

THE EPISCOPAL CHURCH FOUNDATION

Financial Statements
With Independent Auditors' Report

December 31, 2022 and 2021

THE EPISCOPAL CHURCH FOUNDATION

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INDEPENDENT AUDITORS' REPORT

Board of Directors
The Episcopal Church Foundation
New York, New York

Opinion

We have audited the accompanying financial statements of The Episcopal Church Foundation, which comprise the statements of financial position as of December 31, 2022 and 2021, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of The Episcopal Church Foundation as of December 31, 2022 and 2021, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

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

Responsibilities of Management for the Financial Statements

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

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

Board of Directors
The Episcopal Church Foundation
New York, New York

Auditors' Responsibilities for the Audit of the Financial Statements

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

In performing an audit in accordance with generally accepted auditing standards, we:

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

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

Capin Crouse LLP

New York, New York
July 26, 2023

THE EPISCOPAL CHURCH FOUNDATION

Statements of Financial Position

	December 31,	
	2022	2021
ASSETS:		
Cash and cash equivalents	\$ 301,796	\$ 115,878
Contributions receivable	49,245	66,023
Other assets	1,594,214	1,586,735
Investments held under split-interest agreements	25,946,529	33,718,580
Investments managed on behalf of others	486,210,018	556,432,712
Investments	46,406,432	57,810,175
Property and equipment, net	196,266	323,762
Total Assets	\$ 560,704,500	\$ 650,053,865
LIABILITIES AND NET ASSETS:		
Liabilities:		
Accounts payable and accrued expenses	\$ 415,441	\$ 247,616
Deferred grant revenue	50,000	373,047
Deferred event revenue	-	25,200
Liabilities under split-interest agreements and discount for future interest - pooled income fund	24,505,146	31,585,107
Funds managed on behalf of others	486,210,018	556,432,712
Total liabilities	511,180,605	588,663,682
Net assets:		
Net assets without donor restrictions	42,488,139	52,584,030
Net assets with donor restrictions:		
Restricted by time and purpose	2,763,146	4,144,030
Restricted in perpetuity	4,272,610	4,662,123
	7,035,756	8,806,153
Total net assets	49,523,895	61,390,183
Total Liabilities and Net Assets	\$ 560,704,500	\$ 650,053,865

See notes to financial statements

THE EPISCOPAL CHURCH FOUNDATION

Statements of Activities

	Year Ended December 31,					
	2022			2021		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
OPERATING REVENUES AND SUPPORT:						
Contributions and legacies	\$ 282,708	\$ 452,545	\$ 735,253	\$ 422,151	\$ 461,158	\$ 883,309
Fees for services	1,304,918	-	1,304,918	1,502,246	-	1,502,246
Publication and other fees	24,474	-	24,474	24,672	-	24,672
Investment income authorized for use in operations	1,987,000	-	1,987,000	1,837,000	-	1,837,000
Net assets released from restrictions for operating activity	699,625	(699,625)	-	742,678	(742,678)	-
Total Operating Revenues and Support	4,298,725	(247,080)	4,051,645	4,528,747	(281,520)	4,247,227
OPERATING EXPENSES:						
Program services (Note 2):						
Leadership resources	1,950,596	-	1,950,596	1,846,144	-	1,846,144
Financial resources	1,740,829	-	1,740,829	1,426,391	-	1,426,391
Total program services	3,691,425	-	3,691,425	3,272,535	-	3,272,535
Supporting activities:						
Management and general	467,110	-	467,110	424,145	-	424,145
Fundraising	274,794	-	274,794	269,926	-	269,926
Total supporting activities	741,904	-	741,904	694,071	-	694,071
Total Expenses	4,433,329	-	4,433,329	3,966,606	-	3,966,606
Change in operating activity	(134,604)	(247,080)	(381,684)	562,141	(281,520)	280,621

(continued)

See notes to financial statements

THE EPISCOPAL CHURCH FOUNDATION

Statements of Activities (continued)

	Year Ended December 31,					
	2022			2021		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
NONOPERATING ACTIVITY:						
Investment gain (loss) in excess of amounts authorized for use in operations	(9,961,287)	(531,250)	(10,492,537)	4,549,550	329,717	4,879,267
Change in value of split-interest agreements	-	(602,554)	(602,554)	-	301,628	301,628
Change in value of beneficial interest in perpetual trusts	-	(389,513)	(389,513)	-	131,014	131,014
Change in nonoperating activity	(9,961,287)	(1,523,317)	(11,484,604)	4,549,550	762,359	5,311,909
Total Change in Net Assets	(10,095,891)	(1,770,397)	(11,866,288)	5,111,691	480,839	5,592,530
Net Assets, Beginning of Year	52,584,030	8,806,153	61,390,183	47,472,339	8,325,314	55,797,653
Net Assets, End of Year	\$ 42,488,139	\$ 7,035,756	\$ 49,523,895	\$ 52,584,030	\$ 8,806,153	\$ 61,390,183

See notes to financial statements

THE EPISCOPAL CHURCH FOUNDATION

Statement of Functional Expenses

Year Ended December 31, 2022

	Program Services			Supporting Activities			Total
	Leadership Resources	Financial Resources	Totals	Management and General	Fundraising	Totals	2022
Salaries	\$ 620,076	\$ 1,045,090	\$ 1,665,166	\$ 265,952	\$ 90,455	\$ 356,407	\$ 2,021,573
Employee benefits	141,121	237,848	378,969	60,527	20,586	81,113	460,082
Payroll taxes	47,795	78,848	126,643	16,543	5,961	22,504	149,147
	808,992	1,361,786	2,170,778	343,022	117,002	460,024	2,630,802
Professional fees and honoraria	425,368	87,461	512,829	64,111	57,609	121,720	634,549
Grants to other organizations	475,228	-	475,228	-	-	-	475,228
Office supplies	34,082	70,192	104,274	10,551	26,691	37,242	141,516
Depreciation	42,097	70,951	113,048	18,055	6,141	24,196	137,244
Occupancy costs	39,537	66,637	106,174	16,958	5,768	22,726	128,900
Travel and conferences	35,985	65,312	101,297	10,669	9,130	19,799	121,096
Fellowship grants	80,000	-	80,000	-	-	-	80,000
Public relations and advertising	577	3,777	4,354	-	51,180	51,180	55,534
Insurance	8,730	14,713	23,443	3,744	1,273	5,017	28,460
Total expenses	\$ 1,950,596	\$ 1,740,829	\$ 3,691,425	\$ 467,110	\$ 274,794	\$ 741,904	\$ 4,433,329

See notes to financial statements

THE EPISCOPAL CHURCH FOUNDATION

Statement of Functional Expenses

Year Ended December 31, 2021

	Program Services			Supporting Activities			Total
	Leadership Resources	Financial Resources	Totals	Management and General	Fundraising	Totals	2021
Salaries	\$ 635,003	\$ 853,490	\$ 1,488,493	\$ 251,150	\$ 105,246	\$ 356,396	\$ 1,844,889
Employee benefits	139,811	187,916	327,727	55,297	23,172	78,469	406,196
Payroll taxes	50,076	66,977	117,053	15,300	7,908	23,208	140,261
	<u>824,890</u>	<u>1,108,383</u>	<u>1,933,273</u>	<u>321,747</u>	<u>136,326</u>	<u>458,073</u>	<u>2,391,346</u>
Professional fees and honoraria	324,900	91,377	416,277	45,875	35,253	81,128	497,405
Grants to other organizations	384,134	-	384,134	-	-	-	384,134
Travel and conferences	49,979	67,176	117,155	19,767	8,284	28,051	145,206
Office supplies	44,673	60,044	104,717	17,669	7,404	25,073	129,790
Occupancy costs	33,498	56,129	89,627	10,762	25,744	36,506	126,133
Depreciation	80,420	29,954	110,374	4,503	2,517	7,020	117,394
Public relations and advertising	87,000	-	87,000	-	-	-	87,000
Fellowship grants	6,987	341	7,328	-	52,796	52,796	60,124
Insurance	9,663	12,987	22,650	3,822	1,602	5,424	28,074
	<u>824,890</u>	<u>1,108,383</u>	<u>1,933,273</u>	<u>321,747</u>	<u>136,326</u>	<u>458,073</u>	<u>2,391,346</u>
Total expenses	<u>\$ 1,846,144</u>	<u>\$ 1,426,391</u>	<u>\$ 3,272,535</u>	<u>\$ 424,145</u>	<u>\$ 269,926</u>	<u>\$ 694,071</u>	<u>\$ 3,966,606</u>

See notes to financial statements

EPISCOPAL CHURCH FOUNDATION

Statements of Cash Flows

	Year Ended December 31,	
	2022	2021
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	\$ (11,866,288)	\$ 5,592,530
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:		
Depreciation	137,244	145,206
Change in value of split-interest agreements	602,554	(301,628)
Change in value of beneficial interest in perpetual trusts	389,513	(131,014)
Net realized and unrealized (gains) losses in investments	9,383,658	(5,319,122)
Change in operating assets and liabilities:		
Contributions receivable	16,778	(55,769)
Other assets	(7,479)	(58,592)
Accounts payable and accrued expenses	167,825	(181,068)
Deferred grant revenue	(323,047)	(53,443)
Deferred event revenue	(25,200)	12,700
Net Cash Used by Operating Activities	(1,524,442)	(350,200)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchases of property and equipment	(9,748)	(212,897)
Proceeds from sale of investments	8,484,855	9,510,024
Purchase of investments	(6,854,283)	(9,320,220)
Net Cash Provided (Used) by Investing Activities	1,620,824	(23,093)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Payments of annuity and trust obligations	(2,126,113)	(2,323,327)
Proceeds from contributions and transfers restricted for split-interest agreements	2,215,649	2,426,548
Net Cash Provided by Financing Activities	89,536	103,221
Change in Cash and Cash Equivalents	185,918	(270,072)
Cash and Cash Equivalents, Beginning of Year	115,878	385,950
Cash and Cash Equivalents, End of Year	\$ 301,796	\$ 115,878

See notes to financial statements

THE EPISCOPAL CHURCH FOUNDATION

Notes to Financial Statements

December 31, 2022 and 2021

1. NATURE OF OPERATIONS:

The Episcopal Church Foundation (ECF) is an independent, lay-led organization that helps congregations, dioceses and other Episcopal communities of faith engage in visioning and planning, develop leadership and raise resources for ministry. ECF's practical, innovative and spiritually-grounded programs, products and services include leadership training and development, the Fellowship Partners Program, publications and web-based resources, consulting services for visioning and strategy planning, annual stewardship support, planned giving, capital campaigns and endowment management services. ECF is also involved in a variety of collaborative projects and partnerships to provide new kinds of solutions to help address the changing needs of the Episcopal Church (Church).

ECF is classified as a publicly supported 501(c)(3) organization under Section 170(b)(1)(a)(vi) of the Internal Revenue Code (code) and is exempt from federal income tax under Section 501(a) of the code. ECF is also exempt from NYS and NYC income and sales tax. However, ECF is subject to federal income tax on any unrelated business taxable income. Currently, ECF does not have any income subject to unrelated business income. In addition the organization is not classified as a private foundation within the meaning of Section 509(a) of the code.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

BASIS OF PRESENTATION

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

ECF's net assets, revenues, expenses, gains and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of ECF and changes therein are classified and reported as follows:

Net assets without donor restrictions - resources which are available for carrying out ECF's operations and that are not subject to donor-imposed stipulations. Net assets without donor restrictions may be designated for specific purposes by ECF's Board of Directors or may be limited by contractual agreements with outside parties.

Net assets with donor restrictions - net assets which have been limited by donor-imposed stipulations that either expire with the passage of time or can be fulfilled by the actions of ECF pursuant to those stipulations. Net asset with donor restrictions also include resources whereby the donors have stipulated that the principal contributed be invested and maintained in perpetuity, with investment return available for expenditure according to restrictions, if any, imposed by those donors.

CASH AND CASH EQUIVALENTS

Cash consists of cash on hand, checking, and money market funds. ECF considers all highly liquid investments with an original maturity of three months or less, other than those held in the investment portfolio and under split-interest agreements, to be cash equivalents. These accounts, from time to time, may exceed federally insured limits. At both December 31, 2022 and 2021, ECF's cash balances did not exceed federally insured limits.

THE EPISCOPAL CHURCH FOUNDATION

Notes to Financial Statements

December 31, 2022 and 2021

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued:

CONTRIBUTIONS RECEIVABLE

Unconditional promises to give that are expected to be collected within one year are reported at net realizable value. Unconditional promises to give that are expected to be collected in future years are reported at the present value of their estimated future cash flows. When applicable, the discounts on those amounts are computed using risk adjusted interest rates applicable to the years in which the promises are expected to be received. At December 31, 2022 and 2021, the amounts due in greater than one year are not significant. Therefore, a discount was not recorded. Additionally, all balances are deemed fully collectible, therefore no allowance for doubtful accounts was recognized.

OTHER ASSETS

Other assets consist of prepaid expenses and accounts receivable. Prepaid expenses consist of expenses paid for future services not yet incurred. Accounts receivable from clients are reported at their full values, with no allowance for uncollectible amounts. All accounts receivable are due within the next year.

INVESTMENTS

ECF carries investments in equity securities, mutual funds, U.S. government and corporate obligations, mortgage-backed securities and beneficial interest in perpetual trusts with readily determinable market values, at fair value. Money market funds are held at cost. Common trust funds, pooled income funds and equity unit investment trusts and hedge funds are held at net asset value as a practical expedient. Investment returns appropriated for operating activities and nonoperating activities during the year are reported in the accompanying statements of activities.

DONOR ADVISED FUNDS

Charitable fund agreements allow donors to make outright charitable contributions to this fund which is used to provide charitable donations (grants) to qualified charitable organizations whose purposes, programs and practices are not inconsistent with the Christian character of ECF. The funds are under the complete control of ECF, but donors are allowed to make recommendations as to their distribution. These types of gift agreements are commonly referred to as donor advised funds and are reported as a part of net assets without donor restrictions.

FAIR VALUE MEASUREMENTS AND FAIR VALUE OF FINANCIAL INSTRUMENTS

ECF measures fair value as the price that would be received to sell an asset or paid to transfer a liability (exit price) in an orderly transaction between market participants at the measurement date. ECF also prioritizes, within the measurement of fair value, the use of market based information over entity-specific information and establishes a three-level hierarchy for fair value measurements based on the transparency of information used in the valuation of an asset or liability as of the measurement date.

THE EPISCOPAL CHURCH FOUNDATION

Notes to Financial Statements

December 31, 2022 and 2021

2. SIGNIFICANT ACCOUNTING POLICIES, continued:

FAIR VALUE MEASUREMENTS AND FAIR VALUE OF FINANCIAL INSTRUMENTS, continued

The three levels of the fair value hierarchy follow:

Level 1 - Inputs that reflect unadjusted quoted prices in active markets for identical assets or liabilities that ECF has the ability to access at the measurement date. The types of investments included in Level 1 are equity securities, and mutual funds (equity and fixed income).

Level 2 - Inputs other than quoted prices that are observable for the asset or liability either directly or indirectly, including inputs in markets that are not considered to be active.

U.S. government and corporate obligations and mortgage-backed securities - The fair value is based on yields currently available on comparable securities.

Level 3 - Inputs that are unobservable. There have been no transfers into or out of this level nor any purchases or issuances of assets held at this level during the years ended December 31, 2022 and 2021.

Beneficial interest in perpetual trusts –The fair value of beneficial interest in perpetual trusts is determined by using the ECF’s percentage interest in the trust and the fair value of the trust as determined by the trustee.

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 judgement by ECF’s management. ECF considers observable data to be that market data that is readily available, regularly distributed or updated, reliable and verifiable, not proprietary, and provided by independent sources that are actively involved in the relevant market. The categorization of a financial instrument within the hierarchy is based upon the pricing transparency of the instrument and does not necessarily correspond to ECF’s perceived risk of that instrument. Respective carrying value approximates the fair value for each financial instrument asset (cash and cash equivalents and investments) and financial instrument liability (liabilities under split interest agreements and discounts for future interest – pooled income fund and funds managed on the behalf of others).

ECF holds hedge funds, equity unit investment trusts, pooled investments, and common trust funds (CTF's) at the estimated net asset value (NAV), as a practical expedient, as the holdings may not be readily marketable. These investments are subject to uncertainty and, therefore, may differ from the value that would have been used had a ready market for such investments existed. The values assigned to these 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, those estimated net asset 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 EPISCOPAL CHURCH FOUNDATION

Notes to Financial Statements

December 31, 2022 and 2021

2. SIGNIFICANT ACCOUNTING POLICIES, continued:

FAIR VALUE MEASUREMENTS AND FAIR VALUE OF FINANCIAL INSTRUMENTS, continued
ECF values certain investments at NAV. These investments held at NAV are:

CTF's - Common trust funds include funds categorized as international equity, emerging markets, and fixed-income debt securities. Each individual fund seeks an investment return on par with or in excess of the performance in the related market they are traded in. Their underlying assets are daily priced and traded public equities; however, trades in and out of the investment vehicle are executed at net asset value.

Pooled investments - Underlying assets are daily priced and traded public equities; however trades in and out of the investment vehicle are executed at net asset value.

Hedge funds - Long/short equity investing, event-driven investing, and specialized equity or debt investments.

Equity unit investment trusts - Long/short diversified portfolio of equity securities of companies located in any country other than the United States and long term return in excess of the S&P 500.

PROPERTY AND EQUIPMENT, NET

Property and equipment are carried at their acquisition cost or, if received as a gift, at fair market value at the date of contribution. ECF capitalizes expenditures greater than \$250. Depreciation of property and equipment is provided using the straight-line method, over the useful lives ranging from five to seven years.

DEFERRED REVENUE

Grant revenue is recognized when earned as the eligible expenses are incurred. Grant money received in excess of that earned is recorded as deferred revenue. The deferred grant revenue, totaling \$50,000 and \$373,047 for the years ended December 31, 2022 and 2021, respectively, is restricted on behalf of the Lilly Endowment grant to provide ECF the ability to support the National Initiative to Address the Economic Challenges Facing Pastoral Leaders. Any portion of the grant unexpended at the end of the grant period (December 31, 2022) shall be repaid to the grantor. As of and for the years ended December 31, 2022 and 2021, deferred and earned grant revenue were not retrospectively adjusted based upon the adoption of ASU 2018-08, as it did not have a material effect on the financial statements.

Event revenue is recognized when earned, which is the date the event occurs. Amounts collected for ticket sales and contributions prior to year end for events occurring in the subsequent year and for which a right of return exists if the event were to be cancelled, are reported as deferred event revenue in the statements of financial position.

THE EPISCOPAL CHURCH FOUNDATION

Notes to Financial Statements

December 31, 2022 and 2021

2. SIGNIFICANT ACCOUNTING POLICIES, continued:

SUPPORT AND REVENUE

Contributions are recognized in the year an unconditional promise to give is received from a donor. Conditional promises to give are not recognized until they become unconditional, that is, when the conditions on which they depend are substantially met. Contributions of assets, other than cash, are recorded at their estimated fair value at the date of gift.

ECF reports gifts of cash and other assets as restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, net assets with donor restrictions, time and purpose are reclassified to net assets without donor restrictions and presented in the accompanying statements of activities as net assets released from restrictions.

Revenue from fees for services is recognized when earned, according to predetermined management fee rates as agreed to with the organizations for which funds are held.

FUNCTIONAL ALLOCATION OF EXPENSES

The costs of providing the program services and supporting activities have been summarized on a functional basis in the statements of activities and statements of functional expenses. Certain costs not directly attributable to specific program services or functions have been allocated to program services and supporting activities. Management allocates costs based on an average of the programs budget, full time equivalents, and staff time attributed to the function. Management considers its method of allocation to be equitable. ECF incurred no joint costs for the years ended December 31, 2022 and 2021.

Total advertising costs incurred during the years ended December 31, 2022 and 2021, were approximately \$51,000 and \$53,000, respectively.

LEADERSHIP RESOURCES PROGRAM EXPENSES

To lead effectively, church leaders must be fully equipped. ECF's comprehensive leadership resources help empower lay and ordained leaders with the tools they need to strengthen and grow their congregations.

FINANCIAL RESOURCES PROGRAM EXPENSES

ECF provides a holistic approach to financial resource development for Episcopal organizations and a continuum of services and support including annual giving, planned giving, capital campaign consultation and endowment management services. In conjunction with ECF's leadership initiatives, these programs help congregations raise resources to enhance and grow their local ministries and their broader mission.

USE OF ESTIMATES

The preparation of financial statements in conformity with US GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

THE EPISCOPAL CHURCH FOUNDATION

Notes to Financial Statements

December 31, 2022 and 2021

2. SIGNIFICANT ACCOUNTING POLICIES, continued:

OPERATING MEASURE

The accompanying statements of activities distinguish between operating and non-operating activities. ECF has defined operating activities to include contributions and legacies; fees for services, publication and other fees; and investment income authorized for use in operations. Investment returns authorized for use in operations represents the estimated amount appropriated by the board. All other investment activities, including change in split interest agreements, change in beneficial interest in perpetual trusts, investment gain (loss) in excess of amounts authorized for use in operations, are presented as non-operating activities.

3. LIQUIDITY AND AVAILABILITY OF RESOURCES:

The following reflects ECF's financial assets as of December 31, 2022 and 2021, reduced by amounts not available for general use because of contractual or donor-imposed restrictions within one year of the statements of financial position date.

	December 31,	
	2022	2021
Financial assets:		
Cash and cash equivalents	\$ 301,796	\$ 115,878
Accounts receivable	1,520,539	1,494,658
Contributions receivable	49,245	66,023
Investments held under split-interest agreements	25,946,529	33,718,580
Investments managed on behalf of others	486,210,018	556,432,712
Investments	46,406,432	57,810,175
Financial assets, at year end	560,434,559	649,638,026
Less those not available for general expenditure within one year:		
Restrictions by donors held in perpetuity	(4,272,610)	(4,662,123)
Subject to appropriation or satisfaction of donor restrictions	(2,763,146)	(4,144,030)
Board designated donor advised funds	(870,327)	(1,010,346)
Funds managed on behalf of others	(486,210,018)	(556,432,712)
Investments managed under split-interest agreements	(25,946,529)	(33,718,580)
State-mandated insurance reserves	(10,152,000)	(11,050,000)
	(530,214,630)	(611,017,791)
Financial assets available to meet cash needs for general expenditures within one year	\$ 30,219,929	\$ 38,620,235

ECF is substantially supported by contributions, service fees, and investment income for which a substantial portion does not carry restrictions. As part of ECF's liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due. With board approval the investments designated for donor advised funds could be made available for liquidity needs.

THE EPISCOPAL CHURCH FOUNDATION

Notes to Financial Statements

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4. INVESTMENTS HELD UNDER SPLIT-INTEREST AGREEMENTS:

ECF is the beneficiary or agent for third-party beneficiaries of a number of split-interest agreements. Under these agreements, ECF controls the donated assets and distributes to the donor or donor's designee a predetermined amount or percentage or, in the case of pooled income funds, all of the income generated from those assets until such time as stated in the agreement (usually upon the death of the donor or donor's designee). ECF will be able to utilize that portion of the gifts in which it has an interest upon the death of the respective life income beneficiary and will distribute to any third-party beneficiaries their respective remainder interests.

At the time of the gift and adjusted annually, ECF records contribution income, if any, and a liability for amounts payable to annuitants and third-party beneficiaries using an actuarial calculation based upon estimated mortality rates and other assumptions that could change in the near term. The discount rates used in the calculation ranged from 1.2% to 8.2% as of December 31, 2022 and 2021, respectively. State-mandated insurance reserves related to these arrangements are maintained at approximately \$10 million and \$11 million as of December 31, 2022 and 2021, respectively, and are included as a component of net assets without donor restrictions.

Investments, at fair value, held under split-interest agreements consisted of the following categories:

	December 31,	
	2022	2021
Pooled income funds	\$ 1,896,517	\$ 2,419,246
Charitable remainder trusts	11,468,948	14,661,786
Charitable gift annuities	12,581,064	16,637,548
	<u>\$ 25,946,529</u>	<u>\$ 33,718,580</u>

Investments held under split-interest agreements by valuation hierarchy as of December 31, 2022, is as follows:

	Level 1	Level 2	Level 3	Total
U.S. government and corporate obligations	\$ -	\$ 942,327	\$ -	\$ 942,327
Mutual funds	14,932,951	-	-	14,932,951
	<u>\$ 14,932,951</u>	<u>\$ 942,327</u>	<u>\$ -</u>	<u>15,875,278</u>

Investments held at other than fair value:

CTF's, held at NAV	9,233,950
Cash and cash equivalents, held at cost	837,301
	<u>\$ 25,946,529</u>

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Notes to Financial Statements

December 31, 2022 and 2021

4. INVESTMENTS HELD UNDER SPLIT-INTEREST AGREEMENTS, continued:

Investments valued at NAV as of December 31, 2022, consisted of the following:

	Net Asset Value	Commitments	Redemption Frequency/ Restrictions	Redemption Notice Period
CTF's	<u>\$ 9,233,950</u>	<u>\$ -</u>	Daily to Monthly/ None	None

Investments held under split-interest agreements by valuation hierarchy as of December 31, 2021, is as follows:

	Level 1	Level 2	Level 3	Total
U.S. government and corporate obligations	\$ -	\$ 970,909	\$ -	\$ 970,909
Mutual funds	17,493,908	-	-	17,493,908
Mortgage-backed securities	-	150,098	-	150,098
	<u>\$ 17,493,908</u>	<u>\$ 1,121,007</u>	<u>\$ -</u>	18,614,915

Investments held at other than fair value:

CTF's, held at NAV	13,587,482
Cash and cash equivalents, held at cost	<u>1,516,183</u>
	<u>\$ 33,718,580</u>

Investments valued at NAV as of December 31, 2021, consisted of the following:

	Net Asset Value	Commitments	Redemption Frequency/ Restrictions	Redemption Notice Period
CTF's	<u>\$ 13,587,482</u>	<u>\$ -</u>	Daily to Monthly/ None	None

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5. INVESTMENTS MANAGED ON BEHALF OF OTHERS:

ECF manages certain investments on behalf of parishes and other Episcopal entities. Such investments are reflected in the accompanying statements of financial position as investments managed on behalf of others. ECF has no ownership of or residual interest in these investments and as such, a liability equal to the balance of the investments is reflected in the accompanying statements of financial position as funds managed on behalf of others.

In April 2004, ECF entered into an agreement with The Domestic and Foreign Missionary Society (DFMS) whereby DFMS appointed ECF as its agent to act as manager of DFMS's planned giving assets underlying its split-interest trusts and pooled income funds and to manage all future additions to such trusts or funds. At December 31, 2022 and 2021, the fair values of such funds were approximately \$5,305,000 and \$6,546,000, respectively, and were included within investments managed on behalf of others, with a corresponding liability reflected in funds managed on behalf of others, in the accompanying statements of financial position.

In situations where ECF acts as an agent on behalf of others, the related investments are included in investments managed on behalf of others, with a related liability reflected in the accompanying statements of financial position.

The composition of investments managed on behalf of others is as follows:

	December 31,	
	2022	2021
Cash and cash equivalents	\$ 9,747,490	\$ 25,567,558
U.S. government and corporate obligations	21,062	25,982
Mutual funds	122,204,002	130,947,964
CTF's	303,943,890	335,902,307
Pooled investments	50,293,574	63,986,150
Mortgage-backed securities	-	2,751
Total	<u>\$486,210,018</u>	<u>\$556,432,712</u>

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December 31, 2022 and 2021

5. INVESTMENTS MANAGED ON BEHALF OF OTHERS, continued:

Investments managed on behalf of others by valuation hierarchy as of December 31, 2022, is as follows:

	Level 1	Level 2	Level 3	Total
U.S. government and corporate obligations	\$ -	\$ 21,062	\$ -	\$ 21,062
Mutual funds	122,204,002	-	-	122,204,002
	<u>\$ 122,204,002</u>	<u>\$ 21,062</u>	<u>\$ -</u>	<u>122,225,064</u>
Investments held at other than fair value:				
Pooled investments, held at NAV				50,293,574
CTF's, held at NAV				303,943,890
Cash and cash equivalents, held at cost				9,747,490
				363,984,954
				<u>\$486,210,018</u>

Investments valued at NAV as of December 31, 2022, consisted of the following:

	Net Asset Value	Commitments	Redemption Frequency/ Restrictions	Redemption Notice Period
Pooled investments	\$ 50,293,574	\$ -	Daily/ None	None
CTF's	303,943,890	-	Daily to Monthly/ None	None
	<u>\$ 354,237,464</u>	<u>\$ -</u>		

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Notes to Financial Statements

December 31, 2022 and 2021

5. INVESTMENTS MANAGED ON BEHALF OF OTHERS, continued:

Investments managed on behalf of others by valuation hierarchy as of December 31, 2021, is as follows:

	Level 1	Level 2	Level 3	Total
U.S. government and corporate obligations	\$ -	\$ 25,982	\$ -	\$ 25,982
Mutual funds	130,947,964	-	-	130,947,964
Mortgage-backed securities	-	2,751	-	2,751
	<u>\$ 130,947,964</u>	<u>\$ 28,733</u>	<u>\$ -</u>	130,976,697
Investments held at other than fair value:				
Pooled investments, held at NAV				63,986,150
CTF's, held at NAV				335,902,307
Cash and cash equivalents, held at cost				25,567,558
				<u>425,456,015</u>
				<u>\$556,432,712</u>

Investments valued at NAV as of December 31, 2021, consisted of the following:

	Net Asset Value	Commitments	Redemption Frequency/ Restrictions	Redemption Notice Period
Pooled investments	\$ 63,986,150	\$ -	Daily/ None Daily to	None
CTF's	335,902,307	-	Monthly/ None	None
	<u>\$ 399,888,457</u>	<u>\$ -</u>		

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Notes to Financial Statements

December 31, 2022 and 2021

6. INVESTMENTS:

Investments are comprised of the following:

	December 31,	
	2022	2021
Equity unit investment trusts	\$ 12,826,849	\$ 16,876,540
Mutual funds:		
Equity	19,318,579	22,828,697
Fixed income	5,813,808	7,694,656
Hedge funds	6,322,483	7,481,552
Beneficial interest in perpetual trusts	1,438,401	1,827,914
Money market funds	686,312	1,100,816
	<u>\$ 46,406,432</u>	<u>\$ 57,810,175</u>

Investment gain (loss) consists of:

	Year Ended December 31,	
	2022	2021
Dividend and interest	\$ 1,070,096	\$ 1,615,464
Realized and unrealized gains (losses)	(9,383,658)	5,319,122
Change in value of split-interest agreements	(602,554)	301,628
Change in value of beneficial interest in perpetual trusts	(389,513)	131,014
Investment management fees	(191,975)	(218,319)
	<u>\$ (9,497,604)</u>	<u>\$ 7,148,909</u>

Reconciliation to the statements of activities:

	Year Ended December 31,	
	2022	2021
Investment income authorized for use in operations	\$ 1,987,000	\$ 1,837,000
Investment gain (loss) in excess of amounts authorized for use in operations	(10,492,537)	4,879,267
Change in value of split-interest agreements	(602,554)	301,628
Change in value of beneficial interest in perpetual trusts	(389,513)	131,014
	<u>\$ (9,497,604)</u>	<u>\$ 7,148,909</u>

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Notes to Financial Statements

December 31, 2022 and 2021

6. INVESTMENTS, continued:

Investment portfolio by valuation hierarchy as of December 31, 2022, is as follows:

	Fair Value Measurements			Total
	Level 1	Level 2	Level 3	
Mutual funds:				
Equity	\$ 19,318,579	\$ -	\$ -	\$ 19,318,579
Fixed income	5,813,808	-	-	5,813,808
Beneficial interest in perpetual trusts	-	-	1,438,401	1,438,401
	\$ 25,132,387	\$ -	\$ 1,438,401	26,570,788
Investments held at other than fair value:				
Hedge funds, held at NAV				6,322,483
Equity unit investment trusts, held at NAV				12,826,849
Money market funds, held at cost				686,312
				19,835,644
				\$ 46,406,432

Investments valued at NAV as of December 31, 2022, consisted of the following:

	Net Asset Value	Commitments	Redemption Frequency/ Restrictions	Redemption Notice Period
Hedge funds	\$ 6,322,483	\$ -	Quarterly/ None	100 days
Equity unit investment trusts	12,826,849	-	Monthly/ None	None
	\$ 19,149,332	\$ -		

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Notes to Financial Statements

December 31, 2022 and 2021

6. INVESTMENTS, continued:

Investment portfolio by valuation hierarchy as of December 31, 2021, is as follows:

	Fair Value Measurements			Total
	Level 1	Level 2	Level 3	
Mutual funds:				
Equity	\$ 22,828,697	\$ -	\$ -	\$ 22,828,697
Fixed income	7,694,656	-	-	7,694,656
Beneficial interest in perpetual trusts	-	-	1,827,914	1,827,914
	\$ 30,523,353	\$ -	\$ 1,827,914	32,351,267
Investments held at other than fair value:				
Hedge funds, held at NAV				7,481,552
Equity unit investment trusts, held at NAV				16,876,540
Money market funds, held at cost				1,100,816
				25,458,908
				\$ 57,810,175

Investments valued at NAV as of December 31, 2021, consisted of the following:

	Net Asset Value	Commitments	Redemption Frequency/ Restrictions	Redemption Notice Period
Hedge funds	\$ 7,481,552	\$ -	Quarterly/ None	100 days
Equity unit investment trusts	16,876,540	-	Monthly/ None	None
	\$ 24,358,092	\$ -		

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7. PROPERTY AND EQUIPMENT, NET:

Property and equipment, net, consisted of the following:

	December 31,	
	2022	2021
Computer and equipment	\$ 985,369	\$ 975,621
Furniture and fixtures	522,197	522,197
	1,507,566	1,497,818
Less: accumulated depreciation	(1,311,300)	(1,174,056)
	\$ 196,266	\$ 323,762

8. NET ASSETS:

Net assets without donor restrictions were available as follows:

	December 31,	
	2022	2021
Undesignated	\$ 31,465,812	\$ 40,523,684
Board designated donor advised funds	870,327	1,010,346
State-mandated insurance reserves	10,152,000	11,050,000
	\$ 42,488,139	\$ 52,584,030

Net assets with donor restrictions, time and purpose were available for the following purposes:

	December 31,	
	2022	2021
Charitable gift annuities	\$ 746,344	\$ 1,183,841
Accumulated earnings subject to appropriation	412,006	1,073,999
Leadership resources	909,757	936,559
Charitable annuity trusts	363,024	537,489
Pooled income funds	332,015	412,142
	\$ 2,763,146	\$ 4,144,030

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Notes to Financial Statements

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8. NET ASSETS, continued:

Net assets were released from donor restrictions by incurring expenses, satisfying the purpose of the restriction, the passage of time or by the occurrence of other specific events are as follows:

	December 31,	
	2022	2021
Leadership resources	\$ 600,607	\$ 573,923
Charitable gift annuities matured	82,979	166,446
Pooled income funds matured	10,857	2,309
Charitable annuity trusts matured	5,182	-
	\$ 699,625	\$ 742,678

Net assets with donor restrictions, in perpetuity represent contributions made for the following purposes and are restricted to investment in perpetuity. Income from these funds is available for without donor restrictions use until those amounts are appropriated for expenditure by the ECF in a manner consistent with the standard of prudence prescribed by NYPMIFA, except with respect to the Graduate Fellowship Fund, the Bromwell-Ault-Burchenal Fellowship Fund and the George Allen Fowlkes Intern Program. Net assets with donor restrictions, in perpetuity consist of the following:

	December 31,	
	2022	2021
Donor restricted endowment:		
General endowment	\$ 2,129,680	\$ 2,129,680
Graduate Fellowship Fund	315,669	315,669
Revolving loan	315,443	315,443
Bromwell-Ault-Burchenal Fellowship Fund	39,074	39,074
George Allen Fowlkes Intern Program	23,768	23,768
R.G. Curtis Memorial	5,575	5,575
L.B. Moorman	5,000	5,000
	2,834,209	2,834,209
Beneficial interest in perpetual trusts	1,438,401	1,827,914
Total net assets with donor restrictions, in perpetuity	\$ 4,272,610	\$ 4,662,123

While the above beneficial interest in perpetual trust is a net asset with donor restrictions, in perpetuity, it is not part of ECF's endowment portfolio. Therefore, it is not included as part of the NYPMIFA disclosure in Note 9.

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9. ENDOWMENT FUNDS:

ECF follows the *Reporting Endowment Funds* topic of the FASB ASC. This topic provides guidance on the net asset classification of donor-restricted endowment funds for a not-for-profit organization and enhanced disclosure information to enable users of financial statements to understand the net asset classification, net asset composition, changes in net asset composition, and spending policy of its endowment funds.

The state of New York enacted the Uniform Prudent Management of Institutional Funds Act (UPMIFA) effective September 17, 2010, and ECF's Board of Trustees has interpreted the full provisions of New York states own version of UPMIFA (NYPMIFA), requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, ECF classifies as net assets with donor restrictions in perpetuity (a) the original value of gifts donated to the endowment held in perpetuity, (b) the original value of subsequent gifts to the endowment held in perpetuity, and (c) the accumulations to the endowment held in perpetuity made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund.

The remaining portion of the donor-restricted endowment fund that is not classified in net assets with donor restrictions, in perpetuity is classified as net assets with donor restrictions, time and purpose until those amounts are appropriated for expenditure by ECF in a manner consistent with the standard of prudence prescribed by NYPMIFA. In accordance with NYPMIFA, ECF considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

1. The duration and preservation of the fund
2. The purposes of ECF and the donor-restricted endowment fund
3. General economic conditions
4. The possible effect of inflation and deflation
5. The expected total return from income and the appreciation of investments
6. Other resources of ECF
7. The investment policies of ECF
8. In appropriate situations (i.e. underwater) to curtail or eliminate spending

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9. ENDOWMENT FUNDS, continued:

Endowment net asset composition by type of fund as of December 31, 2022, was:

	With Donor Restrictions		Total
	Accumulated Earnings	Original Gift Amount	
Donor-restricted endowment funds	\$ 412,006	\$ 2,834,209	\$ 3,246,215

Changes in endowment net assets for the year ended December 31, 2022, were:

	With Donor Restrictions		Total
	Accumulated Earnings	Original Gift Amount	
Endowment net assets, January 1, 2022	\$ 1,073,999	\$ 2,834,209	\$ 3,908,208
Investment return:			
Interest and dividend income	47,484	-	47,484
Realized and unrealized losses	(587,477)	-	(587,477)
Total investment return	(539,993)	-	(539,993)
Appropriation of endowment assets for expenditure	(122,000)	-	(122,000)
Endowment net assets, December 31, 2022	\$ 412,006	\$ 2,834,209	\$ 3,246,215

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9. ENDOWMENT FUNDS, continued:

Endowment net asset composition by type of fund as of December 31, 2021, was:

	With Donor Restrictions		
	Accumulated Earnings	Original Gift Amount	Total
Donor-restricted endowment funds	\$ 1,073,999	\$ 2,834,209	\$ 3,908,208

Changes in endowment net assets for the year ended December 31, 2021, were:

	With Donor Restrictions		
	Accumulated Earnings	Original Gift Amount	Total
Endowment net assets, January 1, 2021	\$ 875,592	\$ 2,834,209	\$ 3,709,801
Investment return:			
Interest and dividend income	60,392	-	60,392
Realized and unrealized gains	260,015	-	260,015
Total investment return	320,407	-	320,407
Appropriation of endowment assets for expenditure	(122,000)	-	(122,000)
Endowment net assets, December 31, 2021	\$ 1,073,999	\$ 2,834,209	\$ 3,908,208

FUNDS WITH DEFICIENCIES

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor or UPMIFA requires ECF to retain as a fund of perpetual duration. In accordance with GAAP, no deficiencies of this nature are reported in net assets with donor restrictions as of December 31, 2022 and 2021.

RETURN OBJECTIVE AND RISK PARAMETERS

ECF has adopted investment and spending policies for endowment assets that attempt to (a) maintain the historical value of the endowment fund assets and (b) provide a predictable stream of funding to programs supported by its endowment. Endowment assets include those assets of donor-restricted funds that ECF must hold in perpetuity, or for donor-specified periods. The investment policy also attempts to maximize the stream of funding within accepted prudent standards. The current long term return objective is to attain a 5% inflation adjusted total return (net of direct investment management fees). Actual returns in any given year may vary from this amount.

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9. ENDOWMENT FUNDS, continued:

STRATEGIES EMPLOYED FOR ACHIEVING OBJECTIVES

To satisfy its long-term rate-of-return objectives, ECF 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). There is an allocation of assets in diversified, equity-based and fixed income investments to help maximize the long-term rate of return and maintain the purchasing power of the endowment assets.

SPENDING POLICY

ECF appropriates for distribution a percentage of the five-year, un-weighted rolling average of the endowment fund's fair value. The rates established for distribution was 5% for both years ended December 31, 2022 and 2021, respectively. In establishing this policy, ECF considered the long-term expected return on its endowment.

10. EMPLOYEE BENEFIT PLANS:

The lay employees of ECF are covered under a multi-employer 403(b) plan (Plan) sponsored by the Church Pension Group of the Episcopal Church. The Plan permits eligible employees to make contributions through salary deductions. ECF contributes a discretionary percentage of each covered employee's salary to be determined by ECF each year. Contributions to the Plan are based on 7% of each covered employee's salary, with additional contributions up to 2% to match employee voluntary contributions. Ordained clergy of ECF are covered under a multi-employer pension plan (Pension Plan) sponsored by the Church. Contributions to the Pension Plan are based on 18% of each covered clergy's compensation in 2022 and 2021. For the years ended December 31, 2022 and 2021, ECF contributed approximately \$157,000 and \$138,000 to these plans, respectively.

11. CONTINGENT AND FUTURE PAYMENTS UNDER ACQUISITION AGREEMENT:

In 2005, ECF acquired a consulting business, Holliman Associates, for its expertise in assisting Episcopal churches in conducting capital campaigns and related services. The acquisition agreement with Holliman Associates provides guaranteed annual payments of \$9,000 to the two principals of that business for the remainder of their respective lives.

12. SUBSEQUENT EVENTS:

Subsequent events have been evaluated through July 26, 2023, which represents the date the financial statements were available to be issued. Subsequent events after that date have not been evaluated. No additional subsequent events were discovered that require disclosure.