused commingled funds.	$ 29,981	1	N/A	$ -	N/A	Subject to 95 days, with prior written notice.
Fixed income fund	Global investment grade fixed income.	9,470	1	N/A	-	N/A	Any business day of the month, up to 10 business days notice depending on the size of the withdrawal.
Fixed income fund	Global equity and fixed income funds in market neutral strategies.	2,067	1	N/A	-	N/A	Subject to 2 days, with written notification.
Fixed income fund	U.S. government and corporate fixed income.	15,346	1	N/A	-	N/A	Subject to 2 days, with written notification.
Stock fund	Large and mid-capitalization equities in emerging economies.	12,755	1	N/A	-	N/A	Monthly, as of the last day of any month upon 10 days' prior written notice.
Total		$ 69,619	5		$ -		

(Dollar amounts in thousands)

The composition of collateral received under the securities loan agreement at December 31, 2014 and 2013 is as follows:

	2014	2013
Asset backed securities	$ 2,202	$ 231
Bank notes	285	502
Total	$ 2,487	$ 733

The collateral detailed above is classified as Level 2 within the FASB's fair value hierarchy as of December 31, 2014 and 2013.

The Society follows the "Total Return Approach" to investments whereby it applies a prudent portion of the realized and unrealized returns on investments to meet current designated and undesignated expenditures. Total return consists of two elements: yield and appreciation. Based on the Society's long-term investment strategy, the Executive Council sets the payout rate on the DFMS trust funds at a percentage (5.0% in 2014 and 2013) of a five-year moving average fair value of the portfolio. Any return in excess of this percentage is reinvested to protect the real dollar value of these funds against the effects of inflation.

Investment return is comprised of the following for the years ended December 31, 2014 and 2013:

	2014	2013
Interest and dividends	$ 4,092	$ 5,718
Realized and unrealized gains	14,138	42,810
Total investment return	18,230	48,528
Less: ERD investment return	(1,111)	(3,480)
DFMS investment return	$ 17,119	$ 45,048

(Dollar amounts in thousands)

4. OTHER RECEIVABLES, NET

Other receivables, net, consist of the following at December 31, 2014 and 2013:

	2014	2013
Contributions receivable, net	$ 1,868	$ 1,900
Other receivables	3,563	1,959
Total other receivables	$ 5,431	$ 3,859

Contributions receivable, which are recorded at the present value of their expected future cash flows, consist of the following at December 31, 2014 and 2013:

	2014	2013
Amounts expected to be collected:		
Within one year	$ 1,048	$ 1,240
In one to four years	856	692
Total contributions receivable	1,904	1,932
Less:		
Allowance for uncollectible pledges	(6)	(26)
Present value discount (rates ranging from 1.50% to 6.00%)	(30)	(6)
Total contributions receivables, net	$ 1,868	$ 1,900

5. LOANS RECEIVABLE, NET

Loans receivable, net, consist of the following at December 31, 2014 and 2013:

	2014	2013
Construction loans to dioceses and missionary districts	$ 2,989	$ 159
Economic justice and community investment loans	4,785	4,585
Loans to Dioceses in distress	6,024	3,820
Residential loans to employees	10	10
	13,808	8,574
Less:		
Allowance for uncollectible accounts	(311)	(450)
Total loans receivable, net	$ 13,497	$ 8,124

(Dollar amounts in thousands)

Such loans bear interest at varying rates ranging from 2.0% to 8.0% and are payable in installments or on demand. These loans are typically unsecured with maturities of between three and five years. No new residential loans have been extended to employees since 1998.

6. PROPERTY AND EQUIPMENT, NET

Property and equipment, net, consists of the following at December 31, 2014 and 2013:

	2014	2013
Land	$ 17,519	$ 17,519
Buildings and improvements	67,626	69,085
Other equipment and furnishings	2,411	5,113
	87,556	91,717
Less: Accumulated depreciation	(37,223)	(38,422)
Property and equipment, net	$ 50,333	$ 53,295

Depreciation expense amounted to $2,471 and $2,009 for the years ended December 31, 2014 and 2013, respectively. The Society owns a parking lot located in Austin, Texas, which had a net carrying value of $9,991 at December 31, 2014 and 2013, and is reflected as part of land in the table above.

7. MORTGAGE AND NOTES PAYABLE

Mortgage

A mortgage payable on the St. John's School property amounted to $2,249 and $2,323 as of December 31, 2014 and 2013, respectively. The interest rate of 6% is adjusted every three years on March 11 to 1% (3% in 2013) over the Federal Home Loan rate. The note is collateralized by a third-party mortgage on real and leasehold property and matures in March 2019. At December 31, 2014 and 2013, the effective interest rates were 4.5% and 6%, respectively.

Interest expense amounted to $119 and $151 for the years ended December 31, 2014 and 2013, respectively.

Term Loan

On January 11, 2011, DFMS obtained a $37 million term loan, secured by DFMS's investment in unrestricted marketable securities, from U.S. Bank, to be used primarily for working capital and other business purposes. The facility was structured as a 5-year loan with a fixed annual interest rate of 3.69% and annual repayments on a 25-year schedule. Interest was payable monthly; annual principal of $1,480 was payable on each anniversary date through 2016.

On April 8, 2014, DFMS amended and restated the credit agreement with U.S. Bank. On that date, the $31,163 outstanding under the existing term loan was continued as an unsecured term loan. The facility continues as a 5-year loan with a fixed annual interest rate of 3.69% and annual repayments on a 25-year schedule. Interest is payable monthly; annual principal of $1,480 is payable on each January 1 through 2016. If not extended or renegotiated, unpaid principal will be due in 2016.

On July 23, 2014, DFMS completed Amendment No. 1 to the amended and restated credit agreement dated April 8, 2014, with U.S. Bank. Amendment No. 1 extended the Loan Termination Date to January 23, 2021 and adjusted the interest rate on the unpaid principal balance of the Term Loan to an annual rate of 1.19% plus the one-month LIBOR rate. Amendment No. 1 was required because DFMS entered into an interest rate swap transaction with U.S. Bank.

At December 31, 2014 and 2013, $31,163 and $32,643, respectively, was outstanding under this loan and is reflected on the accompanying consolidated statements of financial position as notes payable. Interest expense amounted to $1,095 and $1,221 for the years ended December 31, 2014 and 2013, respectively.

The restated facilities include standard affirmative and negative covenants usual and customary for similar facilities, including remaining an ongoing business, semi-annual financial reporting, and limitations on additional indebtedness. All collateral pledged under the previous agreement was immediately released.

Interest Rate Swap

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

The reported fair value of the swap represents the estimated cost to terminate the swap agreement at the measurement date, taking into account current and projected market interest rates. The fair value of the interest rate swap is reported on the Society's 2014 consolidated statement of financial position as a liability.

(Dollar amounts in thousands)

As of and for the year ended December 31, 2014, amounts included within the accompanying consolidated financial statements relating to the interest rate swap agreement are as follows:

Fair Value at December 31, 2014	Fair Value at December 31, 2013	Change in Value of Interest Rate Swap Agreement for Year Ended December 31, 2014	Change in Value of Interest Rate Swap Agreement for Year Ended December 31, 2013
$ 468	$ -	$ 468	$ -

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

The transactions in April and July of 2014 resulted in a five-year extension of DFMS's term loan maturity and secured an effective annual interest rate of 3.197%, reducing the annual service cost on the debt.

Revolving Lines of Credit

On January 11, 2011, the Society obtained a $5 million revolving credit facility from U.S. Bank, which was then expanded to $15 million as of April 8, 2014. The facility, which is unsecured, bears interest based on the Eurodollar rate plus 75 basis points. Interest only is payable monthly. At December 31, 2014 and 2013, $8,600 and $0, respectively, were outstanding under this revolving credit facility, and were reflected on the accompanying consolidated statements of financial position at notes payable. Interest expense amounted to $63 and $0 for the years ended December 31, 2014 and 2013, respectively. At December 31, 2014, the effective interest rate was 0.94%.

On April 5, 2011, the Society obtained a $20 million revolving credit facility, secured by DFMS's investment in unrestricted marketable securities, from Bank of America Merrill Lynch, to be used primarily for working capital and other business purposes. The facility bore interest based on the Eurodollar rate plus 1.0%. Interest was payable monthly. The revolving credit could be drawn and repaid at any time through April 2016. On April 8, 2014, the Society repaid all principal and interest due under the revolving credit facility from Bank of America Merrill Lynch. All collateral pledged was released. At December 31, 2014 and 2013, $0 and $9,155, respectively, were outstanding under this loan and were reflected on the accompanying consolidated statements of financial position as notes payable. Interest expense amounted to $57 and $128 for the years ended December 31, 2014 and 2013, respectively. At December 31, 2013, the effective interest rate was 1.27%.

8. PENSION PLANS

DFMS maintains a defined contribution pension plan (the "Plan") for all eligible lay employees and employees of ERD. Under the Plan, the employer contributes 5% of eligible salaries and matches employee contributions to the Plan up to 4%. It is the opinion of counsel to the Plan that, as a Church Plan, this Plan is exempt from the requirements of the Employee Retirement Income Security Act of 1974 ("ERISA"). Pension expense for this plan recognized on the accompanying consolidated financial statements amounted to $1,160 and $1,072 for the years ended December 31, 2014 and 2013, respectively.

DFMS is a participant in a separate pension plan administered by the Church Pension Fund (an independent organization) that provides pension benefits to all ordained clergy of the Episcopal Church, including those who hold positions within DFMS. Pension expense for this plan recognized on the accompanying consolidated financial statements amounted to $721 and $653 for the years ended December 31, 2014 and 2013, respectively.

The Executive Council of DFMS has voluntarily paid pension supplements to employees who retired prior to 1971 and had 20 years of service with DFMS. These benefits are accounted for on a "pay-as-you-go basis." Pension expense for this "plan," recognized on the accompanying consolidated financial statements, amounted to $613 and $647 for the years ended December 31, 2014 and 2013, 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 to each participant's account. After 10 years of employment, the St. John's School will increase its contribution by a graduated percentage rate (7% - 17%) depending on the number of years of employment. Pension expense for this plan recognized on the accompanying consolidated financial statements amounted to $179 and $153 for the years ended December 31, 2014 and 2013, respectively.

9. POSTRETIREMENT BENEFITS OTHER THAN PENSIONS

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

(Dollar amounts in thousands)

The following tables set forth the funded status of the plans and the components of net periodic benefit cost at December 31, 2014 and 2013:

	2014	2013
Change in benefit obligation:		
Benefit obligation, beginning of year	$ 11,597	$ 14,056
Service cost	462	437
Interest cost	556	489
Actuarial loss (gain)	2,110	(2,842)
Benefits paid	(550)	(543)
Benefit obligation, end of year	$ 14,175	$ 11,597
Components of accrued benefit cost:		
Funded status	$ 14,175	$ 11,597
Unrecognized net prior service cost	-	-
Unrecognized actuarial net gain	(1,220)	890
Accrued benefit cost	$ 12,955	$ 12,487
Components of net periodic benefit cost:		
Service cost	$ 462	$ 437
Interest cost	556	489
Amortization of unrecognized prior service costs	-	-
Net periodic benefit cost for fiscal year	$ 1,018	$ 926
Changes in assets and benefit obligations recognized in unrestricted net assets:		
Net actuarial loss (gain)	$ 2,110	$ (2,842)
Amortization of unrecognized prior service cost	-	-
Total change recognized in unrestricted net assets	$ 2,110	$ (2,842)
Total recognized in net periodic benefit cost and unrestricted net assets	$ 3,128	$ (1,916)

The discount rates used in determining the accumulated postretirement benefit obligations were 3.81% and 4.85% for the years ended December 31, 2014 and 2013, respectively. The assumed medical care cost trend rate used was 5.8% for fiscal year 2014, decreasing gradually in future years to 4.7% by fiscal year 2086 and remaining at that level thereafter. Increasing the assumed medical care cost trend rate by 1.0% would increase the accumulated postretirement benefit obligation as of December 31, 2014 and 2013 by $1,826 and $1,542, respectively, and increase the aggregate of the service cost and interest cost by $178 and $184, respectively. Decreasing the assumed medical care cost trend rate by 1.0% would decrease the accumulated postretirement benefit obligation as of December 31, 2014 and 2013 by $1,505 and $1,264, respectively, and decrease the aggregate of the service cost and interest cost by $141 and $146, respectively.

(Dollar amounts in thousands)

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

2015	$	771
2016		728
2017		709
2018		749
2019		725
2020 - 2024		3,400
Total	$	7,082

The estimated net loss (gain) and prior service cost included in unrestricted net asset expected to be recognized as components of net periodic benefit cost during the fiscal year ending December 31, 2015 are $0 and $0, respectively.

	2014	2013
Weighted-average assumptions used to determine benefit obligations at December 31:		
Discount rate	3.81 %	4.85 %
Weighted-average assumptions used to determine net periodic benefit cost for years ended December 31:		
Discount rate	4.85 %	4.10 %
Expected long-term return on plan assets	N/A	N/A

	2014		2013	
	MedSup Plan	Self-Insured Plan	MedSup Plan	Self-Insured Plan
Assumed health care trend rates at December 31:				
Health care cost trend rate assumed for next year	5.8 %	5.9 %	5.1 %	5.3 %
Rate to which the cost trend rate assumed to decline (ultimate trend rate)	4.7 %	4.4 %	4.7 %	4.4 %
Year that the rate reaches the ultimate trend	2086	2082	2086	2082

	2015
Cash flows - contributions:	
Amount expected to be contributed	$ 771

(Dollar amounts in thousands)

10. TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets are held for the following purposes at December 31, 2014 and 2013:

	2014	2013
Program related	$ 39,361	$ 38,711
Endowment earnings for domestic and foreign mission programs	103,238	100,258
Guam - School Scholarships	2,998	2,856
United Thank Offering and Episcopal Church Women Fund	768	826
Various other program funds	16,590	18,200
Total temporarily restricted net assets	$ 162,955	$ 160,851

11. ENDOWMENT FUND

The Society has adopted the provisions of "Endowments of Not-for-Profit Organizations: Net Asset Classification of Funds Subject to an Enacted Version of the Uniform Prudent Management of Institutional Funds Act, and Enhanced Disclosures for All Endowment Funds" of the 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 Society 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, the (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 as permanently restricted net assets is classified as temporarily restricted nets assets until such amounts are appropriated for expenditure by the Society in a manner consistent with the standard of prudence prescribed by NYPMIFA.

In accordance with NYPMIFA, the Society considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds: the duration and preservation of the fund, the purpose of the fund, general economic conditions, the possible effect of inflation or deflation, the expected total return from income and appreciation of investments, other resources of the Society, the investment policies of the Society and, where appropriate, alternatives to spending from donor-restricted endowment funds and the possible effects on the Society.

(Dollar amounts in thousands)

The Society has a policy of appropriating for distribution each year an Executive Council approved spending rate of its endowment fund's average fair value over five years. In establishing this policy, the Society considered the long-term expected return on its endowment. Accordingly, over the long term, the Society expects the current spending policy to grow at a pace at least equal to inflation. This is consistent with the Society's objective to maintain the purchasing power of the endowment assets held in perpetuity or for a specified term as well as to provide additional real growth through new gifts and investment return.

The Society has adopted investment policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets. The endowment assets are invested in a manner that is intended to produce results that exceed the price and yield results of appropriate benchmarks without putting the assets at imprudent risk. To satisfy its long-term objectives, the Society relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The Society targets a diverse asset allocation that places a greater emphasis on equity-based investments to achieve its long-term return objectives within prudent risk constraints.

With the exception of endowment pledges and split-interest agreements, the following tables summarize endowment net asset composition, by type of fund, as of December 31, 2014 and 2013:

	2014			
Composition of Endowment Net Assets by Type of Fund	**Unrestricted**	**Temporarily Restricted**	**Permanently Restricted**	**Total**
Donor-restricted endowment funds	$ -	$ 134,504	$ 19,647	$ 154,151
Board-designated endowment funds	129,878	-	-	129,878
Total	$ 129,878	$ 134,504	$ 19,647	$ 284,029
Changes in Endowment Net Assets				
Endowment net assets, beginning of year	$ 126,084	$ 132,387	$ 19,580	$ 278,051
Investment return:				
Investment income	168	-	-	168
Net appreciation (realized and unrealized)	10,997	2,101	(41)	13,057
Contributions	151	1,787	108	2,046
Appropriation of endowment assets for expenditure	(7,522)	(1,771)	-	(9,293)
Endowment net assets, end of year	$ 129,878	$ 134,504	$ 19,647	$ 284,029

(Dollar amounts in thousands)

	2013			
Composition of Endowment Net Assets by Type of Fund	**Unrestricted**	**Temporarily Restricted**	**Permanently Restricted**	**Total**
Donor-restricted endowment funds	$ -	$ 132,387	$ 19,580	$ 151,967
Board-designated endowment funds	126,084	-	-	126,084
Total	$ 126,084	$ 132,387	$ 19,580	$ 278,051
Changes in Endowment Net Assets				
Endowment net assets, beginning of year	$ 108,027	$ 111,476	$ 19,765	$ 239,268
Investment return:				
Investment income	179	-	-	179
Net appreciation (depreciation)	25,750	21,853	(292)	47,311
Contributions	-	928	107	1,035
Appropriation of endowment assets for expenditure	(7,872)	(1,870)	-	(9,742)
Endowment net assets, end of year	$ 126,084	$ 132,387	$ 19,580	$ 278,051

12. 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 $27,020 and $27,100 for the years ended December 31, 2014 and 2013, respectively. In addition, DFMS receives a significant portion of non-governmental fees from related parties as well, which totaled approximately $933 and $825 for the years ended December 31, 2014 and 2013, respectively. DFMS expended approximately $62 and $62 for the years ended December 31, 2014 and 2013, respectively, in either direct payments/grants to affiliated entities or expenses incurred on behalf of these related parties. Of the total loans receivable reported on the accompanying consolidated statements of financial position at December 31, 2014 and 2013, approximately $3,820 in 2013 and $6,024 in 2014 represent loans to related entities which bear interest at rates ranging from 3.0% to 8.0% per annum.

13. CONTINGENCIES

Government Funding

The Society enters into contracts with agencies of the U.S. government under which the government provides funding for various refugee resettlement activities carried on by the Society in the United States and in other countries. The expenditures of these funds by the Society and its affiliated organizations are subject to audit by the federal government. In the opinion of management, audit adjustments, if any, are not expected to have a material effect on the consolidated financial statements of the Society.

(Dollar amounts in thousands)

Refugee Loans Receivable and Collections

In connection with its cooperative agreements with the U.S. government for refugee resettlement, the Society acts as the collection agent for travel loans made to refugees by the International Organization for Migration. In return for these services, the Society retains 25% of all loan collections as a recovery of its administrative costs incurred. As of December 31, 2014 and 2013, there were $12,330 and $11,339, respectively, of refugee loans outstanding. Such amounts are not reflected on the accompanying consolidated financial statements, and the Society does not guarantee the loans.

Litigation

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

14. EPISCOPAL RELIEF & DEVELOPMENT

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

The following represents summarized financial information for ERD for the years ended December 31, 2014 and 2013:

	2014	2013
Revenues:		
Contributions	$ 18,952	$ 22,830
Investments and other	1,111	3,480
Total	$ 20,063	$ 26,310
Expenses:		
Program	$ 17,146	$ 17,263
Fundraising	2,218	2,027
General and administration	1,053	1,169
Total	$ 20,417	$ 20,459

The amounts presented above are derived from the audited financial statements of ERD as of and for the years ended December 31, 2014 and 2013. However, for purposes of consolidating the financial position and changes in net assets of ERD with the Society, all intercompany transactions have been eliminated.

SUPPLEMENTARY INFORMATION

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

Consolidating Schedule of Financial Position

As of December 31, 2014

(Dollar amounts in thousands)

ASSETS	DFMS	ERD	GUAM	Consolidating Entries	Total
Cash and cash equivalents	$ 5,566	$ 12,948	$ 1,369	$ -	$ 19,883
Receivables:					
Diocesan commitments receivable, net	829	-	-	-	829
Loans receivable, net	13,497	-	-	-	13,497
Government grants	1,850	-	-	-	1,850
Other receivables, net	1,928	3,383	120	-	5,431
Collateral received under securities loan agreement	2,487	-	-	-	2,487
Prepaid expenses and other assets	913	179	35	(187)	940
Investments:					
DFMS-controlled funds	277,752	21,800	2,505	-	302,057
Funds held for the benefit of others and in a trustee relationship	109,897	-	-	-	109,897
Property and equipment, net	42,658	136	7,807	(268)	50,333
Other assets	1,015	-	-	(852)	163
Beneficial interests in outside trusts	7,539	379	-	-	7,918
Total assets	$ 465,931	$ 38,825	$ 11,836	$ (1,307)	$ 515,285
LIABILITIES AND NET ASSETS					
Accounts and accrued expenses	$ 1,394	$ 2,681	$ 3,335	$ (852)	$ 6,558
Payable under securities loan agreement	2,487	-	-	-	2,487
Grants payable	156	27	-	-	183
Notes payable	39,763	-	-	-	39,763
Interest rate swap agreement	468	-	-	-	468
Mortgage payable	-	-	2,249	-	2,249
Accrued postretirement benefits other than pensions	12,980	1,195	-	-	14,175
Annuities payable	493	-	-	-	493
Funds held for the benefit of others	82,587	-	-	-	82,587
Funds held in a trustee relationship	27,310	-	-	-	27,310
Total liabilities	167,638	3,903	5,584	(852)	176,273
Contingencies					
NET ASSETS					
Unrestricted	140,683	179	6,252	(2,335)	144,779
Temporarily restricted	127,668	33,889	-	1,398	162,955
Permanently restricted	29,487	854	-	937	31,278
Total net assets	297,838	34,922	6,252	-	339,012
Total liabilities and net assets	$ 465,476	$ 38,825	$ 11,836	$ (852)	$ 515,285

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

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

Consolidating Schedule of Activities

For the year ended December 31, 2014
(Dollar amounts in thousands)

	DFMS	ERD	GUAM	Consolidating Entries	Total
REVENUES AND OTHER SUPPORT					
Diocesan commitments	$ 27,019	$ -	$ -	$ -	$ 27,019
Contributions and bequests	3,372	1,469	-	-	4,841
Contributed services	268	1,049	-	(1,010)	307
Investment return designated for current operations	9,712	-	-	-	9,712
Other investment income	1,047	-	-	-	1,047
Government revenue	17,791	-	-	-	17,791
Fees and other income	3,463	-	-	-	3,463
Episcopal Relief & Development	-	17,516	-	-	17,516
Revenues from the Episcopal Church in Micronesia	-	-	6,478	(50)	6,428
Total revenues and other support	62,672	20,034	6,478	(1,060)	88,124
EXPENSES					
Program services:					
Canonical and missional programs	45,747	-	-	-	45,747
General convention	2,743	-	-	(50)	2,693
Grant-related activities and other	4,768	-	-	-	4,768
Episcopal Relief & Development	-	18,322	-	(1,010)	17,312
Expenses from the Episcopal Church Micronesia	-	-	7,408	-	7,408
Total program services	53,258	18,322	7,408	(1,060)	77,928
Supporting services:					
Fundraising	-	2,218	-	-	2,218
General and administrative	7,876	1,053	-	-	8,929
Total supporting services	7,876	3,271	-	-	11,147
Total expenses	61,134	21,593	7,408	(1,060)	89,075
Changes in net assets from operations	1,538	(1,559)	(930)	-	(951)
NONOPERATING ACTIVITIES					
Investment return	17,038	1,192	-	-	18,230
Less: other investment income	2,228	(15)	-	-	2,213
Net investment gain - trust fund	14,810	1,207	-	-	16,017
Less: investment return designated for current operations	(9,712)	-	-	-	(9,712)
Total nonoperating activities	5,098	1,207	-	-	6,305
Changes in net assets	6,636	(352)	(930)	-	5,354
Change in value of interest rate swap	(468)	-	-	-	(468)
Postretirement related activities other than net periodic pension cost	(2,110)	-	-	-	(2,110)
Changes in net assets	4,058	(352)	(930)	-	2,776
Net assets, beginning of year	293,780	35,274	7,182	-	336,236
Net assets, end of year	$ 297,838	$ 34,922	$ 6,252	$ -	$ 339,012

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

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

Schedule of Expenditures of Federal Awards

For the year ended December 31, 2014

Federal Grantor/Program Title	Federal CFDA Number	Federal Expenditures
United States Department of State/Bureau for Population, Refugees, and Migration:		
Reception and Placement Cooperative Agreement	19.510	$ 11,467,660
United States Department of Health and Human Services:		
Refugee and Entrant Assistance – Voluntary Agency Programs	93.567	4,251,654
Refugee and Entrant Assistance – Discretionary Grants	93.576	1,141,459
Total United States Department of Health and Human Services		5,393,113
Total Expenditures of Federal Awards		$ 16,860,773

The accompanying notes to schedule of expenditures of federal awards are an integral part of this schedule.

1. BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards for the year ended December 31, 2014 includes the federal grant activity of The Domestic and Foreign Missionary Society of the Protestant Episcopal Church in the United States of America and Affiliates (collectively, the "Society") and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Not-for-Profit Organizations*.

2. SUBRECIPIENTS

Of the federal expenditures presented on the schedule, the Society provided federal awards to subrecipients during the year ended December 31, 2014, as follows:

Federal Grantor/Program Title	Federal CFDA number	Amount Provided to Subrecipients
United States Department of State/Bureau for Population, Refugees, and Migration:		
Reception and Placement Cooperative Agreement	19.510	$ 10,229,988
United States Department of Health and Human Services:		
Refugee and Entrant Assistance - Voluntary Agency Programs	93.567	3,360,516
Refugee and Entrant Assistance - Discretionary Grants	93.576	961,813

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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 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, 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 consolidated financial statements of The Domestic and Foreign Missionary Society of the Protestant Episcopal Church in the United States of America and Affiliates (collectively, the "Society"), which comprise the consolidated statement of financial position as of December 31, 2014, and the related consolidated statements of activities and cash flows for the year then ended, and the related notes to the consolidated financial statements, and have issued our report thereon dated June 18, 2015.

Internal control over financial reporting
In planning and performing our audit of the consolidated financial statements, we considered the Society'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 consolidated 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 Society'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 Society'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 Society'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 Society's consolidated 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 Society'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 Society's internal control and compliance. Accordingly, this report is not suitable for any other purpose.

Grant Thornton LLP

New York, New York
June 18, 2015

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REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133

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

Report on compliance for each major federal program

We have audited the compliance of The Domestic and Foreign Missionary Society of the Protestant Episcopal Church in the United States of America and Affiliates (collectively, the "Society") with the types of compliance requirements described in the U.S. Office of Management and Budget's *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2014. The Society's major federal program is identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to the Society's federal programs.

Auditor's responsibility

Our responsibility is to express an opinion on compliance for the Society's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*.

The above-mentioned standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Society's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the Society's compliance.

Opinion on each major federal program

In our opinion, the Society complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended December 31, 2014.

Report on internal control over compliance

Management of the Society is responsible for designing, implementing, and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Society's internal control over compliance with the types of compliance requirements that could have a direct and material effect on each major federal program to design audit procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Society's internal control over compliance.

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

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

The purpose of this Report on Internal Control Over Compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Grant Thornton LLP

New York, New York
September 21, 2015

SECTION I - SUMMARY OF AUDITORS' RESULTS

Financial Statements:

Type of auditors' report issued:	Unmodified	
Internal control over financial reporting:		
• Material weakness(es) identified?	___ yes	_X_ no
• Significant deficiency(ies) identified that are not considered to be material weakness(es)?	___ yes	_X_ none reported
Noncompliance material to the consolidated financial statements noted?	___ yes	_X_ no

Federal Awards:

Internal control over the major program:		
• Material weakness(es) identified?	___ yes	_X_ no
• Significant deficiency(ies) identified that are not considered to be material weakness(es)?	__ yes	_X_ none reported
Type of auditors' report issued on compliance for the major program:	Unmodified	
Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of OMB Circular A-133?	__ yes	_X_ no

Identification of the major program:

Federal Grantor/Program Title	**Federal CFDA Number**
United States Department of Health and Human Services: Refugee and Entrant Assistance – Voluntary Agency Programs	93.567

Dollar threshold used to distinguish between type A and type B programs:	$ 505,823	
Auditee qualified as a low-risk auditee?	_X_ yes	__ no

SECTION II - FINDINGS RELATED TO FINANCIAL STATEMENTS

None noted.

SECTION III - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

None noted.

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

Summary Schedule of Prior Year Findings and Questioned Costs

For the year ended December 31, 2014

None noted.