NEW CASTLE PRESBYTERY

CONSOLIDATED FINANCIAL STATEMENTS AND INDEPENDENT ACCOUNTANTS' REVIEW REPORT

DECEMBER 31, 2017 AND 2016

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BELFINT • LYONS • SHUMAN
Certified Public Accountants

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Independent Accountants' Review Report

To the Trustees and Members of
New Castle Presbytery

We have reviewed the accompanying consolidated financial statements of New Castle Presbytery (a nonprofit organization), which comprise the consolidated statements of financial position as of December 31, 2017 and 2016, and the related consolidated statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the consolidated financial statements. A review includes primarily applying analytical procedures to management's financial data and making inquiries of management. A review is substantially less in scope than an audit, the objective of which is the expression of an opinion regarding the consolidated financial statements as a whole. Accordingly, we do not express such an opinion.

Management's Responsibility for the Consolidated 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.

Accountants' Responsibility

Our responsibility is to conduct the review engagements in accordance with Statements on Standards for Accounting and Review Services promulgated by the Accounting and Review Services Committee of the AICPA. Those standards require us to perform procedures to obtain limited assurance as a basis for reporting whether we are aware of any material modifications that should be made to the consolidated financial statements for them to be in accordance with accounting principles generally accepted in the United States of America. We believe that the results of our procedures provide a reasonable basis for our conclusion.

Accountants' Conclusion

Based on our reviews, except for the issues noted in the *Known Departure from Accounting Principles Generally Accepted in the United States of America* paragraphs, we are not aware of any material modifications that should be

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To the Trustees and Members of
New Castle Presbytery

made to the accompanying consolidated financial statements in order for them to be in accordance with accounting principles generally accepted in the United States of America.

Known Departure from Accounting Principles Generally Accepted in the United States of America

In accordance with accounting principles generally accepted in the United States of America, nonprofit organizations are required to report the net assets of endowment funds in a statement of financial position based on the existence or absence of donor-imposed restrictions. The portion of a permanent endowment that must be maintained in perpetuity is to be classified as permanently restricted net assets. In addition, based on Delaware's Uniform Prudent Management of Institutional Funds Act (UPMIFA), enacted in 2007, the portion of donor-restricted endowment funds not classified as permanently restricted net assets should be classified as temporarily restricted net assets until appropriated for expenditure by the organization.

At the time of enactment of UPMIFA, the organization's historical records were unable to identify the specific amount of donor-restricted endowment fund corpus required to be presented as permanently restricted net assets. As a result, donor-restricted endowment funds subject to UPMIFA are presented as a separate class of net assets (Restricted Endowment Funds) and include both net assets that are to be held in perpetuity as well as the net assets available to be appropriated for expenditure by the organization. The organization believes that as a result of its prudent endowment spending policy and a duration of appreciation and earnings on the funds, there are no donor-restricted endowment funds with deficient balances. The effects of this departure are not able to be determined.

Belfint, Lyons & Shuman, P.A.

May 14, 2018
Wilmington, Delaware

NEW CASTLE PRESBYTERY
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2017 AND 2016
(See Independent Accountants' Review Report)

ASSETS

	2017	2016
ASSETS		
Cash and Cash Equivalents	$ 235,955	$ 1,287,999
Restricted Cash - Medical Wrap-Around Plan	82,461	67,023
Restricted Cash - West Legacy	692,074	772,704
Accounts Receivable	35,231	22,231
Notes Receivable	173,990	198,328
Investments	2,964,263	2,595,868
Property and Equipment - Net	687,285	706,304
Beneficial Interests in Trusts	17,164,509	15,854,845
TOTAL ASSETS	$ 22,035,768	$ 21,505,302

LIABILITIES AND NET ASSETS

	2017	2016
LIABILITIES		
Accounts Payable and Accrued Expenses	$ 14,253	$ 79,650
Agency Obligations	6,050	20,169
Medical Wrap-Around Plan Liability	82,461	67,023
TOTAL LIABILITIES	102,764	166,842
NET ASSETS		
Unrestricted Net Assets		
Undesignated	2,510,317	3,268,579
Designated	713,190	672,181
Total Unrestricted Net Assets	3,223,507	3,940,760
Restricted Net Assets		
Temporarily Restricted	704,047	772,704
Restricted Endowment Funds	840,941	770,151
Permanently Restricted	17,164,509	15,854,845
Total Restricted Net Assets	18,709,497	17,397,700
TOTAL NET ASSETS	21,933,004	21,338,460
TOTAL LIABILITIES AND NET ASSETS	$ 22,035,768	$ 21,505,302

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

NEW CASTLE PRESBYTERY

CONSOLIDATED STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2017
(See Independent Accountants' Review Report)

	Unrestricted	Temporarily Restricted	Restricted Endowment Funds	Permanently Restricted	Total
REVENUE, GAINS, AND OTHER SUPPORT					
Per Capita (Net of Discounts of $0)	$ 195,482	$ -	$ -	$ -	$ 195,482
Investment Income	259,097	-	109,298	-	368,395
Campus Ministry Income	52,411	-	-	-	52,411
Mission Income	102,573	-	-	-	102,573
Administrative Income	22,096	11,973	-	-	34,069
Reserve Income	210	-	-	-	210
Council Income	10,278	-	-	-	10,278
Trustee Income	27,984	-	-	-	27,984
Income Distributions from Beneficial Interests in Trusts	757,443	-	-	-	757,443
Change in Value of Beneficial Interests in Trusts	-	-	-	1,309,664	1,309,664
	1,427,574	11,973	109,298	1,309,664	2,858,509
Net Assets Released from Restrictions	119,138	(80,630)	(38,508)	-	-
TOTAL REVENUE, GAINS, AND OTHER SUPPORT	1,546,712	(68,657)	70,790	1,309,664	2,858,509
EXPENSES					
Program Services	1,903,949	-	-	-	1,903,949
Management and General	360,016	-	-	-	360,016
TOTAL EXPENSES	2,263,965	-	-	-	2,263,965
CHANGE IN NET ASSETS	(717,253)	(68,657)	70,790	1,309,664	594,544
NET ASSETS - Beginning of Year	3,940,760	772,704	770,151	15,854,845	21,338,460
NET ASSETS - End of Year	$ 3,223,507	$ 704,047	$ 840,941	$ 17,164,509	$ 21,933,004

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

NEW CASTLE PRESBYTERY
CONSOLIDATED STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2016
(See Independent Accountants' Review Report)

	Unrestricted	Temporarily Restricted	Restricted Endowment Funds	Permanently Restricted	Total
REVENUE, GAINS, AND OTHER SUPPORT					
Per Capita (Net of Discounts of $7,840)	$ 184,734	$ -	$ -	$ -	$ 184,734
Investment Income	145,651	-	59,754	-	205,405
Campus Ministry Income	51,476	-	-	-	51,476
Mission Income	132,726	-	-	-	132,726
Administrative Income	1,249	-	-	-	1,249
Reserve Income	9,256	-	-	-	9,256
Council Income	46,062	-	-	-	46,062
Trustee Income	28,111	-	-	-	28,111
Income Distributions from Beneficial Interests in Trusts	768,996	-	-	-	768,996
Change in Value of Beneficial Interests in Trusts	-	-	-	448,155	448,155
	1,368,261	-	59,754	448,155	1,876,170
Net Assets Released from Restrictions	107,389	(70,000)	(37,389)	-	-
TOTAL REVENUE, GAINS, AND OTHER SUPPORT	1,475,650	(70,000)	22,365	448,155	1,876,170
EXPENSES					
Program Services	1,006,783	-	-	-	1,006,783
Management and General	406,826	-	-	-	406,826
TOTAL EXPENSES	1,413,609	-	-	-	1,413,609
CHANGE IN NET ASSETS	62,041	(70,000)	22,365	448,155	462,561
NET ASSETS - Beginning of Year	3,878,719	842,704	747,786	15,406,690	20,875,899
NET ASSETS - End of Year	$ 3,940,760	$ 772,704	$ 770,151	$15,854,845	$21,338,460

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

NEW CASTLE PRESBYTERY

CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED DECEMBER 31, 2017
(See Independent Accountants' Review Report)

	2017		
	Program	**Management and General**	**Total**
SALARIES AND RELATED BENEFITS			
Salaries	$ 85,806	$ 174,212	$ 260,018
Employee Benefits	19,936	52,657	72,593
Payroll Taxes	2,831	5,749	8,580
TOTAL SALARIES AND RELATED BENEFITS	108,573	232,618	341,191
OTHER EXPENSES			
Contributions, Distributions, and Grants	1,664,447	-	1,664,447
Depreciation	-	19,019	19,019
Bad Debt	-	3,352	3,352
Insurance	-	5,062	5,062
Meetings and Retreats	5,531	3,111	8,642
Repairs and Maintenance	5,084	10,323	15,407
Occupancy	-	18,744	18,744
Supplies	390	3,512	3,902
Postage and Printing	198	1,778	1,976
Professional Fees	-	33,123	33,123
Telephone	866	9,432	10,298
Travel	8,415	17,086	25,501
Utilities	504	2,856	3,360
Other Programs	109,941	-	109,941
TOTAL OTHER EXPENSES	1,795,376	127,398	1,922,774
TOTAL EXPENSES	$ 1,903,949	$ 360,016	$ 2,263,965

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

NEW CASTLE PRESBYTERY
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED DECEMBER 31, 2016
(See Independent Accountants' Review Report)

	2016		
	Program	**Management and General**	**Total**
SALARIES AND RELATED BENEFITS			
Salaries	$ 89,698	$ 182,113	$ 271,811
Employee Benefits	32,493	65,971	98,464
Payroll Taxes	2,415	4,902	7,317
TOTAL SALARIES AND RELATED BENEFITS	124,606	252,986	377,592
OTHER EXPENSES			
Contributions, Distributions, and Grants	789,455	-	789,455
Depreciation	-	19,019	19,019
Bad Debt	-	32,755	32,755
Insurance	-	5,181	5,181
Meetings and Retreats	6,148	3,458	9,606
Repairs and Maintenance	3,155	6,405	9,560
Occupancy	-	19,659	19,659
Supplies	486	4,378	4,864
Postage and Printing	232	2,084	2,316
Professional Fees	-	29,584	29,584
Telephone	468	8,280	8,748
Travel	10,389	20,716	31,105
Utilities	409	2,321	2,730
Other Programs	71,435	-	71,435
TOTAL OTHER EXPENSES	882,177	153,840	1,036,017
TOTAL EXPENSES	$ 1,006,783	$ 406,826	$ 1,413,609

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

NEW CASTLE PRESBYTERY
CONSOLIDATED STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2017 AND 2016
(See Independent Accountants' Review Report)

	2017	2016
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in Net Assets	$ 594,544	$ 462,561
Adjustments to Reconcile Change in Net Assets to Net Cash from Operating Activities		
Bad Debt	3,352	32,755
Depreciation	19,019	19,019
Unrealized Gain on Investments	(301,057)	(123,520)
Realized Gain on Investments	(29,105)	(44,645)
Change in Value of Beneficial Interests in Trusts	(1,309,664)	(448,155)
Changes in Assets and Liabilities		
Accounts Receivable	(16,352)	13,903
Prepaid Expenses	-	269
Security Deposit	-	2,603
Accounts Payable and Accrued Expenses	(65,397)	1,967
Agency Obligations	(14,119)	(67,765)
Medical Wrap-Around Plan Liability	15,438	(30,184)
NET CASH FROM OPERATING ACTIVITIES	(1,103,341)	(181,192)
CASH FLOWS FROM INVESTING ACTIVITIES		
Notes Receivable from Loans Issued	-	(29,000)
Repayments of Notes Receivable	24,338	46,452
Reinvestment of Net Investment Income	(38,233)	(37,240)
Amount Withdrawn from Investments	-	180,000
Proceeds from Sale of Investments	167,334	214,230
Purchase of Investments	(167,334)	(214,227)
NET CASH FROM INVESTING ACTIVITIES	(13,895)	160,215
NET CHANGE IN CASH, CASH EQUIVALENTS, AND RESTRICTED CASH	(1,117,236)	(20,977)
CASH, CASH EQUIVALENTS, AND RESTRICTED CASH - Beginning of Year	2,127,726	2,148,703
CASH, CASH EQUIVALENTS, AND RESTRICTED CASH - End of Year	$ 1,010,490	$ 2,127,726

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

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Activities - New Castle Presbytery (Organization), a nonprofit entity, was organized to provide oversight and support to all Presbyterian Churches located in Delaware and the Eastern Shore of Maryland.

Campus Ministry, LLC was organized to purchase the building in which the Organization operates related program activities.

The West Legacy Trust was created to hold the proceeds from the sale of West Presbyterian Church. New Castle Presbytery maintains custody of the trust assets in a cash account. Trustees, which are nominated and elected by New Castle Presbytery, are required to annually distribute at least 5%, but not more than 10%, of the value of the principal of the trust on the first day of each calendar year to one or more selected recipients. On December 2, 2017, the West Legacy Trust was dissolved and the assets of the trust were turned over to New Castle Presbytery for further administration consistent with the intent of the trust.

Consolidation Policy - The accompanying consolidated financial statements include the accounts of the Organization, its wholly-owned subsidiary Campus Ministry, LLC, and the West Legacy Trust. All material intercompany accounts and transactions have been eliminated.

Applicable Financial Reporting Framework - The financial position and results of activities of New Castle Presbytery have been reported on an acceptable applicable financial reporting framework with the exception of the item discussed in the following paragraph. The applicable financial reporting framework used by New Castle Presbytery is U.S. generally accepted accounting principles (GAAP). Under this applicable financial reporting framework, revenues are recognized in the period when earned and expenses are recorded when a liability is incurred.

As disclosed in Note 10 to the consolidated financial statements, in accordance with accounting principles generally accepted in the United States of America, nonprofit organizations are required to report the net assets of endowment funds in a statement of financial position based on the existence or absence of donor-imposed restrictions. The portion of a permanent endowment that must be maintained in perpetuity is to be classified as permanently restricted net assets. In addition, based on Delaware's Uniform Prudent Management of Institutional Funds Act (UPMIFA), enacted in 2007, the portion of donor-restricted endowment funds not classified as permanently restricted net assets should be classified as temporarily restricted net assets until appropriated for expenditure by the Organization.

At the time of enactment of UPMIFA, the Organization's historical records were unable to identify the specific amount of donor-restricted endowment fund corpus required to be presented as permanently restricted net assets. As a result, donor-restricted endowment funds subject to UPMIFA are presented as a separate class of net assets (Restricted Endowment Funds) and include both net assets that are to be held in perpetuity as well as the net assets available to be appropriated for expenditure by the Organization. The Organization believes that as a result of its

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Applicable Financial Reporting Framework - Continued - prudent endowment spending policy and a duration of appreciation and earnings on the funds, there are no donor-restricted endowment funds with deficient balances. The effects of this departure are not able to be determined.

Basis of Presentation - With the exception of the item disclosed in the previous paragraph, the Organization follows the requirements of ASC 958, *Financial Statements of Not-For-Profit Entities*. Under ASC 958, the Organization is required to report information regarding its financial position and its activities as unrestricted, temporarily restricted, or permanently restricted based on the existence or absence of donor-imposed restrictions, as follows:

> **Unrestricted** - Net assets that are not subject to donor-imposed stipulations. Unrestricted net assets may be designated for specific purposes by action of the Board of Trustees or may otherwise be limited by contractual agreements with outside parties.
>
> **Temporarily Restricted** - Net assets whose use by the Organization is subject to donor-imposed stipulations that can be fulfilled by actions of the Organization pursuant to those stipulations or that expire by the passage of time.
>
> **Permanently Restricted** - Net assets subject to donor-imposed stipulations that they be maintained in perpetuity.

Use of Estimates - The preparation of consolidated financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts reported in the consolidated financial statements and accompanying notes. These estimates and assumptions include, but are not limited to, accounts and grants receivable and the related allowance for uncollectible, useful lives selected for depreciating property and equipment, the fair value of investments, the timing of the recognition of certain revenue, and reserves for contingencies of program or grant audits. Management bases its estimates and assumptions on historical experience and on various other factors that it believes to be reasonable under the circumstances, the results of which form the basis for making judgments about the carrying values of assets and liabilities.

Management does not believe that any of its estimates involve assumptions that are highly uncertain or that different, reasonable estimates, or changes in accounting estimates that are reasonably likely to occur would have a material impact on the consolidated financial statements. To the extent there are material differences between management's estimates and actual results, future results of operations will be affected.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Cash and Cash Equivalents - For purposes of the consolidated statements of cash flows, the Organization considers all highly liquid debt instruments purchased with a maturity of three months or less to be cash equivalents. Cash and cash equivalents does not include cash held in investment accounts. The Organization applies the provisions of ASC 2016-18, *Statement of Cash Flows (Topic 230), Restricted Cash,* which requires the consolidated statements of cash flows to explain the change during the period in the total cash, cash equivalents, and amounts generally described as restricted cash or restricted cash equivalents.

Restricted Cash - Medical Wrap-Around Plan - Restricted Cash - Medical Wrap-Around Plan is cash restricted for the payment of employee claims (Note 8).

Restricted Cash - West Legacy - Restricted Cash - West Legacy consists of cash held for the purpose of distribution in accordance with the intent of the original West Legacy Trust agreement.

Investments - Investments are stated at fair value in the consolidated statements of financial position. Unrealized gains and losses are included in the current period change in net assets.

Beneficial Interests in Trusts - The Organization is the sole income beneficiary of an irrevocable perpetual trust administered by a third party. The trust is valued at fair value in the consolidated statements of financial position. Annual adjustments to the fair value are recorded in the consolidated statements of activities in the current period. The net assets associated with the Organization's beneficial interest in the trust are reported as permanently restricted.

The Organization has a remainder interest in an irrevocable trust containing six pooled life income funds. The remainder interest is valued at fair value in the consolidated statements of financial position. Annual adjustments to the fair value are recorded in the consolidated statements of activities in the current period. The net assets associated with the Organization's remainder interest in the trust are reported as permanently restricted.

Notes Receivable and Church Pledges - The Organization has elected to record bad debts using the direct write-off method since management believes all receivables to be fully collectible. Generally accepted accounting principles require that the allowance method be used to recognize bad debts; however, management feels the effect of using the direct write-off method is not materially different from the results that would have been obtained under the allowance method. Bad debt expense was $3,352 and $32,755 for the years ended December 31, 2017 and 2016, respectively.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Property and Equipment and Depreciation - Property and equipment is recorded at cost or, if donated, at estimated fair value at the date of donation. Such donations are reported as unrestricted support unless the donor has restricted the donated asset to a specific purpose. Assets donated with explicit restrictions regarding their use and contributions of cash that must be used to acquire property and equipment are reported as restricted support. Absent donor stipulations regarding how long those donated assets must be maintained, the Organization reports expirations of donor restrictions when the donated or acquired assets are placed in service as instructed by the donor. The Organization reclassifies temporarily restricted net assets to unrestricted net assets at that time.

Property and equipment is depreciated using the straight-line method over the estimated useful life of the related asset. Useful lives range from five to forty years.

Agency Obligations - The Organization receives funding from individual Presbyterian churches designated for third-party beneficiaries, including the Presbyterian Church USA, Office of the General Assembly, and specific synods (regions) of the Presbyterian Church. Revenue and related expenses are not recorded in the consolidated statements of activities since the Organization has no discretion over the use of the assets. Rather, the funding received and the distributions made are accounted for as increases and decreases of agency obligations in the consolidated statements of financial position. As of December 31, 2017 and 2016, agency obligations totaled \$6,050 and \$20,169, respectively, and represented amounts yet to be distributed to third-party beneficiaries.

Recognition of Donor Restrictions - Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support, depending on the existence and/or nature of any donor restrictions.

Support that is restricted by the donor is reported as an increase in unrestricted net assets if the restriction expires in the reporting period in which the support is recognized. All other donor-restricted support is reported as an increase in temporarily or permanently restricted net assets, depending on the nature of the restriction. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the consolidated statements of activities as net assets released from restrictions.

Functional Allocation of Expenses - The costs of providing various programs and other activities have been summarized on a functional basis in the consolidated statements of activities and in the consolidated statements of functional expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

Income Taxes - New Castle Presbytery is exempt from federal and state income taxes under the provisions of Section 501(c)(3) of the Internal Revenue Code; therefore, no provision for income taxes has been made in the consolidated financial statements. In addition, the Organization has been classified as one that is not a private foundation within the meaning of Section 509(a) of the Internal Revenue Code and qualifies for deductible

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Income Taxes - Continued - contributions as provided in Section 170(b)(1)(A)(vi). Although the Organization is not subject to federal and state income taxes, the Organization is required to adhere to ASC 740, *Accounting for Income Taxes*, which applies to all entities, including those that are tax exempt. ASC 740 clarifies the accounting and reporting for income taxes where interpretation of the tax law, may be uncertain. ASC 740 prescribes a comprehensive model for the consolidated financial statements recognition, measurement, presentation, and disclosure of income tax uncertainties with respect to positions taken or expected to be taken in income tax returns.

Management has reviewed its current and past federal income tax positions and has determined, based on clear and unambiguous tax law and regulations, that the tax positions taken are certain and that there is no likelihood that a material tax assessment would be made if a governmental agency conducted an audit. Accordingly, no provision for the effects of uncertain tax positions has been recorded.

Currently, the December 31, 2014, 2015, and 2016 tax years are open and subject to examination by the Internal Revenue Service; however, the Organization is not currently under audit nor has the Organization been contacted by this jurisdiction. Any interest and penalties related to income taxes would be in income tax expenses. There were no interest and penalties as of December 31, 2017 and 2016.

Subsequent Events - The Organization's policy is to evaluate events and transactions subsequent to its year end for potential recognition in the consolidated financial statements or disclosure in the notes to the consolidated financial statements. Management has evaluated events and transactions through the date of the independent accountants' review report, which is the date the consolidated financial statements were available to be issued.

NOTE 2: CONCENTRATIONS OF CREDIT RISK

The Organization maintains cash balances in multiple bank deposit and credit union accounts. These accounts were insured by either the Federal Deposit Insurance Corporation (FDIC) or the National Credit Union Insurance Fund up to $250,000 per institution. From time to time, in the normal course of business, the Organization’s balances may exceed these insured amounts. As of December 31, 2017 and 2016, the uninsured balances held at the Organization’s financial institutions were $763,562 and $1,713,873, respectively.

NEW CASTLE PRESBYTERY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

DECEMBER 31, 2017

NOTE 3: NOTES RECEIVABLE

Notes receivable consisted of the following as of December 31:

	2017	2016
Coolspring Presbyterian Church - Quarterly payments of $3,935 including principal and interest at the rate of 4% through April 2030.	$ 123,990	$ 134,507
Oasis of Refreshing Ministries - Monthly payments of $1,080 including principal and interest at the rate of 6% through April 2027.	24,750	35,821
Georgetown Presbyterian Church - Beginning August 2016, interest compounds monthly at an annual rate of 2%. Interest is deferred until August 2021, provided all covenants within the note are met. Monthly payments beginning September 2016 in the amount of $227 are required and applied directly to principal. In September 2021 the remaining balance, including all accrued interest, will be amortized over the remaining 60 months of the 120-month term note. In the event the note is fully satisfied on or before September 2021, all accrued interest will be forgiven.	25,250	28,000
	$ 173,990	$ 198,328

NOTE 4: INVESTMENTS

Investments are stated at fair value and consisted of the following as of December 31:

	2017	2016
Investments		
Cash	$ 97,129	$ 84,875
Mutual Funds	2,867,134	2,510,993
Total Investments	$ 2,964,263	$ 2,595,868

Investment income consisted of the following for the years ended December 31:

	2017	2016
Interest and Dividends - Net	$ 38,233	$ 37,240
Realized Gain	29,105	44,645
Unrealized Gain	301,057	123,520
Total Investment Income	$ 368,395	$ 205,405

NOTE 4: INVESTMENTS - CONTINUED

Interest and dividends were net of advisory fees in the amount of $16,445 and $15,402 for the years ended December 31, 2017 and 2016, respectively.

NOTE 5: FAIR VALUE MEASUREMENTS

The Organization adheres to Accounting Standards Codification (ASC) 820, *Fair Value Measurements and Disclosures*. ASC 820 defines fair value, establishes a framework for measuring fair value under generally accepted accounting principles, and enhances disclosures about fair value measurements. Fair value is defined under ASC 820 as 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 a basis for considering assumptions, ASC 820 establishes a hierarchical framework for measuring fair value (the fair value hierarchy) as follows:

> *Level 1* - Quoted prices in active markets for identical assets or liabilities. Level 1 assets include money market funds, debt, and equity securities that are traded in active exchange markets, as well as certain U.S. Treasury and other U.S. governments and agencies that are highly liquid and are actively traded in over-the-counter markets.
>
> *Level 2* - Observable inputs other than level 1 such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active, or other inputs that are observable or can be corroborated by observable market data for substantially the same term of the assets or liabilities.
>
> *Level 3* - Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities.

A financial instrument's categorization within the valuation hierarchy is based upon the lowest level of input that is significant to the fair value measurement.

The valuation methodologies used for assets measured at fair value may produce a fair value calculation that may not be indicative of net realizable values or reflective of future fair values. Furthermore, although management believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

NOTE 5: FAIR VALUE MEASUREMENTS - CONTINUED

The tables below present the financial instruments carried at fair value as of December 31:

	2017			
	Fair Value	Level 1	Level 2	Level 3
Investments				
Mutual Funds	$ 2,867,134	$ 2,867,134	$ -	$ -
Cash	97,129	97,129	-	-
Total Investments	2,964,263	2,964,263	-	-
Beneficial Interests in Trusts	17,164,509	-	-	17,164,509
Total Assets at Fair Value	$ 20,128,772	$ 2,964,263	$ -	$ 17,164,509

	2016			
	Fair Value	Level 1	Level 2	Level 3
Investments				
Mutual Funds	$ 2,510,993	$ 2,510,993	$ -	$ -
Cash	84,875	84,875	-	-
Total Investments	2,595,868	2,595,868	-	-
Beneficial Interests in Trusts	15,854,845	-	-	15,854,845
Total Assets at Fair Value	$ 18,450,713	$ 2,595,868	$ -	$ 15,854,845

Fair values for the beneficial interests in trusts are determined based upon the underlying value of the trusts' assets and the Organization's percentage of interest in the trusts.

The following is a summary of the changes in the fair value of the Organization's level 3 assets for the years ended December 31:

	2017	2016
Balance - Beginning of Year	$ 15,854,845	$ 15,406,690
Change in Value of Trusts	1,309,664	448,155
Balance - End of Year	$ 17,164,509	$ 15,854,845

NOTE 6: PROPERTY AND EQUIPMENT

Property and equipment consisted of the following as of December 31:

	2017	2016
Land	$ 223,467	$ 223,467
Land Improvements	92,766	92,766
Leasehold Improvements	116,952	116,952
Buildings	628,763	628,763
Furniture and Equipment	169,467	169,467
	1,231,415	1,231,415
Accumulated Depreciation	(544,130)	(525,111)
	$ 687,285	$ 706,304

NOTE 7: BENEFICIAL INTERESTS IN TRUSTS

The Organization is the sole income beneficiary of an irrevocable perpetual trust administered by a third party. This arrangement is recognized in the consolidated financial statements at the fair value of trust assets. The fair value as of December 31, 2017 and 2016 amounted to $16,977,515 and $15,667,851, respectively. Annual adjustments to the fair value of this asset are recorded in the accompanying consolidated statements of activities as changes in the value of beneficial interests in trusts.

The Organization generally receives the lesser of:

1. 5% of the average fair market value of the trust assets based on the prior 20 quarters' average fair value as measured in the fourth quarter of each calendar year.

2. 5% of the current year's third quarter market value.

The amount received under this agreement during the years ended December 31, 2017 and 2016 amounted to $757,443 and $768,996 respectively.

The Organization has a remainder interest in an irrevocable trust containing six pooled life income funds. Until each beneficiary's death, each beneficiary is paid the actual income earned on such beneficiary's funds. Upon the last beneficiary's death, the funds revert to the Organization. As of December 31, 2017 and 2016, the fair value of the remainder interest amounted to $186,994. Annual adjustments to the fair value of this asset are recorded in the accompanying consolidated statements of activities as changes in the value of beneficial interests in trusts.

NOTE 8: MEDICAL WRAP-AROUND PLAN LIABILITY

This plan is designed to supplement the Board of Pension Health Plan of the Presbyterian Church, USA. It covers health insurance and prescription plan deductibles that exceed 1% of employee salaries. Each church, as approved by the trustees, contributes 2% of employee salaries to the plan. The Organization acts as the custodian of plan assets and administers the plan. Church contributions and related employee reimbursements are accounted for as increases and decreases of the plan liability. Employee claims in excess of plan assets are the liability of the individual member churches. During 2017 and 2016, church contributions totaled $64,847 and $45,208, respectively, interest earnings amounted to zero, and employee reimbursements were $49,409 and $75,392, respectively.

NOTE 9: NET ASSETS

Unrestricted designated net assets consisted of the following as of December 31:

	2017	2016
Campus Ministry	$ 33,169	$ 17,098
Candidate Reserve	20,349	20,850
Continuing Education	9,155	8,017
Chesapeake Funds	356,835	315,115
Hayloft	(3,569)	(3,125)
Minister's Emergency Fund	26,292	20,462
Mission Response	95,195	83,364
New Church Development	20,086	74,069
Presbyterian Emergency Fund	155,678	136,331
	$ 713,190	$ 672,181

Temporarily restricted net assets consisted of the following as of December 31:

	2017	2016
West Legacy	$ 692,074	$ 772,704
Capital Renovations	11,973	-
	$ 704,047	$ 772,704

West Legacy funds are to be distributed in amounts and to recipients in accordance with the intent of the original trust agreement (Note 1). During the years ended December 31, 2017 and 2016, West Legacy distributions totaled $80,630 and $70,000, respectively.

NOTE 10: ENDOWMENT

Restricted endowment funds as of December 31, 2017 and 2016 were available for the following purposes:

Endowment Name	Purpose
Marshall	Makemie Memorial Presbyterian
Tull	Makemie Memorial Presbyterian
Spottswood	Ministerial Equalization Fund
Zion	Cemetery Maintenance
St. George Memorial Trust	Meeting Ground

Endowment by net assets composition by type of fund was as follows as of December 31:

	2017	2016
Donor-Restricted Endowment Funds		
Amounts Held in Investments	$ 840,941	$ 770,151

Changes in endowment net assets for the years ended December 31, 2017 and 2016 were as follows:

	2017	2016
Endowment Net Assets - January 1	$ 770,151	$ 747,786
Investment Return - Net	109,298	59,754
Contributions	-	-
Appropriation of Endowment		
Assets for Expenditure	(38,508)	(37,389)
Endowment Net Assets - December 31	$ 840,941	$ 770,151

The Organization's endowment consists of numerous donor-restricted funds. As required by accounting principles generally accepted in the United States of America, net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

The Board of Trustees of the Organization has interpreted the Uniform Prudent Management of Institutional Funds Act (UPMIFA) as 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, the Organization classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent

NOTE 10: ENDOWMENT - CONTINUED

endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment 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 permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the Organization in a manner consistent with the standard of prudence prescribed by UPMIFA. In accordance with UPMIFA, the Organization considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds: (1) the duration and preservation of the various funds, (2) the purposes of the donor-restricted endowment funds, (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 the Organization, and (7) the Organization's investment policies.

Investment Return Objectives, Risk Parameters, and Strategies - The Organization has adopted investment and spending 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. Accordingly, the investment process seeks to achieve an after-cost total rate of return, including investment income as well as appreciation, which exceeds the annual distribution with acceptable levels of risk. Under this policy, the endowment assets are invested in a manner that is intended to produce results that exceed the price while assuming a moderate level of investment risk. The Organization expects its endowment funds, over time, to provide an average rate of return that is sufficient to offset normal inflation plus the spending policy. Actual returns in any given year may vary from this amount.

Spending Policy - The Organization's policy is to appropriate for distribution each year 3% of the fund's prior year fair value. In establishing this policy, the Organization considered the long-term expected return on its investment assets, the nature and duration of the individual endowment funds, many of which must be maintained in perpetuity because of donor restrictions, and the possible effects of inflation. The Organization expects the current spending policy to allow its endowment funds to continue to grow. This is consistent with the Organization's objective to maintain the purchasing power of the endowment assets as well as to provide additional growth through new gifts and investment return.

Endowment Fund Deficiencies - At the time of enactment of UPMIFA, the Organization's historical records were unable to identify the specific amount of donor-restricted endowment fund corpus required to be presented as permanently restricted net assets. As a result, donor-restricted endowment funds subject to UPMIFA are presented as a separate class of net assets (Restricted Endowment Funds) (Note 1) and include both net assets that are to be held in perpetuity as well as the net assets available to be appropriated for expenditure by the Organization. The Organization believes that as a result of its prudent endowment spending policy and a duration of appreciation and earnings on the funds, there are no donor-restricted endowment funds with deficient balances.

NOTE 11: PENSION PLANS

The Organization sponsors a tax-deferred annuity plan. The plan covers full-time employees of the Organization. The Organization contributes a percentage of gross salaries for qualified employees to the plan. Employees may make voluntary contributions to the plan up to the maximum amount allowed by the Internal Revenue Code. Plan expenses amounted to $- and $1,062 for the years ended December 31, 2017 and 2016, respectively.

The Organization participates in the benefits plan sponsored by the Presbyterian Church, USA. Employees of the Organization and employees of other Presbyterian Churches receive major medical, retirement, death, and disability benefits. Required disclosures are reported by the plan sponsor for the plan as a whole. Plan expenses amounted to $31,977 and $41,145 for the years ended December 31, 2017 and 2016, respectively.

Additionally, employees may participate in a tax-deferred annuity plan sponsored by the Presbyterian Church, USA. Employees may make voluntary contributions to the plan up to the maximum amount allowed by the Internal Revenue Code. The Organization does not contribute to the plan.

NOTE 12: LEASES

The Organization leases office equipment under an operating lease with monthly lease payments of $152. The lease expires August 2020. Rent expense on the office equipment for the years ended December 31, 2017 and 2016 totaled $3,205 and $3,680, respectively.

Commencing July 2012, the Organization entered into a five-year lease agreement for office space with monthly lease payments of $1,400. During the year ended December 31, 2017, the Organization entered into a new one-year lease agreement for office space with a term from May 1, 2017 through April 30, 2018 with monthly lease payments of $1,087. This lease, which will expire April 30, 2018, was renewed for an additional one-year term, effective May 1, 2018 through April 30, 2019. Office rent expense for the years ended December 31, 2017 and 2016 totaled $18,744 and $19,659, respectively.

Estimated future minimum lease payments under these lease agreements are as follows as of December 31:

2018	$ 14,868
2019	6,172
2020	1,216
	$ 22,256

The Organization leases their Campus Ministry building to student tenants throughout the year. Rental income from these leases totaled $47,560 and $49,260 during the years ended December 31, 2017 and 2016, respectively. Estimated future minimum rental payments to be received during the year ending December 31, 2018 are $50,160.

NOTE 13: CONSOLIDATED STATEMENTS OF CASH FLOW RECONCILIATION

The following is a reconciliation of cash, cash equivalents, and restricted cash reported in the consolidated statements of financial position that sum to the total of the same such amounts shown in the consolidated statements of cash flows:

	2017	2016
Cash and Cash Equivalents	$ 235,955	$ 1,287,999
Restricted Cash - Medical Wrap-Around Plan	82,461	67,023
Restricted Cash - West Legacy	692,074	772,704
Total Cash, Cash Equivalents, and Restricted Cash Reported in the Consolidated Statements of Cash Flows	$ 1,010,490	$ 2,127,726

NOTE 14: RECLASSIFICATION

Certain accounts in the prior year's financial statements have been reclassified to conform to the presentation of the current year's financial statements. These reclassifications had no effect on previously reported changes in net assets or total net assets.