NEW CASTLE PRESBYTERY

CONSOLIDATED FINANCIAL STATEMENTS
AND INDEPENDENT ACCOUNTANTS'
REVIEW REPORT

DECEMBER 31, 2018 AND 2017

NEW CASTLE PRESBYTERY

TABLE OF CONTENTS

DECEMBER 31, 2018 AND 2017

BLS
BELFINT • LYONS • SHUMAN
Certified Public Accountants
www.belfint.com

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, 2018 and 2017, 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* paragraph, we are not aware of any material modifications that should be

1011 Centre Road • Suite 310 | Wilmington • DE 19805 | Phone: 302.225.0600 | Fax: 302.225.0625

A Professional Service Corporation with Offices in Wilmington, Delaware and West Chester, Pennsylvania
Member of the American Institute of Certified Public Accountants • An Independent Member Firm of Prime Global

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 disclose each of the following, in the aggregate, for all underwater endowment funds: (a) the fair value of the underwater endowment funds, (b) the original endowment gift amount or level required to be maintained by donor stipulations or by law that extends donor restrictions, and (c) the amount of the deficiencies of the underwater endowment funds. The Organization's historical records are unable to identify the specific amount of donor-restricted endowment fund corpus that is required to be held in perpetuity. As a result, the Organization is unable to determine if underwater endowment funds exist. 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 10, 2019
Wilmington, Delaware

NEW CASTLE PRESBYTERY
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2018 AND 2017
(See Independent Accountants' Review Report)

ASSETS

	2018	2017
ASSETS		
Cash and Cash Equivalents	$ 551,605	$ 235,955
Restricted Cash - Medical Wrap-Around Plan	74,605	82,461
Restricted Cash - Regional Mission Projects	-	692,074
Accounts Receivable	32,001	35,231
Prepaid Expenses	2,000	-
Notes Receivable	135,046	173,990
Investments	3,156,197	2,964,263
Property and Equipment - Net	668,492	687,285
Beneficial Interests in Trusts	15,537,262	17,164,509
TOTAL ASSETS	$ 20,157,208	$ 22,035,768

LIABILITIES AND NET ASSETS

	2018	2017
LIABILITIES		
Accounts Payable and Accrued Expenses	$ 56,469	$ 14,253
Agency Obligations	-	6,050
Deferred Revenue	3,666	-
Medical Wrap-Around Plan Liability	74,605	82,461
TOTAL LIABILITIES	134,740	102,764
NET ASSETS		
Without Donor Restrictions		
Undesignated	691,259	1,100,185
Board-Designated for Specific Purposes	200,676	-
Board-Designated Endowment Funds	2,418,721	2,123,322
Total Without Donor Restrictions	3,310,656	3,223,507
With Donor Restrictions		
Purpose Restricted	437,074	704,047
Donor-Restricted Endowment Funds	737,476	840,941
Beneficial Interest in Trusts	15,537,262	17,164,509
Total With Donor Restrictions	16,711,812	18,709,497
TOTAL NET ASSETS	20,022,468	21,933,004
TOTAL LIABILITIES AND NET ASSETS	$ 20,157,208	$ 22,035,768

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

NEW CASTLE PRESBYTERY
CONSOLIDATED STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2018
(See Independent Accountants' Review Report)

	Without Donor Restrictions	With Donor Restrictions	Total
REVENUE, GAINS (LOSSES), AND OTHER SUPPORT			
Per Capita (Net of Discounts of $0)	$ 160,215	$ -	$ 160,215
Investment Loss	(155,076)	(61,418)	(216,494)
Campus Ministry Income	48,513	-	48,513
Mission Income	102,561	-	102,561
Reserve Income	2,032	-	2,032
Trustee Income	149,940	-	149,940
Income Distributions from Beneficial Interests in Trusts	778,982	-	778,982
Change in Value of Beneficial Interests in Trusts	-	(1,627,247)	(1,627,247)
	1,087,167	(1,688,665)	(601,498)
Net Assets Released from Restrictions	309,020	(309,020)	-
TOTAL REVENUE, GAINS (LOSSES), AND OTHER SUPPORT	1,396,187	(1,997,685)	(601,498)
EXPENSES			
Program Services	878,433	-	878,433
Management and General	430,605	-	430,605
TOTAL EXPENSES	1,309,038	-	1,309,038
CHANGE IN NET ASSETS	87,149	(1,997,685)	(1,910,536)
NET ASSETS - Beginning of Year	3,223,507	18,709,497	21,933,004
NET ASSETS - End of Year	$ 3,310,656	$ 16,711,812	$ 20,022,468

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)

	Without Donor Restrictions	With Donor Restrictions	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	1,430,935	2,858,509
Net Assets Released from Restrictions	119,138	(119,138)	-
TOTAL REVENUE, GAINS, AND OTHER SUPPORT	1,546,712	1,311,797	2,858,509
EXPENSES			
Program Services	1,887,476	-	1,887,476
Management and General	376,489	-	376,489
TOTAL EXPENSES	2,263,965	-	2,263,965
CHANGE IN NET ASSETS	(717,253)	1,311,797	594,544
NET ASSETS - Beginning of Year	3,940,760	17,397,700	21,338,460
NET ASSETS - End of Year	$ 3,223,507	$ 18,709,497	$ 21,933,004

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

NEW CASTLE PRESBYTERY
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED DECEMBER 31, 2018
(See Independent Accountants' Review Report)

	2018		
	Program	**Management and General**	**Total**
SALARIES AND RELATED BENEFITS			
Salaries	$ 138,663	$ 200,428	$ 339,091
Employee Benefits	32,397	56,708	89,105
Payroll Taxes	4,296	8,723	13,019
TOTAL SALARIES AND RELATED BENEFITS	175,356	265,859	441,215
OTHER EXPENSES			
Contributions, Distributions, and Grants	618,353	-	618,353
Depreciation	-	18,793	18,793
Bad Debt	-	8,643	8,643
Insurance	-	3,987	3,987
Meetings and Retreats	12,853	7,230	20,083
Repairs and Maintenance	10,534	12,841	23,375
Occupancy	-	16,208	16,208
Supplies	314	2,832	3,146
Postage and Printing	151	1,358	1,509
Professional Fees	824	38,891	39,715
Telephone	1,409	8,933	10,342
Travel	10,736	21,790	32,526
Utilities	14,019	1,867	15,886
Other Programs	33,884	21,373	55,257
TOTAL OTHER EXPENSES	703,077	164,746	867,823
TOTAL EXPENSES	$ 878,433	$ 430,605	$ 1,309,038

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	$ 125,983	$ 174,212	$ 300,195
Employee Benefits	28,171	48,637	76,808
Payroll Taxes	2,831	5,749	8,580
TOTAL SALARIES AND RELATED BENEFITS	156,985	228,598	385,583
OTHER EXPENSES			
Contributions, Distributions, and Grants	1,600,340	-	1,600,340
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	8,526	10,323	18,849
Occupancy	-	18,744	18,744
Supplies	390	3,514	3,904
Postage and Printing	198	1,778	1,976
Professional Fees	654	33,123	33,777
Telephone	2,097	9,474	11,571
Travel	8,415	17,086	25,501
Utilities	11,404	2,856	14,260
Other Programs	92,936	20,449	113,385
TOTAL OTHER EXPENSES	1,730,491	147,891	1,878,382
TOTAL EXPENSES	$ 1,887,476	$ 376,489	$ 2,263,965

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

NEW CASTLE PRESBYTERY
CONSOLIDATED STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2018 AND 2017
(See Independent Accountants' Review Report)

	2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in Net Assets	$ (1,910,536)	$ 594,544
Adjustments to Reconcile Change in Net Assets to Net Cash from Operating Activities		
Bad Debt	8,643	3,352
Depreciation	18,793	19,019
Unrealized (Gain) Loss on Investments	321,557	(301,057)
Realized Gain on Investments	(55,355)	(29,105)
Change in Value of Beneficial Interests in Trusts	1,627,247	(1,309,664)
Changes in Assets and Liabilities		
Accounts Receivable	(5,413)	(16,352)
Prepaid Expenses	(2,000)	-
Accounts Payable and Accrued Expenses	42,216	(65,397)
Deferred Revenue	3,666	-
Agency Obligations	(6,050)	(14,119)
Medical Wrap-Around Plan Liability	(7,856)	15,438
NET CASH FROM OPERATING ACTIVITIES	34,912	(1,103,341)
CASH FLOWS FROM INVESTING ACTIVITIES		
Repayments of Notes Receivable	38,944	24,338
Reinvestment of Net Investment Income	(49,708)	(38,233)
Amount Deposited to Investments - Net	(408,428)	-
Proceeds from Sale of Investments	648,287	167,334
Purchase of Investments	(648,287)	(167,334)
NET CASH FROM INVESTING ACTIVITIES	(419,192)	(13,895)
NET CHANGE IN CASH, CASH EQUIVALENTS, AND RESTRICTED CASH	(384,280)	(1,117,236)
CASH, CASH EQUIVALENTS, AND RESTRICTED CASH - Beginning of Year	1,010,490	2,127,726
CASH, CASH EQUIVALENTS, AND RESTRICTED CASH - End of Year	$ 626,210	$ 1,010,490

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. 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 and its wholly owned subsidiary, Campus Ministry, LLC. All material intercompany accounts and transactions have been eliminated.

Applicable Financial Reporting Framework - The accompanying consolidated financial statements 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 12, in accordance with accounting principles generally accepted in the United States of America, nonprofit organizations are required to disclose each of the following, in the aggregate, for all underwater endowment funds: (a) the fair value of the underwater endowment funds, (b) the original endowment gift amount or level required to be maintained by donor stipulations or by law that extends donor restrictions, and (c) the amount of the deficiencies of the underwater endowment funds. The Organization's historical records are unable to identify the specific amount of donor-restricted endowment fund corpus that is required to be held in perpetuity. As a result, the Organization is unable to determine if underwater endowment funds exist. 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.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Basis of Presentation - Net assets, revenues, gains, and losses are classified based on the existence or absence of donor or grantor-imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

> *Net Assets Without Donor Restrictions* - Net assets available for use in general operations and not subject to donor (or certain grantor) restrictions, although their use may be limited by board designation.
>
> *Net Assets With Donor Restrictions* - Net assets subject to donor- or certain grantor-imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions may be perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. The Organization reports contributions restricted by donors as increases in net assets without donor restrictions if the restrictions expire (that is, when a stipulated time restriction ends or purpose restriction is accomplished) in the reporting period in which the revenue is recognized. All other donor-restricted contributions are reported as increases in net assets with donor restrictions, depending on the nature of the restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the consolidated statements of activities as net assets released from restrictions.

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 notes receivable and the related allowance for uncollectible accounts, 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 11).

Restricted Cash - Regional Mission Projects - Restricted Cash – Regional Mission Projects consists of cash held for the purpose of distribution in accordance with the intent of the original West Legacy Trust agreement. During the year ended December 31, 2018, the remaining balance was transferred into the Organization's investment account.

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 net assets with donor restrictions.

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 net assets with donor restrictions.

Accounts and Notes Receivable - 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 $8,643 and $3,352 for the years ended December 31, 2018 and 2017, respectively.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Property and Equipment and Depreciation - Property and equipment are recorded at cost or, if donated, at estimated fair value at the date of donation. Such donations are reported as net assets without donor restrictions 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 net assets with donor restrictions. 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. The Organization reclassifies net assets with donor restrictions to net assets without donor restrictions 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, 2018 and 2017, agency obligations totaled $0 and $6,050, respectively, and represented amounts yet to be distributed to third-party beneficiaries.

Recognition of Donor Restrictions - Contributions received are recorded as net assets without donor restrictions or net assets with donor restrictions, depending on the existence and/or nature of any donor-imposed restrictions.

Support that is restricted by the donor is reported as an increase in net assets without donor restrictions 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 net assets with donor restrictions, depending on the nature of the restriction. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions 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. Such allocations are determined by management on a reasonable basis that is consistently applied. Salary and related benefits are allocated based on time and effort and all other expenses are allocated based on direct cost.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

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 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, 2015, 2016, and 2017 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, 2018 and 2017.

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.

Change in Accounting Principle - On August 18, 2016, FASB issued Accounting Standards Update (ASU) 2016-14, *Not-for-Profit Entities* (Topic 958) - *Presentation of Financial Statements of Not-for-Profit Entities*. The update addresses the complexity and understandability of net asset classification, deficiencies in information about liquidity and availability of resources, and the lack of consistency in the type of information provided about expenses and investment return. The Organization has implemented ASU 2016-14 and has adjusted the presentation in these consolidated financial statements accordingly. The ASU has been applied retrospectively to all periods presented. A key change required by ASU 2016-14 are the net asset classes used in these consolidated financial statements. Amounts previously reported as unrestricted net assets are now reported as net assets without donor restrictions and amounts previously reported as temporarily restricted net assets and permanently restricted net assets are now reported as net assets with donor restrictions.

NOTE 2: AVAILABILITY AND LIQUIDITY

The following reflects the Organization's financial assets as of the date of the consolidated statement of financial position, reduced by amounts not available for general use because of contractual, board-designated, or donor-imposed restrictions within one year of the consolidated statement of financial position date:

Financial Assets as of December 31, 2018	
Cash and Cash Equivalents	$ 551,605
Restricted Cash - Medical Wrap-Around Plan	74,605
Accounts Receivable	32,001
Notes Receivable	135,046
Investments	3,156,197
Beneficial Interests in Trusts	15,537,262
Total Financial Assets as of December 31, 2018	19,486,716
Less Amounts Not Available for General Expenditures Within One Year	
Donor-Imposed Purpose Restrictions	(437,074)
Cash Restricted for Medical Wrap-Around Plan	(74,605)
Long-Term Portion of Notes Receivable	(116,582)
Donor-Restricted Endowment in Excess of Annual Spending Policy	(715,352)
Board Designations for Specific Purposes	(200,676)
Board-Designated Endowment Funds	(2,362,222)
Beneficial Interests in Trusts Not Subject to Appropriation or Expenditure	(14,737,262)
Financial Assets Available to Meet Cash Needs for General Expenditures Within One Year	$ 842,943

The Organization has a goal to maintain financial assets on hand to meet 90 days of normal operating expenses. The Organization has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due.

Except for the board-designated Former Churches Reserve endowment fund which totaled $535,428 and $0 as of December 31, 2018 and 2017, respectively, all other donor-restricted and board-designated endowment funds are subject to an annual spending policy of 3%, as described in Note 12. Endowment fund amounts not subject to the annual spending policy are not available for general expenditures. Although the Organization does not intend to spend from the board-designated endowment funds (other than amounts appropriated for general expenditures through the annual spending policy), these amounts could be made available by a board resolution in the event of financial distress or an immediate liquidity need.

During the year ending December 31, 2019, the Organization expects to collect approximately $18,464 of notes receivable. The remaining long-term portion of notes receivable totaling $116,582 has been reflected as unavailable for general expenditures within one year in the chart above.

NOTE 2: AVAILABILITY AND LIQUIDITY - CONTINUED

As described in Note 10, the Organization is the sole income beneficiary of an irrevocable perpetual trust and also has a remainder interest in an irrevocable trust containing six pooled life income funds. On an annual basis, the Organization generally receives 5% of the perpetual trust assets' fair value. Management estimates this distribution will total approximately $800,000 during the year ending December 31, 2019. The remaining beneficial interest in trusts of $14,737,262 has been reflected as unavailable for general expenditures within one year in the chart above.

NOTE 3: NET ASSETS WITHOUT DONOR RESTRICTIONS

Net assets without donor restrictions consisted of the following as December 31:

	2018	2017
Undesignated	$ 691,259	$ 1,100,185
Board-Designated Endowment Funds		
Campus Ministry	30,789	33,169
Candidate Reserve	14,594	20,349
Continuing Education	8,486	9,155
Chesapeake Funds	319,898	356,835
Hayloft	-	(3,569)
Minister's Emergency Fund	20,336	26,292
Mission Response	88,242	95,195
New Church Development	-	20,086
Presbyterian Emergency Fund	144,308	155,678
Former Churches Reserve	535,428	-
Rotary	956,564	1,049,049
Operating Reserve	300,076	361,083
Total Board-Designated Endowment Funds	2,418,721	2,123,322
Board-Designated for Specific Purposes		
Church on Main Manse Proceeds Reserve	147,926	-
Guatemala Mission	42,889	-
Congo Mission	9,861	-
Total Board-Designated for Specific Purposes	200,676	-
Total Net Assets Without Donor Restrictions	$ 3,310,656	$ 3,223,507

NOTE 4: NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions consisted of the following as December 31:

	2018	2017
Subject to Expenditure for Specified Purpose		
Regional Mission Projects	$ 437,074	$ 692,074
Capital Renovations	-	11,973
Total Subject to Expenditure for Specified Purpose	437,074	704,047
Subject to Endowment Spending Policy and Appropriation	737,476	840,941
Not Subject to Appropriation or Expenditure		
Beneficial Interest in Trusts	15,537,262	17,164,509
Total Net Assets With Donor Restrictions	$ 16,711,812	$ 18,709,497

NOTE 5: 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, 2018 and 2017, the uninsured balances held at the Organization's financial institutions were $323,971 and $763,562, respectively.

NOTE 6: NOTES RECEIVABLE

Notes receivable consisted of the following as of December 31:

	2018	2017
Coolspring Presbyterian Church - Quarterly payments of $3,935 including principal and interest at the rate of 4% through April 2030.	$ 113,046	$ 123,990
Oasis of Refreshing Ministries - Monthly payments of $1,080 including principal and interest at the rate of 6% through April 2027. Oasis of Refreshing Ministries satisfied the loan in full during 2018.	-	24,750
Georgetown Presbyterian Church - Beginning August 2016, interest compounded 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 were 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.	22,000	25,250
	$ 135,046	$ 173,990

NOTE 7: INVESTMENTS

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

	2018	2017
Investments		
Cash	$ 145,051	$ 97,129
Mutual Funds	3,011,146	2,867,134
Total Investments	$ 3,156,197	$ 2,964,263

NOTE 7: INVESTMENTS - CONTINUED

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

	2018	2017
Interest and Dividends - Net	$ 49,708	$ 38,233
Realized Gain	55,355	29,105
Unrealized Gain (Loss)	(321,557)	301,057
Total Investment Income (Loss)	$ (216,494)	$ 368,395

NOTE 8: 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.

NOTE 8: FAIR VALUE MEASUREMENTS - CONTINUED

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.

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

	2018			
	Fair Value	Level 1	Level 2	Level 3
Investments				
Mutual Funds	$ 3,011,146	$ 3,011,146	$ -	$ -
Cash	145,051	145,051	-	-
Total Investments	3,156,197	3,156,197	-	-
Beneficial Interests in Trusts	15,537,262	-	-	15,537,262
Total Assets at Fair Value	$ 18,693,459	$ 3,156,197	$ -	$ 15,537,262

	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

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.

NOTE 8: FAIR VALUE MEASUREMENTS - CONTINUED

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:

	2018	2017
Balance - Beginning of Year	$ 17,164,509	$ 15,854,845
Change in Value of Trusts	(1,627,247)	1,309,664
Balance - End of Year	$ 15,537,262	$ 17,164,509

NOTE 9: PROPERTY AND EQUIPMENT

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

	2018	2017
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	(562,923)	(544,130)
	$ 668,492	$ 687,285

NOTE 10: 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, 2018 and 2017 amounted to $15,358,817 and $16,977,515, 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.

NOTE 10: BENEFICIAL INTERESTS IN TRUSTS - CONTINUED

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

The amount received under this agreement during the years ended December 31, 2018 and 2017 amounted to $778,982 and $757,443, 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, 2018 and 2017, the fair value of the remainder interest amounted to $178,445 and $186,994, 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.

NOTE 11: 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 2018 and 2017, church contributions totaled $51,709 and $64,847, respectively, interest earnings amounted to zero, and employee reimbursements were $59,565 and $49,409, respectively.

NOTE 12: ENDOWMENT

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, unless there are explicit donor stipulations to the contrary. As a result of this interpretation, the Organization retains in perpetuity (a) the original value of initial and subsequent gift amounts (including promises to give net of discount and allowance for doubtful accounts) donated to the fund and (b) any accumulations to the endowment made in accordance with direction of the applicable donor gift instrument at the time the accumulation is added. Donor-restricted amounts not retained in perpetuity are subject to appropriation for expenditure 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

NOTE 12: ENDOWMENT - CONTINUED

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.

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. As of December 31, 2018, the Organization's endowment consisted of 10 board-designated funds and 5 donor-restricted funds.

The fund's net asset composition based on the existence or absence of donor-imposed restrictions as of December 31, 2018 was as follows:

	Without Donor Restrictions	With Donor Restrictions	Total
Board-Designated Endowment Funds	$ 2,418,721	$ -	$ 2,418,721
Donor-Restricted Endowment Funds	-	737,476	737,476
	$ 2,418,721	$ 737,476	$ 3,156,197

The fund's net asset composition based on the existence or absence of donor-imposed restrictions as of December 31, 2017 was as follows:

	Without Donor Restrictions	With Donor Restrictions	Total
Board-Designated Endowment Funds	$ 2,123,322	$ -	$ 2,123,322
Donor-Restricted Endowment Funds	-	840,941	840,941
	$ 2,123,322	$ 840,941	$ 2,964,263

As of December 31, 2018 and 2017, donor-restricted endowment funds 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

NOTE 12: ENDOWMENT - CONTINUED

Changes in endowment net assets for the years ended December 31, 2018 and 2017 were as follows:

	Without Donor Restrictions	With Donor Restrictions	Total
Endowment Net Assets - January 1, 2017	$ 1,825,717	$ 770,151	$ 2,595,868
Investment Return - Net	259,097	109,298	368,395
Contributions	125,997	-	125,997
Appropriation of Endowment Assets for Expenditure	(87,489)	(38,508)	(125,997)
Endowment Net Assets - December 31, 2017	2,123,322	840,941	2,964,263
Investment Loss - Net	(155,076)	(61,418)	(216,494)
Contributions	538,778	-	538,778
Appropriation of Endowment Assets for Expenditure	(88,303)	(42,047)	(130,350)
Endowment Net Assets - December 31, 2018	$ 2,418,721	$ 737,476	$ 3,156,197

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. The only fund not subject to the spending policy described above is the board-designated Former Churches Reserve Fund. This fund totaled $535,428 and $0, as of December 31, 2018 and 2017, respectively, and is board-designated for the use of new church development.

NOTE 12: ENDOWMENT - CONTINUED

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 held in perpetuity. As a result, the Organization is unable to determine if underwater endowment funds exist. 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 13: 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 $15,627 and $0 for the years ended December 31, 2018 and 2017, 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 $36,722 and $31,977 for the years ended December 31, 2018 and 2017, 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 14: 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, 2018 and 2017 totaled $1,746 and $3,205, respectively.

The Organization leases office space with monthly lease payments of $1,087. This lease, which expired April 30, 2018, was renewed for an additional one-year term, effective May 1, 2018 through April 30, 2019. Subsequent to the year ended December 31, 2018, the Organization entered into an agreement to extend the lease for an additional one-year term, effective May 1, 2019 through April 30, 2020. Office rent expense for the years ended December 31, 2018 and 2017 totaled $16,208 and $18,744, respectively.

NOTE 14: LEASES - CONTINUED

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

2019	$	6,172
2020		1,216
	$	7,388

The Organization leases their Campus Ministry building to student tenants throughout the year. The leases expire at various dates through August 2020. Rental income from these leases totaled $45,946 and $47,560 during the years ended December 31, 2018 and 2017, respectively.

As of December 31, 2018, estimated future minimum rental payments to be received are as follows:

2019	$	47,460
2020		18,470
	$	65,930

NOTE 15: CASH, CASH EQUIVALENTS, AND RESTRICTED CASH

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:

	2018	2017
Cash and Cash Equivalents	$ 551,605	$ 235,955
Restricted Cash - Medical Wrap-Around Plan	74,605	82,461
Restricted Cash - Regional Mission Projects	-	692,074
Total Cash, Cash Equivalents, and Restricted Cash Reported in the Consolidated Statements of Cash Flows	$ 626,210	$ 1,010,490

NOTE 16: 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.