VALLEY PRESBYTERIAN CHURCH
AND AFFILIATE

COMBINED FINANCIAL STATEMENTS
AND ADDITIONAL INFORMATION

Year Ended December 31, 2017

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CONTENTS

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INDEPENDENT AUDITORS' REPORT

To the Session of

VALLEY PRESBYTERIAN CHURCH and AFFILIATE

We have audited the accompanying combined financial statements of ***Valley Presbyterian Church and Affiliate*** (the "Organization") which comprise the combined statement of financial position as of December 31, 2017, and the related combined statements of activities and cash flows for the year then ended, and the related notes to the combined financial statements.

Management's Responsibility for the Combined Financial Statements

Management is responsible for the preparation and fair presentation of these combined 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 combined financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these combined financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the combined financial statements are free from material misstatement.

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

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

Basis for Qualified Opinion

As more fully described in Note 15 to the combined financial statements, ***Valley Presbyterian Church and Affiliate's*** combined financial statements do not include the accounts of ***Valley Presbyterian Day School***. In our opinion, the Organization's combined financial statements should include the accounts of ***Valley Presbyterian Day School*** to conform with accounting principles generally accepted in the United States of America.

Qualified Opinion

In our opinion, except for the effects of not including the accounts of ***Valley Presbyterian Day School*** in the accompanying combined financial statements as explained in the Basis for Qualified Opinion paragraph, the 2017 combined financial statements referred to above present fairly, in all material respects, the financial position of ***Valley Presbyterian Church and Affiliate*** as of December 31, 2017, and the changes in their net assets and their cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Report on Summarized Comparative Information

We have previously audited the ***Valley Presbyterian Church and Affiliate's*** 2016 combined financial statements, and our report dated June 15, 2017, expressed a qualified opinion on those audited combined financial statements due to the fact that the Organization's combined financial statements did not include the accounts of ***Valley Presbyterian Day School*** as required to conform with accounting principles generally accepted in the United States of America as described in the Basis for Qualified Opinion paragraph and as more fully described in Note 15. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2016, is consistent, in all material respects, with the audited combined financial statements from which it has been derived.

Mayer Hoffman McCann P.C.

July 2, 2018

VALLEY PRESBYTERIAN CHURCH AND AFFILIATE

COMBINED STATEMENT OF FINANCIAL POSITION

December 31, 2017
(with comparative totals at December 31, 2016)

A S S E T S

	2017	2016
CURRENT ASSETS		
Cash and cash equivalents	$ 626,785	$ 398,022
Receivables	34,558	31,069
Prepaid expenses	67,300	55,919
TOTAL CURRENT ASSETS	728,643	485,010
INVESTMENTS	6,364,454	4,650,941
PROPERTY AND EQUIPMENT, net	7,500,672	7,639,001
ASSETS HELD UNDER SPLIT-INTEREST AGREEMENTS	41,575	44,450
TOTAL ASSETS	$ 14,635,344	$ 12,819,402

L I A B I L I T I E S   A N D   N E T   A S S E T S

	2017	2016
CURRENT LIABILITIES		
Accounts payable	$ 77,053	$ 39,957
Accrued expenses	82,273	64,803
Current maturities of capital lease obligation	2,454	5,704
Current portion of liabilities under split-interest agreements	6,042	6,042
TOTAL CURRENT LIABILITIES	167,822	116,506
CAPITAL LEASE OBLIGATION, less current maturities	-	2,454
LIABILITIES UNDER SPLIT-INTEREST AGREEMENTS, net of current portion	29,228	32,730
TOTAL LIABILITIES	197,050	151,690
NET ASSETS		
Unrestricted:		
Board-designated	5,030,509	4,014,286
Undesignated	7,927,122	7,895,219
Total unrestricted	12,957,631	11,909,505
Temporarily restricted	365,729	332,892
Permanently restricted	1,114,934	425,315
TOTAL NET ASSETS	14,438,294	12,667,712
TOTAL LIABILITIES AND NET ASSETS	$ 14,635,344	$ 12,819,402

VALLEY PRESBYTERIAN CHURCH AND AFFILIATE

COMBINED STATEMENT OF ACTIVITIES

Year Ended December 31, 2017
(with comparative totals for the year ended December 31, 2016)

	Unrestricted	Temporarily Restricted	Permanently Restricted	Totals 2017	Totals 2016
SUPPORT AND REVENUE					
Contributions and bequests	$ 2,931,357	$ 40,769	$ 689,619	$ 3,661,745	$ 2,255,892
Encore revenues	37,963	-	-	37,963	44,281
Program fees	16,063	-	-	16,063	15,189
Investment income	107,443	12,478	-	119,921	119,946
Realized and unrealized investment gains	549,031	72,693	-	621,724	296,582
Change in value of split-interest agreements	(1,314)	2,490	-	1,176	(1,412)
Other income	46,765	-	-	46,765	4,811
Total support and revenue before special events and net assets released from restrictions	3,687,308	128,430	689,619	4,505,357	2,735,289
Special events:					
Special events revenue	150,928	-	-	150,928	165,031
Less costs of direct donor benefits	(72,049)	-	-	(72,049)	(128,296)
Gross profit on special events	78,879	-	-	78,879	36,735
Net assets released from restrictions	95,593	(95,593)	-	-	-
TOTAL SUPPORT AND REVENUE	3,861,780	32,837	689,619	4,584,236	2,772,024
EXPENSES					
Program services:					
Pastoral ministry	494,712	-	-	494,712	476,295
Facilities	439,602	-	-	439,602	439,998
Missions	292,085	-	-	292,085	290,529
Worship and music	188,140	-	-	188,140	194,393
Christian education	231,258	-	-	231,258	238,396
Encore expenses	88,460	-	-	88,460	119,692
Foodservices	33,825	-	-	33,825	38,114
Depreciation	310,525	-	-	310,525	312,517
Fellowship and congregational care	26,568	-	-	26,568	22,625
Evangelism	4,175	-	-	4,175	4,201
Total program services	2,109,350	-	-	2,109,350	2,136,760
Support services:					
General and administrative	640,546	-	-	640,546	630,618
Depreciation	63,758	-	-	63,758	64,167
Total support services	704,304	-	-	704,304	694,785
TOTAL EXPENSES	2,813,654	-	-	2,813,654	2,831,545
CHANGE IN NET ASSETS	1,048,126	32,837	689,619	1,770,582	(59,521)
NET ASSETS, BEGINNING OF YEAR	11,909,505	332,892	425,315	12,667,712	12,727,233
NET ASSETS, END OF YEAR	$ 12,957,631	$ 365,729	$ 1,114,934	$ 14,438,294	$ 12,667,712

VALLEY PRESBYTERIAN CHURCH AND AFFILIATE

COMBINED STATEMENT OF CASH FLOWS

Year Ended December 31, 2017
(with comparative totals for the year ended December 31, 2016)

	2017	2016
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	$ 1,770,582	$ (59,521)
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation	374,283	376,684
Endowment contribution	(689,619)	(54,460)
Realized and unrealized investment gains	(621,724)	(296,582)
Loss on disposal of property and equipment	214	-
Donated property and equipment	-	(6,000)
Changes in operating assets and liabilities:		
(Increase) decrease in:		
Receivables	(3,489)	3,820
Prepaid expenses	(11,381)	(35,310)
Assets held under split interest agreements	2,875	3,709
Increase (decrease) in:		
Accounts payable	37,096	18,671
Accrued expenses	17,470	5,402
Liabilities under split-interest agreements	(3,502)	(1,828)
Net cash provided by (used in) operating activities	872,805	(45,415)
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sales of investments	130,406	586,523
Purchases of investments	(1,222,195)	(358,194)
Purchases of property and equipment	(236,168)	(153,390)
Net cash provided by (used in) investing activities	(1,327,957)	74,939
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from line of credit	25,223	244,336
Cash received for endowment contribution	689,619	54,460
Payments on line of credit	(25,223)	(244,336)
Payments on capital lease obligation	(5,704)	(5,435)
Net cash provided by financing activities	683,915	49,025
NET CHANGE IN CASH AND CASH EQUIVALENTS	228,763	78,549
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	398,022	319,473
CASH AND CASH EQUIVALENTS, END OF YEAR	$ 626,785	$ 398,022
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:		
Cash paid for interest	$ 279	$ 1,313
NON-CASH INVESTING ACTIVITY		
Donated property and equipment	$ -	$ 6,000

See Notes to Combined Financial Statements

(1) Organization operations and summary of significant accounting policies

Nature of operations – ***Valley Presbyterian Church*** *(*the "Church") was organized on October 31, 1956 and is a constituent of the Presbyterian Church of the United States of America. The Church is a nonprofit organization and is dedicated to spreading the Gospel through establishing, developing, and promoting all aspects of church ministry within Paradise Valley, Arizona and the surrounding communities. The Church is supported primarily through contributions from the congregation. Additionally, the Church operates Encore University ("Encore"), which is a non-profit ministry of the Church for persons "50 and better" in the greater Paradise Valley and Scottsdale community. Encore offers a diverse program of artistic and intellectual classes, special events, speakers, cultural experiences, and adventure and travel activities. The mission of Encore is to build new relationships, to foster a sense of community, to study scripture, to participate in other adventures in lifelong learning, and to experience enriched lives and faith via action.

Valley Presbyterian Foundation (the "Foundation") was organized on February 18, 1976 as a nonprofit corporation with the purpose of providing income exclusively to the Church. This income is intended to strengthen and extend the work of the Church in areas that are not part of the operating budget. In addition, the Foundation is the Trustee under the terms of the irrevocable trusts described in Note 11. The assets and liabilities of the Memorial Gardens Trust are included in the Foundation.

The Church and the Foundation (collectively referred to as the "Organization") have common members of their respective sessions.

Valley Presbyterian Day School (the "School") was organized on January 10, 1991 as a nonprofit corporation with the purpose of providing a Christian school built upon a sound educational program for young children of the community, as part of the charter outreach of the Church. The Organization has both control of and an economic interest in the School. However, management of the Organization has elected not to include the activities of the School in the accompanying combined financial statements.

The significant accounting policies followed by the Organization are summarized below:

The Financial Accounting Standards Board ("FASB") sets generally accepted accounting principles in the United States of America ("GAAP") to ensure consistent reporting. References to GAAP are to the FASB Accounting Standards Codification ("ASC").

Combined financial statements – The accompanying combined financial statements include the accounts of the Church and the Foundation, both of which are under common control. All significant intercompany transactions and accounts have been eliminated in combination.

Basis of presentation – The accompanying combined financial statements are presented in accordance with FASB ASC 958-205, *Not-for-Profit Organizations – Presentation of Financial Statements*. Under FASB ASC 958-205, the Organization is required to report information regarding their financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. Temporarily restricted net assets are those whose use by the Organization has been limited by donors to a specific time period or purpose. Permanently restricted net assets have been restricted by donors to be maintained by the Organization in perpetuity.

Prior-year summarized information – The combined financial statements include certain prior year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the Organization's combined financial statements for the year ended December 31, 2016, from which the summarized information was derived.

(1) Organization operations and summary of significant accounting policies (continued)

Management's use of estimates – The preparation of combined 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 reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the combined financial statements. Estimates also affect the reported amounts of revenues and expenses during the reporting period. Actual results could differ from these estimates.

Contributions – The Organization accounts for contributions in accordance with FASB ASC 958-605, *Not-for-Profit Entities – Revenue Recognition*. In accordance with FASB ASC 958-605, contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support depending on the existence and/or nature of any donor restrictions. All 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 (that is, when a stipulated time restriction ends or purpose restriction is accomplished), temporarily restricted net assets are reclassified to unrestricted net assets and reported in the combined statement of activities as net assets released from restrictions. However, if a restriction is fulfilled in the same time period in which the contribution is received, the Organization reports the support as unrestricted.

Special events revenue – The Organization conducts special events in which a portion of the gross proceeds paid by the participant represents payment for the direct cost of the benefits received by the participant at the event. Unless a verifiable, objective reason exists to demonstrate otherwise, the fair value of meals and entertainment provided at special events is measured at the actual cost to the Organization. The direct costs of the special events which ultimately benefit the donor rather than the Organization are included in special events revenues and simultaneously recorded as costs of direct donor benefits. All proceeds received in excess of the direct costs are recorded as gross profit on special events in the accompanying combined statement of activities.

Revenue recognition – The Organization offers various other services. Revenue from the operation of Encore, program fees, events, and other sources are recognized in the period in which the services are provided.

Donated materials and services – Donated materials and professional services are recognized as contributions, in accordance with FASB ASC 958-605, if the services (a) create or enhance nonfinancial assets or (b) require specialized skills, are performed by people with those skills, and would otherwise be purchased. The Organization has reflected donated materials and professional services totaling $15,078 and $13,078 in 2017 and 2016, respectively, in contribution revenue in the accompanying combined statements of activities. No amounts have been reflected in the combined financial statements for certain donated volunteer services because they did not qualify for recording under the guidelines of FASB ASC 958-605; however, a substantial number of volunteers have donated significant amounts of their time to administer the numerous ministries and programs of the Organization.

Cash and cash equivalents – Cash consists of cash and, at times, cash equivalents, which consist of highly liquid financial instruments purchased with original maturities of three months or less. Deposits at each institution are insured in limited amounts by the Federal Deposit Insurance Corporation ("FDIC").

Receivables – Receivables are stated at the amount management expects to collect from outstanding balances. Management provides for probable uncollectible amounts through a charge to earnings and a credit to a valuation allowance based on its assessment of the current status of individual accounts. Balances that are still outstanding after management has used reasonable collection efforts are written off through a charge to the valuation allowance and a credit to receivables. Receivables are considered by management to be fully collectible and, accordingly, an allowance for doubtful accounts is not considered necessary as of December 31, 2017 and 2016.

(1) Organization operations and summary of significant accounting policies (continued)

Investments – In accordance with FASB ASC 958-320, *Not-for-Profit Entities – Investments - Debt and Equity Securities,* the Organization reports investments in equity securities that have readily determinable fair values, and all investments in debt securities, at fair value in the accompanying combined statement of financial position.

The Organization has elected to report their other investments at the lower of cost or fair value in accordance with FASB ASC 958-325*, Not-for-Profit Entities – Investments – Other*. As of December 31, 2017 and 2016, the Organization's other investments consisted of funds held at the Presbyterian Foundation and investments in non-traded real estate investment trusts ("REIT"s) which are further described in Note 2. The Organization determined their cost basis in these other investments is lower than the estimated fair value.

Investments are exposed to various risks such as interest rate, market and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in risks in the near term would materially affect account balances and the amounts reported in the accompanying combined financial statements.

Property and equipment and related depreciation – Purchased property and equipment is recorded at cost and donated property and equipment is recorded at fair value at the date of the gift to the Organization*.* Maintenance and repairs are charged to operations when incurred. Betterments and renewals in excess of $1,000 are capitalized. When property and equipment is sold or otherwise disposed of, the asset and related accumulated depreciation account is relieved and any gain or loss is included in operations. Depreciation of property and equipment is computed using the straight-line method over the following estimated range of useful lives:

Landes Center, education and administration facility	5 - 39 years
Sanctuary	5 - 50 years
Chapel	5 - 50 years
Furniture, fixtures and equipment	7 years
Music building	7 - 40 years
Memorial garden	5 - 40 years
Automotive equipment	5 years
Equipment held under capital lease	5 years

Donations of property and equipment are reported as increases in unrestricted net assets 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 contributions. 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, at which time the Organization reclassifies temporarily restricted net assets to unrestricted net assets.

Impairment of long-lived assets – The Organization accounts for long-lived assets in accordance with the provisions of FASB ASC 360, *Property, Plant and Equipment*. FASB ASC 360 requires that long-lived assets be reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to future undiscounted net cash flows expected to be generated by the asset. If such assets are considered to be impaired, the impairment to be recognized is measured by the amount by which the carrying amount of the assets exceeds the fair value of the assets. Assets to be disposed of are reported at the lower of the carrying amount or fair value less costs to sell. No impairment charges were recorded for 2017 and 2016.

(1) Organization operations and summary of significant accounting policies (continued)

Functional allocation of expenses – The costs of providing the Organization's various programs and activities have been summarized on a functional basis in the combined statement of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited based on personnel activity and other appropriate allocation methods. The expense category, support services, includes those expenses that are not directly identifiable with any specific program but provide overall support and direction to the Organization.

Fair value measurement – FASB ASC 820, *Fair Value Measurement,* establishes a common definition for fair value to be applied to GAAP requiring the use of fair value, establishes a framework for measuring fair value, and expands disclosures about such fair value measurements. It also establishes a hierarchy for ranking the quality and reliability of the information used to determine fair values by requiring that assets and liabilities carried at fair value be classified and disclosed in one of the following three categories:

Level 1: Unadjusted quoted market prices in active markets for identical assets or liabilities.

Level 2: Unadjusted quoted prices in active markets for similar assets or liabilities, unadjusted quoted prices for identical or similar assets or liabilities in markets that are not active, or inputs other than quoted prices that are observable for the asset or liability.

Level 3: Unobservable inputs for the asset or liability.

Income tax status – The Church and Foundation qualify as tax-exempt organizations under Section 501(c)(3) of the Internal Revenue Code ("IRC") and, accordingly, there is no provision for income taxes. In addition, the Internal Revenue Service ("IRS") has determined that the Church and Foundation are not private foundations under the provisions of Section 509 (a) of the Internal Revenue Code. Income determined to be unrelated business taxable income would be taxable.

The Organization accounts for their uncertain tax positions in accordance with the provisions of FASB ASC 740, *Income Taxes* by applying a more-likely-than-not threshold to the recognition and de-recognition of uncertain tax positions in earnings in the year of such change. The Organization evaluates their uncertain tax positions, if any, on a continual basis through review of their policies and procedures, review of their regular tax filings, and discussions with outside experts. The Organization is not required to file a 990; and accordingly, there is no statute of limitations on an IRS examination.

Recent accounting pronouncements – In May 2014, the FASB issued Accounting Standards Update ("ASU") No. 2014-09, *Revenue from Contracts with Customers (Topic 606)*, that will supersede most current revenue recognition guidance, including industry-specific guidance. The core principle of the new guidance is that an entity will recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The standard provides a five-step analysis of transactions to determine when and how revenue is recognized. Other major provisions include the capitalization and amortization of certain contract costs, ensuring the time value of money is considered in the transaction price, and allowing estimates of variable consideration to be recognized before contingencies are resolved in certain circumstances. Additionally, the guidance requires disclosures related to the nature, amount, timing, and uncertainty of revenue that is recognized.

In August 2015, the FASB issued FASB ASU No. 2015-14, *Revenue from Contracts with Customers (Topic 606)*, which changed the effective date of the provisions of FASB ASU No. 2014-09. As a result, the amendments are required to be adopted for the Organization's December 31, 2019 combined financial statements. Early adoption is permitted. Transition to the new guidance may be done using either a full or modified retrospective method. The Organization is currently evaluating the full effect that the adoption of this standard will have on the combined financial statements.

(1) Organization operations and summary of significant accounting policies (continued)

In February 2016, the FASB issued ASU No. 2016-02, *Leases (Topic 842).* ASU 2016-02 requires that a lease liability and related right-of-use-asset representing the lessee's right to use or control the asset be recorded on the balance sheet upon the commencement of all leases except for short-term leases. Leases will be classified as either finance leases or operating leases, which are substantially similar to the classification criteria for distinguishing between capital leases and operating in existing lease accounting guidance. As a result, the effect of leases in the statement of activities and changes in net assets and the statement of cash flows will be substantially unchanged from the existing lease accounting guidance. The ASU is effective for fiscal years beginning after December 15, 2019. Early adoption is permitted. The Organization has no current leases and therefore the adoption of this standard is not expected to have a material effect on the combined financial statements.

In August 2016, the FASB issued ASU No. 2016-14, *Not-for-Profit Entities (Topic 958), Presentation of Financial Statements of Not-for-Profit Entities*. ASU 2016-14 improves the current net asset classification requirements and the information presented in combined financial statements and notes about a not-for-profit entity's liquidity, financial performance, and cash flows. ASU 2016-14 is effective for annual financial statements issued for fiscal years beginning after December 15, 2017. Early application is permitted. The amendments of this ASU are to be applied on a retrospective basis in the year that the ASU is first applied. The Organization is currently evaluating the full effect that the adoption of this standard will have on the combined financial statements.

Subsequent events – The Organization has evaluated subsequent events through July 2, 2018, which is the date the combined financial statements were available to be issued.

(2) Investments

Investments consist of the following:

	2017	2016
Cash	$ 360,305	$ 62,441
Equity – domestic stock	2,499,144	1,785,815
Equity mutual funds:		
Equity mutual funds – real estate	94,771	88,819
Equity mutual funds – alternative	349,821	576,336
Equity mutual funds – U.S.	909,542	952,067
Equity mutual funds – small blend	192,140	116,064
Other equity mutual funds	249,040	83,282
Fixed income mutual funds		
Fixed income bond - US	203,272	440,269
Other fixed income mutual funds	424,510	192,157
Intermediate term bonds	931,335	209,636
Assets held under split-interest agreement	41,575	44,450
Funds held at Presbyterian Foundation	42,451	38,767
Real estate investment trust	108,123	105,288
Total investments	$ 6,406,029	$ 4,695,391

Investment fees incurred and charged to operations, including custodial fees and investment advisory fees totaled $43,166 and $39,422 for 2017 and 2016, respectively.

(2) Investments (continued)

Investment income and gains consists of:

	2017	2016
Dividend and interest income	$ 119,921	$ 119,946
Realized and unrealized investment gains	621,724	296,582
Total	$ 741,645	$ 416,528

In 2013, the Organization purchased an investment in a real estate investment trusts which is not publicly traded and is subject to redemption restrictions. In order for the Organization to redeem their investment in the real estate investment trusts at a value at least equal to cost, the Organization is required to hold the investment for a minimum of four years, of which December 31, 2017 was the last year, unless the trust is subject to a public offering or a price per share unrelated to the original offering price is established. The primary investment objective of the trust is to preserve and return capital contributions of investors and to provide investors with attractive and stable cash distributions. The Organization is carrying these investments at cost in accordance with FASB ASC 958-325.

(3) Property and equipment

Property and equipment consists of:

	2017	2016
Cost and donated value:		
Landes Center, education and administrative facility	$ 10,220,858	$ 10,175,516
Sanctuary	1,037,624	1,033,069
Chapel	1,302,931	1,308,931
Furniture, fixtures and equipment	838,229	814,247
Music building	495,876	495,876
Memorial garden	237,955	237,955
Land	80,000	80,000
Automotive equipment	36,284	36,284
Equipment held under capital lease	27,650	27,650
Construction in progress	198,430	42,901
Total cost and donated value	14,475,837	14,252,429
Accumulated depreciation	(6,975,165)	(6,613,428)
Property and equipment, net	$ 7,500,672	$ 7,639,001

Depreciation expense charged to operations was $374,283 and $376,684 for 2017 and 2016, respectively.

In March 2013, the Organization entered into a non-cancelable capital lease agreement. The cost of the asset held under capital lease agreement totaled $27,650 at December 31, 2017 and 2016. Accumulated amortization on assets held under the capital lease agreement totaled $26,268 and $20,738 at December 31, 2017 and 2016, respectively.

(4) Capital lease obligation

In March 2013, the Organization entered into a non-cancelable capital lease agreement for certain equipment that expires in May 2018 and bears interest at 4.8%. The obligation under the capital lease reflects the present value of future lease payments discounted at the interest rate implicit in the lease. Total interest expense related to this capital lease was $269 and $537 for 2017 and 2016, respectively.

(4) Capital lease obligation (continued)

The future minimum lease payments required under the capital lease are as follows:

Year Ending December 31,		
2018	$	7,976
Total future minimum lease payments		7,976
Less amounts representing interest		(30)
Less amounts representing service/maintenance		(5,492)
Present value of minimum lease obligation	$	2,454

Subsequent to December 31, 2017, the Organization executed a new copier lease agreement that requires monthly payments of $447 over a term of 60 months.

(5) Split-interest agreements

The Organization has been named the beneficiary in irrevocable trusts held by the Presbyterian Foundation. Assets of the trusts represent the fair value of the assets held by the Presbyterian Foundation as gifts from which a lifetime annuity is paid to the donor or other named beneficiary(s). Upon termination of the annuity, the principal becomes available for the Organization's use in accordance with donor restrictions, or if no restrictions are imposed by the donor, for the Organization's unrestricted use. The fair value of the charitable remainder interests was determined as the present value of the estimated future cash flows using a discount rate of 6%. The fair value of charitable remainder interests expected to be received by the Organization was estimated to be $4,401 and $5,415 at December 31, 2017 and 2016, respectively.

The Organization is currently the irrevocable beneficiary of a charitable remainder trust. The charitable remainder trust provides for the payment of distributions to the grantor over the trust's term (the designated beneficiary's lifetime). At the end of the trust's term, the remaining assets are available for the Organization's use. The fair market value of the assets held in the charitable remainder trust was $37,174 and $39,035 at December 31, 2017 and 2016, respectively. The portion of the trust attributable to the present value of the future benefits to be received by the Organization is recorded as a temporarily restricted contribution in the period the trust is established. On an annual basis, the Organization recalculates the liability to adjust distributions to the designated beneficiary based on actuarial assumptions. Adjustments to reflect the valuation of the present value of the estimated annuity payments and changes in actuarial assumptions are recognized in the combined statement of activities as a change in value of split interest agreements. The liabilities under split-interest agreements include the present value of the estimated annuity payments for the charitable remainder trust (estimated payments of $35,270 and $38,772 at December 31, 2017 and 2016, respectively) which is calculated using a discount rate of 1.8% for 2017 and 2016, and the applicable Internal Revenue Service mortality tables.

The investments associated with the charitable remainder trusts have been accounted for in accordance with FASB ASC 958-320, *Not-for-Profit Entities – Investments – Debt and Equity Securities*. Under FASB ASC 958-320, the Organization is required to report investments in equity securities that have readily determinable fair values and all investments in debt securities, at fair value. The fair values of investments are based on quoted market prices. The charitable remainder trust investments consist entirely of U.S. equity mutual funds, international fixed income mutual funds and cash at December 31, 2017 and 2016.

(6) Line of credit

In July 2013, the Church entered into a line of credit agreement with a limit of $250,000. The line of credit is guaranteed by certain investments of the Foundation. The line of credit does not mature until default or notice is given by the lender. Interest is charged at the prime rate plus 0.63% (5.13% at December 31, 2017). No amounts were outstanding under the line of credit as of December 31, 2017 and 2016.

Total interest expense related to this line of credit was $10 and $776 for 2017 and 2016, respectively.

(7) Temporarily restricted net assets

Temporarily restricted net assets consist of:

	2017	2016
Church:		
Support for missions	$ 187	$ 187
Deacon Fund	23,951	28,908
Church subtotal	24,138	29,095
Foundation:		
Music program	252,483	244,815
Legacy dinner underwriting	16,928	26,500
Split-interest agreements	6,305	5,678
Scholarships	21,098	2,991
Music and arts	6,682	3,684
Freeman Fund	1,452	624
Christian education program	8,493	6,306
Annis Organ Fund	6,822	3,169
Boy Scouts	16,994	9,662
McKee Youth Mission Fund	4,126	368
Kreizenbeck Fund	208	-
Foundation subtotal	341,591	303,797
Total combined temporarily restricted net assets	$ 365,729	$ 332,892

Net assets released from restriction consist of:

	2017	2016
Church:		
Deacon Fund	$ 28,798	$ 14,727
Church subtotal	28,798	14,727
Foundation:		
Music program	14,549	14,549
Legacy dinner underwriting	26,500	12,600
Split-interest agreements	6,215	6,225
Scholarships	9,825	4,899
Music and arts	7,984	-
Freeman Fund	422	408
Christian education program	1,300	2,658
Foundation subtotal	66,795	41,339
Total net assets released from restriction	$ 95,593	$ 56,066

(8) Board-designated unrestricted assets

The Organization's Board of Trustees has designated portions of the unrestricted net assets for various purposes. The board-designated unrestricted assets are comprised primarily of board-designated endowments for which the corpus and unspent earnings have been designated for various purposes, including use in future periods, maintenance, and programs. At times, board-designated unrestricted assets also consists of specific funds set aside by the board for specific purposes other than those in the board-designated endowments.

(9) Endowments

The Organization's endowments consist of several individual funds established for a variety of purposes. The endowments include both donor-restricted endowment funds and funds designated by the Board of Trustees to function as endowments. As required by GAAP, net assets associated with endowment funds, including funds designated by the Board of Trustees to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

In September 2008, the State of Arizona enacted ARS§10-11801 et seq Management of Charitable Funds Act ("MCFA"). The Board of Trustees of the Organization has interpreted MCFA 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 endowment, and (b) the original value of subsequent gifts to the permanent endowment. 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 MCFA.

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. Endowment assets include those assets of donor-restricted funds that the Organization must hold in perpetuity or for a donor-specified period(s) as well as board-designated funds. Under this policy, as approved by the Board of Trustees, the endowment assets are invested in a manner that is intended to produce results that exceed the price and yield results of the S&P 500 index while assuming a moderate level of investment risk. The Organization expects their endowment funds, over time, to provide an average rate of return of approximately 6% annually. Actual returns in any given year may vary from this amount.

To satisfy its long-term rate-of-return objectives, the Organization relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The Organization targets a diversified asset allocation that places a greater emphasis on equity-based investments to achieve its long-term return objectives within prudent risk constraints.

The Organization's Board of Trustees has discretion over the amounts appropriated for distribution. In recent periods, the Board of Trustees appropriated for distribution 5% of its endowment fund's average fair value over the prior 3 years through the calendar year-end preceding the fiscal year in which the distribution is planned. In establishing this practice, the Organization considered the long-term expected return on their endowments.

(9) Endowments (continued)

The following table presents the endowment net assets composition by type of fund as of December 31, 2017:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor-restricted endowment funds	$ (4,512)	$ 318,356	$ 1,114,934	$ 1,428,778
Board-designated endowment funds	5,030,509	-	-	5,030,509
Total funds	$ 5,025,997	$ 318,356	$ 1,114,934	$ 6,459,287

The following table presents the endowment net assets composition by type of fund as of December 31, 2016:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor-restricted endowment funds	$ (21,523)	$ 271,619	$ 425,315	$ 675,411
Board-designated endowment funds	4,014,286	-	-	4,014,286
Total funds	$ 3,992,763	$ 271,619	$ 425,315	$ 4,689,697

The changes in endowment net assets for the year ended December 31, 2017 are as follows:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, January 1, 2017	$ 3,992,763	$ 271,619	$ 425,315	$ 4,689,697
Contributions	628,997	-	689,619	1,318,616
Investment return:				
Investment income	81,773	9,316	-	91,089
Net appreciation	548,421	71,501	-	619,922
Appropriation of endowment assets for expenditure	(225,957)	(34,080)	-	(260,037)
Endowment net assets, December 31, 2017	$ 5,025,997	$ 318,356	$ 1,114,934	$ 6,459,287

The changes in endowment net assets for the year ended December 31, 2016 are as follows:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, January 1, 2016	$ 3,940,592	$ 259,240	$ 410,855	$ 4,610,687
Contributions	54,986	-	54,460	109,446
Change in donor intent	-	-	(40,000)	(40,000)
Investment return:				
Investment income	83,792	8,783	-	92,575
Net depreciation	270,727	23,676	-	294,403
Appropriation of endowment assets for expenditure	(357,334)	(20,080)	-	(377,414)
Endowment net assets, December 31, 2016	$ 3,992,763	$ 271,619	$ 425,315	$ 4,689,697

(9) Endowments (continued)

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor or MCFA requires the Organization to retain as a fund of perpetual duration. In accordance with GAAP, deficiencies of this nature that are reported in unrestricted net assets were $4,512 and $21,523 as of December 31, 2017 and 2016, respectively. These deficiencies resulted primarily from unfavorable market fluctuations.

(10) Permanently restricted net assets

Permanently restricted net assets consist of:

	2017	2016
Scholarship Endowments	$ 397,106	$ 186,938
Music Endowments	555,580	98,548
McKee Youth Mission Fund	20,322	19,322
Whiting Fund	27,054	27,054
Boy Scouts	57,120	46,698
Kreizenbeck Fund	13,744	13,744
Cecil Farrell Thielman Memorial Fund	4,277	4,277
Freeman Fund	3,256	3,256
Schmitt Memorial	2,000	2,000
F. Reid III Nursery Fund	1,893	1,893
Annis Organ Fund	32,582	21,585
Total permanently restricted net assets	$ 1,114,934	$ 425,315

(11) Trust beneficiary

The Church has been named as one of the beneficiaries of the Freeda Roth Greenan Trust. Upon the death of any of the primary beneficiaries, 2% of their share of income from the trust is to be distributed to the Church. Upon the death of all the primary beneficiaries, 25% of the entire corpus of the trust will be distributed to the Church. The Trustee has estimated the total market value of the trust to be approximately $1,389,000 and $1,360,000 as of December 31, 2017 and 2016, respectively. No amounts have been reflected in the combined financial statements for this interest, as the trust is revocable.

The Memorial Gardens Trust was established by the Church on July 20, 1987, naming the Foundation as the Trustee, for purposes of maintaining the Memorial Gardens at the Church in perpetuity. The Memorial Gardens Trust must retain funds that are actuarially determined to meet the future requirements of the Memorial Gardens for maintenance and repair. The Trustee may distribute income and principal of the Memorial Gardens Trust to the Valley Presbyterian Church once the trust corpus is safely above the actuarially determined amounts necessary to maintain the Memorial Gardens in perpetuity. At December 31, 2017 and 2016, this fund totaled $420,000 and $239,000 respectively, and was included in the Foundation investments.

(12) Retirement plan

Starting 2017, Pastors and employees who are over the age of 50 and have been employed at Valley Presbyterian Church (U.S.A.) for at least 20 years, are eligible to participate in a defined contribution plan sponsored by the Presbyterian Church (U.S.A). For 2016, all employees of the Church were eligible to participate. Contributions are made to the plan based upon 11% of each employee's effective salary rate. The Organization contributions to the plan totaled approximately $48,000 and $97,000 for 2017 and 2016, respectively.

(13) National per capita assessment

The Organization makes per capita payments to the National Presbyterian Church on an annual basis. The per capita payment was $20,000 for 2017 and 2016.

(14) Fair value measurement

The following table summarizes the valuation of the Organization's assets and liabilities by the categories described in Note 1 as of December 31, 2017:

	(Level 1)	(Level 2)	(Level 3)
Domestic stock			
Healthcare	$ 320,851	$ -	$ -
Technology	442,512	-	-
Consumer goods	653,119	-	-
Utilities	69,187	-	-
Industrial goods	359,753	-	-
Financial	248,229	-	-
Other domestic stock	405,493	-	-
Equity mutual funds			
Equity mutual funds – real estate	94,771	-	-
Equity mutual funds – alternative	349,821	-	-
Equity mutual funds – U.S.	909,542	-	-
Equity mutual funds – small blend	192,140	-	-
Other equity mutual funds	249,040	-	-
Fixed income mutual funds			
Fixed income bond - U.S.	203,272	-	-
Other fixed income mutual funds	424,510	-	-
Intermediate term bonds	-	931,335	-
Assets held under split-interest agreement	37,174	-	4,401

(14) Fair value measurement (continued)

The following table summarizes the valuation of the Organization's assets and liabilities by the categories described in Note 1 as of December 31, 2016:

	(Level 1)	(Level 2)	(Level 3)
Domestic stock			
Healthcare	$ 243,550	$ -	$ -
Technology	341,305	-	-
Consumer goods	369,697	-	-
Utilities	69,700	-	-
Industrial goods	275,221	-	-
Financial	167,756	-	-
Other domestic stock	318,586	-	-
Equity mutual funds			
Equity mutual funds – real estate	88,819	-	-
Equity mutual funds – alternative	576,336	-	-
Equity mutual funds – U.S.	952,067	-	-
Equity mutual funds – small blend	116,064	-	-
Other equity mutual funds	83,282	-	-
Fixed income mutual funds			
Fixed income bond - U.S.	440,269	-	-
Other fixed income mutual funds	192,157	-	-
Intermediate term bonds	-	209,636	-
Assets held under split-interest agreement	39,035	-	5,415

Following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes to methodologies used at December 31, 2017 and 2016.

Equity securities – Equity securities are measured using the quoted market prices for each security from major stock exchanges or other electronic quotation systems.

Mutual funds – Mutual funds are valued at the net asset value (“NAV”) of shares held by the Organization at year end based on readily determinable fair values, which are published daily and are the basis for current transactions.

Bonds – Bonds are valued using propriety valuation models incorporating live data from active market makers and inter-dealer brokers as reported on electronic communication networks. The valuation models incorporate benchmark yields, reported trades, broker/dealer quotes, bids, offers, and other data.

Charitable remainder interest in a trust held by a third party – The charitable remainder interest in a trust held by a third party trustee was valued based upon managerial assumptions regarding the future estimated cash flows of the trust and estimated market discount rates in those cash flows.

(14) Fair value measurement (continued)

The table below presents the change in fair value measurements that used Level 3 inputs during the year ended December 31:

	2017	2016
Balance on January 1	$ 5,415	$ 6,367
Change in value recognized in earnings	(1,014)	(952)
Balance at December 31	$ 4,401	$ 5,415

The Organization had no other assets and liabilities subject to fair value measurement other than at initial recognition.

(15) Uncombined affiliate

The Organization's combined financial statements do not include the accounts of the ***Valley Presbyterian Day School*** (the "School"). The Organization has both control of and an economic interest in the School. Accordingly, under GAAP, the School should be combined with the Organization. The School's fiscal period begins June 1st and ends May 31st and the accounts are maintained on a cash basis of accounting, which is not an accounting basis generally accepted in the United States of America. Management of the Organization has elected not to include the activities of the School in these combined financial statements.

If the accounts (on the cash basis and unaudited) of the School were included in the combined statements of financial position, net assets would increase by approximately $143,000 at December 31, 2017 and $186,000 at December 31, 2016. The change in net assets in the combined statements of activities would decrease by approximately $43,000 for the year ended December 31, 2017 and increase by approximately $30,000 for the year ended December 31, 2016.

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INDEPENDENT AUDITORS' REPORT ON ADDITIONAL INFORMATION

We have audited the 2017 combined financial statements of ***Valley Presbyterian Church and Affiliate*** (collectively, the "Organization") as of and for the year ended December 31, 2017, and our report thereon dated July 2, 2018, which expresses a qualified opinion on these combined financial statements, appears on pages 1 and 2. Our audit was performed for the purpose of forming an opinion on the combined financial statements as a whole. The 2017 combining statement of financial position, combining statement of activities and combining statement of cash flows on pages 21, 22, and 23 are presented for purposes of additional analysis of the combined financial statements rather than to present the financial position, results of operations and cash flows of the individual organizations, and are not a required part of the combined financial statements. The combining information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the combined financial statements. The combining information has been subjected to the auditing procedures applied in the audit of the combined financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the combined financial statements or to the combined financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining information is fairly stated in all material respects in relation to the combined financial statements taken as a whole.

Mayer Hoffman McCann P.C.

July 2, 2018

VALLEY PRESBYTERIAN CHURCH AND AFFILIATE

ADDITIONAL INFORMATION

December 31, 2017

COMBINING STATEMENT OF FINANCIAL POSITION

A S S E T S

	Church	Foundation and Memorial Gardens Trust	Eliminations	Total
CURRENT ASSETS				
Cash and cash equivalents	$ 518,453	$ 108,332	$ -	$ 626,785
Receivables	34,558	200	(200)	34,558
Prepaid expenses	21,950	45,350	-	67,300
TOTAL CURRENT ASSETS	574,961	153,882	(200)	728,643
INVESTMENTS	-	6,364,454	-	6,364,454
PROPERTY AND EQUIPMENT, net	7,500,672	-	-	7,500,672
ASSETS HELD UNDER SPLIT-INTEREST AGREEMENTS	-	41,575	-	41,575
TOTAL ASSETS	$ 8,075,633	$ 6,559,911	$ (200)	$ 14,635,344

L I A B I L I T I E S A N D N E T A S S E T S

	Church	Foundation and Memorial Gardens Trust	Eliminations	Total
CURRENT LIABILITIES				
Accounts payable	53,874	23,379	(200)	77,053
Accrued expenses	65,345	16,928	-	82,273
Current maturities of capital lease obligation	2,454	-	-	2,454
Current portion of liabilities under split-interest agreements	-	6,042	-	6,042
TOTAL CURRENT LIABILITIES	121,673	46,349	(200)	167,822
LIABILITIES UNDER SPLIT-INTEREST AGREEMENTS, net of current portion	-	29,228	-	29,228
TOTAL LIABILITIES	121,673	75,577	(200)	197,050
NET ASSETS				
Unrestricted	7,929,822	5,027,809	-	12,957,631
Temporarily restricted	24,138	341,591	-	365,729
Permanently restricted	-	1,114,934	-	1,114,934
TOTAL NET ASSETS	7,953,960	6,484,334	-	14,438,294
TOTAL LIABILITIES AND NET ASSETS	$ 8,075,633	$ 6,559,911	$ (200)	$ 14,635,344

VALLEY PRESBYTERIAN CHURCH AND AFFILIATE

ADDITIONAL INFORMATION

Year Ended December 31, 2017

COMBINING STATEMENT OF ACTIVITIES

	Church	Foundation and Memorial Gardens Trust	Eliminations	Total
SUPPORT AND REVENUE				
Contributions and bequests	$ 2,443,550	$ 1,272,109	$ (53,914)	$ 3,661,745
Encore revenues	37,963	-	-	37,963
Program fees	16,063	-	-	16,063
Investment income	34	119,887	-	119,921
Realized and unrealized investment gains	-	621,724	-	621,724
Change in value of split-interest agreements	-	1,176	-	1,176
Other income	46,388	377	-	46,765
Foundation support	212,680	-	(212,680)	-
Total support and revenue before special events	2,756,678	2,015,273	(266,594)	4,505,357
Special events:				
Special events revenue	-	150,928	-	150,928
Less costs of direct donor benefits	-	(111,894)	39,845	(72,049)
Gross profit on special events	-	39,034	39,845	78,879
TOTAL SUPPORT AND REVENUE	2,756,678	2,054,307	(226,749)	4,584,236
EXPENSES				
Program services:				
Pastoral ministry	494,712	-	-	494,712
Facilities	439,602	-	-	439,602
Missions	292,085	-	-	292,085
Worship and music	188,140	-	-	188,140
Christian education	231,258	-	-	231,258
Encore expenses	88,460	-	-	88,460
Foodservices	33,825	-	-	33,825
Depreciation	310,525	-	-	310,525
Fellowship and congregational care	26,568	100	(100)	26,568
Evangelism	4,175	-	-	4,175
Total program services	2,109,350	100	(100)	2,109,350
Support services:				
General and administrative	563,819	303,376	(226,649)	640,546
Depreciation	63,758	-	-	63,758
Total support services	627,577	303,376	(226,649)	704,304
TOTAL EXPENSES	2,736,927	303,476	(226,749)	2,813,654
CHANGE IN NET ASSETS	19,751	1,750,831	-	1,770,582
NET ASSETS, BEGINNING OF YEAR	7,934,209	4,733,503	-	12,667,712
NET ASSETS, END OF YEAR	$ 7,953,960	$ 6,484,334	$ -	$ 14,438,294

See Independent Auditors' Report on Additional Information

VALLEY PRESBYTERIAN CHURCH AND AFFILIATE

ADDITIONAL INFORMATION

Year Ended December 31, 2017

COMBINING STATEMENT OF CASH FLOWS

	Church	Foundation and Memorial Gardens Trust	Eliminations	Total
CASH FLOWS FROM OPERATING ACTIVITIES				
Change in net assets	$ 19,751	$ 1,750,831	$ -	$ 1,770,582
Adjustments to reconcile change in net assets to net cash provided by operating activities:				
Depreciation	374,283	-	-	374,283
Endowment contribution	-	(689,619)	-	(689,619)
Realized and unrealized investment gains	-	(621,724)	-	(621,724)
Loss on disposal of property and equipment	214	-	-	214
Changes in operating assets and liabilities:				
(Increase) decrease in:				
Receivables	(1,493)	800	(2,796)	(3,489)
Prepaid expenses	(16,631)	5,250	-	(11,381)
Assets held under split-interest agreements	-	2,875	-	2,875
Increase (decrease) in:				
Accounts payable	24,393	9,907	2,796	37,096
Accrued expenses	542	16,928	-	17,470
Liabilities under split-interest agreements	-	(3,502)	-	(3,502)
Net cash provided by operating activities	401,059	471,746	-	872,805
CASH FLOWS FROM INVESTING ACTIVITIES				
Proceeds from sales of investments	-	130,406	-	130,406
Purchases of investments	-	(1,222,195)	-	(1,222,195)
Purchases of property and equipment	(236,168)	-	-	(236,168)
Net cash provided used in investing activities	(236,168)	(1,091,789)	-	(1,327,957)
CASH FLOWS FROM FINANCING ACTIVITIES				
Proceeds from line of credit	25,223	-	-	25,223
Cash received for endowment contribution	-	689,619	-	689,619
Payments on line of credit	(25,223)	-	-	(25,223)
Payments on capital lease obligation	(5,704)	-	-	(5,704)
Net cash provided by (used in) financing activities	(5,704)	689,619	-	683,915
NET CHANGE IN CASH AND CASH EQUIVALENTS	159,187	69,576	-	228,763
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	359,266	38,756	-	398,022
CASH AND CASH EQUIVALENTS, END OF YEAR	$ 518,453	$ 108,332	$ -	$ 626,785
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:				
Cash paid for interest	$ 279	$ -	$ -	$ 279