VALLEY PRESBYTERIAN CHURCH
AND AFFILIATE

COMBINED FINANCIAL STATEMENTS
AND ADDITIONAL INFORMATION

Year Ended December 31, 2018

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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, 2018, and the related combined statements of activities and change in net assets, functional expenses, 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 14 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 2018 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, 2018, 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.

Emphasis of Matter

As discussed in Note 1 to the combined financial statements, ***Valley Presbyterian Church and Affiliate*** adopted Financial Accounting Standards Board Accounting Standards Update ("ASU") No. 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*, in 2018. Our opinion is not modified with respect to this matter.

Mayer Hoffman McCann P.C.

June 14, 2019

VALLEY PRESBYTERIAN CHURCH AND AFFILIATE

COMBINED STATEMENT OF FINANCIAL POSITION

December 31, 2018

A S S E T S

CURRENT ASSETS	
Cash and cash equivalents	$ 368,861
Receivables	27,671
Prepaid expenses	4,061
TOTAL CURRENT ASSETS	400,593
ASSETS RESTRICTED TO CAPITAL CAMPAIGN	
Cash and cash equivalents	1,228,547
Receivables	25,800
Investments	2,778,789
Construction in progress	802,346
TOTAL ASSETS RESTRICTED TO CAPITAL CAMPAIGN	4,835,482
INVESTMENTS	5,088,965
PROPERTY AND EQUIPMENT, net	7,085,223
ASSETS HELD UNDER SPLIT-INTEREST AGREEMENTS	33,420
TOTAL ASSETS	$ 17,443,683

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

CURRENT LIABILITIES	
Accounts payable	$ 82,269
Accrued expenses	66,267
Current maturities of capital lease obligation	4,622
Current portion of liabilities under split-interest agreements	6,042
TOTAL CURRENT LIABILITIES	159,200
CAPITAL LEASE OBLIGATION, less current maturities	18,001
LIABILITIES UNDER SPLIT-INTEREST AGREEMENTS, net of current portion	25,881
TOTAL LIABILITIES	203,082
NET ASSETS	
NET ASSETS WITHOUT DONOR RESTRICTIONS	
Board designated	3,140,809
Undesignated	7,889,472
NET ASSETS WITHOUT DONOR RESTRICTIONS	11,030,281
NET ASSETS WITH DONOR RESTRICTIONS	6,210,320
TOTAL NET ASSETS	17,240,601
TOTAL LIABILITIES AND NET ASSETS	$ 17,443,683

See Notes to Combined Financial Statements

VALLEY PRESBYTERIAN CHURCH AND AFFILIATE

COMBINED STATEMENT OF ACTIVITIES AND CHANGE IN NET ASSETS

Year Ended December 31, 2018

	Without Donor Restrictions	With Donor Restrictions	Totals
SUPPORT AND REVENUE			
Contributions and bequests	$ 774,747	$ 4,926,206	$ 5,700,953
Encore revenues	26,706	-	26,706
Program fees	19,025	-	19,025
Investment loss	(110,667)	(5,017)	(115,684)
Change in value of split-interest agreements	(6,637)	2,330	(4,307)
Other income	30,828	-	30,828
Foundation support	20,865	-	20,865
Total support and revenue before special events and net assets released from restrictions	754,867	4,923,519	5,678,386
Special events:			
Special events revenue	181,376	-	181,376
Less costs of direct donor benefits	(50,179)	-	(50,179)
Gross profit on special events	131,197	-	131,197
Change in donor intent	47,524	(47,524)	-
Net assets released from restrictions	141,826	(141,826)	-
TOTAL SUPPORT AND REVENUE	1,075,414	4,734,169	5,809,583
EXPENSES			
Salaries	1,152,158	-	1,152,158
Employee benefits	298,623	-	298,623
Payroll taxes	58,093	-	58,093
Mission (incl Per Capita)	303,960	-	303,960
Student camp and mission trips	12,307	-	12,307
Organ repair	49,864	-	49,864
Capital campaign-fees, licenses	6,509	-	6,509
Supplies	226,600	-	226,600
Fellowship events and meals	20,657	-	20,657
Professional fees	34,872	-	34,872
Occupancy	165,988	-	165,988
Insurance	38,941	-	38,941
Outside contractors	264,162	-	264,162
Depreciation and amortization	374,542	-	374,542
TOTAL EXPENSES	3,007,276	-	3,007,276
CHANGE IN NET ASSETS	(1,931,862)	4,734,169	2,802,307
NET ASSETS, BEGINNING OF YEAR	12,962,143	1,476,151	14,438,294
NET ASSETS, END OF YEAR	$ 11,030,281	$ 6,210,320	$ 17,240,601

VALLEY PRESBYTERIAN CHURCH AND AFFILIATE

COMBINED STATEMENT OF FUNCTIONAL EXPENSES

Year Ended December 31, 2018

	Program Services										
	Pastoral Ministry	Facilities	Missions	Worship and Music	Christian Education	Encore	Fellowship and Congregational Care	Total Programs	General and Administrative	Fundraising	Total
Salaries	$ 346,186	$ 168,639	$ 49,493	$ 123,488	$ 190,305	$ 14,209	$ 39,832	$ 932,152	$ 176,749	$ 43,257	$ 1,152,158
Employee benefits	156,801	38,736	10,201	19,225	26,061	35	15,162	266,221	30,384	2,018	298,623
Payroll taxes	-	12,339	3,680	9,179	12,742	1,087	3,047	42,074	12,679	3,340	58,093
Total salaries and related expenses	502,987	219,714	63,374	151,892	229,108	15,331	58,041	1,240,447	219,812	48,615	1,508,874
Mission (incl Per Capita)	-	-	303,960	-	-	-	-	303,960	-	-	303,960
Student camp and mission trips	-	-	-	-	12,307	-	-	12,307	-	-	12,307
Organ repair	-	49,864	-	-	-	-	-	49,864	-	-	49,864
Capital campaign-fees, licenses	-	6,509	-	-	-	-	-	6,509	-	-	6,509
Supplies	-	35,189	-	26,529	34,234	3,894	6,502	106,348	46,303	73,949	226,600
Fellowship events and meals	-	-	-	-	6,854	1,825	11,978	20,657	-	-	20,657
Professional fees	-	-	-	-	-	3,778	-	3,778	21,241	9,853	34,872
Occupancy	-	-	31,761	9,537	113,019	-	4,315	158,632	6,487	869	165,988
Insurance	-	-	-	-	-	-	-	-	38,941	-	38,941
Outside contractors	-	63,926	-	52,725	29,001	12,280	-	157,932	26,230	80,000	264,162
Direct donor benefits	-	-	-	-	-	-	-	-	-	50,179	50,179
Total before depreciation and amortization	502,987	375,202	399,095	240,683	424,523	37,108	80,836	2,060,434	359,014	263,465	2,682,913
Depreciation and amortization	-	-	71,666	21,520	255,021	-	9,737	357,944	14,638	1,960	374,542
Total functional expenses	$ 502,987	$ 375,202	$ 470,761	$ 262,203	$ 679,544	$ 37,108	$ 90,573	$ 2,418,378	$ 373,652	$ 265,425	$ 3,057,455

See Notes to Combined Financial Statements

VALLEY PRESBYTERIAN CHURCH AND AFFILIATE

COMBINED STATEMENT OF CASH FLOWS

Year Ended December 31, 2018

CASH FLOWS FROM OPERATING ACTIVITIES	
Change in net assets	$ 2,802,307
Adjustments to reconcile change in net assets to net cash used in operating activities:	
Depreciation and amortization	374,542
Endowment contribution	(10,339)
Contributions restricted for purchase of property and equipment	(5,304,076)
Realized and unrealized investment losses	222,900
Changes in operating assets and liabilities:	
(Increase) decrease in:	
Receivables	216,604
Prepaid expenses	63,239
Assets held under split-interest agreements	8,155
Increase (decrease) in:	
Accounts payable	(250,272)
Accrued expenses	(16,006)
Liabilities under split-interest agreements	(3,347)
Net cash used in operating activities	(1,896,293)
CASH FLOWS FROM INVESTING ACTIVITIES	
Proceeds from sales of investments	2,780,657
Purchases of investments	(4,506,857)
Purchases of property and equipment	(691,094)
Change in restricted cash	(1,228,547)
Net cash used in investing activities	(3,645,841)
CASH FLOWS FROM FINANCING ACTIVITIES	
Proceeds from line of credit	6,868
Cash received for endowment contribution	10,339
Proceeds from contributions restricted to purchase of property and equipment	5,278,276
Payments on line of credit	(6,868)
Payments on capital lease obligation	(4,405)
Net cash provided by financing activities	5,284,210
NET CHANGE IN CASH AND CASH EQUIVALENTS	(257,924)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	626,785
CASH AND CASH EQUIVALENTS, END OF YEAR	$ 368,861
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:	
Cash paid for interest	$ 351
SUPPLEMENTAL DISCLOSURE OF NONCASH INVESTING AND FINANCING ACTIVITIES:	
Property and equipment acquired through capital lease agreements	$ 24,574
Purchases of property and equipment included within accounts payable	$ 45,771

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*, including the adoption of Accounting Standards Update (“ASU”) 2016-14, *Not-for-Profit-Entities (Topic 958) Presentation of Financial Statements of Not-for-Profit Entities* in 2018. Under FASB ASC 958-205, the Organization is required to report information regarding their financial position and activities according to two classes of net assets: net assets without donor restrictions and net assets with donor restrictions.

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

The Organization maintains its accounts on the accrual basis of accounting. Net assets and revenues, expenses, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets and changes therein are classified as follows:

Net assets without donor restrictions
Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the Organization. These net assets may be used at the discretion of the Organization's management and the Session.

Net assets with donor restrictions
Net assets subject to stipulations imposed by donors and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of the Organization or by the passage of time. Other donor restrictions are perpetual in nature, where by the donor has stipulated the funds be maintained in perpetuity.

Donor restricted contributions are reported as increases in net assets with donor restrictions. When a restriction expires, net assets are reclassified from net assets with donor restrictions to net assets without donor restrictions in the combined statements of activities.

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 contributions without donor restrictions or contributions with donor restrictions depending on the existence and/or nature of any donor restrictions. All contributions with donor restrictions are reported as an increase in net assets with donor restrictions. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the combined statement of activities and change in net assets as net assets released from restrictions. Restricted support where restrictions are met in the same period as the donation is made is shown as additions to contributions without donor restrictions.

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 and change in net assets.

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.

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

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 $14,999 in 2018 in contribution revenue in the accompanying combined statement of activities and change in net assets. 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, 2018.

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. Investment income or loss (including unrealized and realized gains and losses on investments, interest, and dividends, net of investment fees) is included in net assets without restriction unless the associated income or loss is restricted.

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, 2018, 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.

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

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 - 10 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 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 revenues of the net assets with donor restrictions class. 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.

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 2018.

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 and change in net assets. The combined statement of functional expenses presents the natural classification detail of expense by function. Accordingly, certain costs have been allocated among the programs and supporting services benefited based on personnel activity and other appropriate allocation methods. Such allocations are determined by management on an equitable basis.

The departmental expenses that are allocated by natural classification include the following:

Salaries and related expenses	Time and effort
Occupancy, depreciation and amortization	Hours of use by program

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

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 IRC. 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 change 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 currently has no operating leases and therefore the adoption of this standard is not expected to have a material effect on the combined financial statements.

In June 2018, the FASB issued ASU No. 2018-08, *Not-For-Profit Entities (Topic 958), Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*, which clarifies the scope and accounting guidance for contributions received and contributions made. ASU 2018-08 clarifies the characterization of grants and similar contracts with governmental agencies as either reciprocal transactions (exchanges) or nonreciprocal transactions (contributions). ASU 2018-08 also provided additional guidance to distinguish between conditional and unconditional contributions. ASU 2018-08 is effective for fiscal years beginning after December 15, 2018. Early adoption is permitted. The Organization is currently evaluating the full effect that the adoption of this standard will have on the combined financial statements.

In August 2018, the FASB issued ASU No. 2018-13, *Fair Value Measurement (Topic 820): Disclosure Framework - Changes to the Disclosure Requirements for Fair Value Measurement*, which modifies the disclosure requirements in ASC 820, Fair Value Measurement. The new standard is effective for all entities for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2019. Early adoption is permitted. An entity is permitted to early adopt any removed or modified disclosures upon issuance of this ASU and delay adoption of the additional disclosures until their effective date. The Organization is currently evaluating the full effect that the adoption of this standard will have on the combined financial statements.

In November 2016, the FASB issued ASU No. 2016-18, *Statement of Cash Flows (Topic 230)*. This ASU requires that a statement of cash flows explain the change during the period in total cash, cash equivalents, and amounts generally described as restricted cash or restricted cash equivalents. Therefore, amounts generally described as restricted cash and restricted cash equivalents should be included with cash and cash equivalents when reconciling the beginning-of-period and end-of-period total amounts shown on the statement of cash flows. The amendments of the ASU do not provide a definition of restricted cash or restricted cash equivalents. The ASU is effective for all nonpublic business entities for fiscal years beginning after December 15, 2018. Early adoption is permitted. The Organization is currently evaluating the full effect that the adoption of this standard will have 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 consolidated 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. Certain amendments of this ASU are to be applied on a retrospective basis in the year that the ASU is first applied. The Organization adopted ASU 2016-14 in 2018.

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

In accordance with the amendments of this ASU, the Organization elected to present expenses by function and nature as a separate statement of functional expenses. Additionally, the Organization disclosed liquidity and availability of resources (Note 16). As a result of the adoption of this ASU, certain donor-restricted endowment funds with fair values less than the amount required to be maintained by donors or by law (underwater endowments) had deficiencies of $4,512 that were reported as unrestricted net assets at December 31, 2017 and have been restated in beginning net assets as net assets with donor restrictions.

A summary of the net asset reclassifications driven by the adoption of ASU 2016-14 as of December 31, 2017 is as follows:

	ASU 2016-14 Classifications		
Net Asset Classifications	**Without donor restrictions**	**With donor restrictions**	**Total Net Assets**
As previously reported:			
Unrestricted	$ 12,957,631	$ -	$ 12,957,631
Temporarily Restricted	-	365,729	365,729
Permanently Restricted	-	1,114,934	1,114,934
Underwater Endowments	4,512	(4,512)	-
Net assets, as reclassified	$ 12,962,143	$ 1,476,151	$ 14,438,294

Subsequent events – The Organization has evaluated subsequent events through June 14, 2019, which is the date the combined financial statements were available to be issued.

(2) Investments

Investments consist of the following at December 31, 2018:

Cash	$ 435,858
Negotiable certificates of deposit	2,978,350
Equity – domestic stock	2,010,132
Equity mutual funds:	
Equity mutual funds – real estate	116,458
Equity mutual funds – alternative	97,950
Equity mutual funds – U.S.	641,959
Equity mutual funds – small blend	127,370
Other equity mutual funds	171,904
Fixed income mutual funds	
Fixed income bond – US	202,784
Other fixed income mutual funds	278,293
Intermediate term bonds	651,250
Assets held under split-interest agreement	33,420
Funds held at Presbyterian Foundation	40,273
Real estate investment trust	115,173
Total investments	$ 7,901,174

(2) Investments (continued)

Investment income (loss) consists of the following for the year ended December 31, 2018:

Dividend and interest income	$	156,896
Realized and unrealized investment losses		(222,900)
Investment fees		(49,680)
Total investment loss	$	(115,684)

In 2013, the Organization purchased an investment in a real estate investment trust 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 trust 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 this investments at cost in accordance with FASB ASC 958-325.

(3) Property and equipment

Property and equipment consists of the following at December 31, 2018:

Cost and donated value:		
Landes Center, education and administrative facility	$	10,037,307
Sanctuary		1,154,807
Chapel		1,183,430
Furniture, fixtures and equipment		1,157,046
Music building		495,876
Memorial garden		237,955
Land		80,000
Automotive equipment		36,285
Equipment held under capital lease		24,574
Construction in progress		802,346
Total cost and donated value		15,209,626
Accumulated depreciation		(7,322,057)
Property and equipment, net	$	7,887,569

Depreciation expense charged to operations was $374,542 for the year ended December 31, 2018.

The cost of the assets held under capital lease agreements totaled $24,574 at December 31, 2018. Accumulated amortization on assets held under the capital lease agreements totaled $2,048 at December 31, 2018. Depreciation and amortization for assets held under the capital lease agreements was $3,430 for the year ended December 31, 2018.

Construction in progress represents the construction to date on the funds used in the Capital Campaign (Note 17) for the first phase of construction. Expected costs to complete are approximately $8,000,000 and it is expected to be completed in December 2019 with funds used from Capital Campaign dollars. The second phase of construction will be the classroom rebuilding, which is expected to be completed in May 2020. The expected costs and scope of the second phase are currently in progress.

(4) Capital lease obligation

In March 2013, the Organization entered into a non-cancelable capital lease agreement for certain equipment. The lease matured in May 2018 and the capital lease obligation was settled in full.

In May 2018, the Organization entered into a non-cancelable capital lease agreement for certain equipment that expires in April 2023 and bears interest at 3.62%. 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 these capital leases was $319 for 2018.

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

Year Ending December 31,	
2019	$ 5,364
2020	5,364
2021	5,364
2022	5,364
2023	3,129
Total future minimum lease payments	24,585
Less amounts representing interest	(1,962)
Present value of minimum lease obligation	$ 22,623

(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 $3,384 at December 31, 2018.

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 $30,036 at December 31, 2018. The portion of the trust attributable to the present value of the future benefits to be received by the Organization is recorded as a donor 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 and change in net assets 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 $31,923 at December 31, 2018) which is calculated using a discount rate of 3.60% for 2018, and the applicable IRS mortality tables.

(5) Split-interest agreements (continued)

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, 2018.

(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% (6.13% at December 31, 2018). No amounts were outstanding under the line of credit as of December 31, 2018.

Total interest expense related to this line of credit was $32 for 2018.

(7) Net assets with donor restrictions

Net assets with donor restrictions are restricted for purposes or periods as follows at December 31, 2018:

Church:	
Capital Campaign	$ 4,835,482
Deacon Fund	24,353
Church subtotal	4,859,835
Foundation:	
Scholarship endowments	2,437
Music endowments	(8,116)
McKee Youth Mission Fund	3,054
Whiting Fund	7,676
Boy Scouts	15,277
Kreizenbeck Fund	927
Annis Organ Fund	5,932
Other funds	(1,822)
Music program	245,873
Split-interest agreements	1,497
Foundation subtotal	272,735
Restricted in perpetuity	1,077,750
Foundation total	1,350,485
Total net assets with donor restrictions	$ 6,210,320

(8) Net assets released from donor restrictions

Net assets released from restriction consist of the following for the year ended December 31, 2018:

Church:	
Capital Campaign	$ 91,301
Deacon Fund	16,379
Church subtotal	107,680
Foundation:	
Music program	4,365
Legacy dinner underwriting	16,928
Split-interest agreements	6,200
Scholarships	6,163
Freeman Fund	490
Foundation subtotal	34,146
Total net assets released from restriction	$ 141,826

(9) Net assets without donor restrictions

The Organization’s Board of Trustees has designated portions of the net assets without donor restrictions for endowment purposes for which the corpus and unspent earnings have been designated for various purposes, including use in future periods, maintenance, and programs.

(10) 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 net assets restricted in perpetuity (a) the original value of gifts donated to the perpetual endowment, and (b) the original value of subsequent gifts to the perpetual endowment.

The remaining portion of the donor-restricted endowment fund that is not classified as net assets restricted in perpetuity is classified as net assets subject to purpose or time restrictions based upon the presence or absence from the donor and are appropriated for expenditure by the Organization in a manner consistent with the standard of prudence prescribed by MCFA.

(10) Endowments (continued)

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. From time to time, certain donor-restricted endowment funds may have fair values less than the amount required to be maintained by donors or by law (underwater endowments). The Board of Trustees has interpreted MCFA to permit spending from underwater endowments in accordance with prudent measures required under law.

The following table presents the endowment net assets composition by type of fund as of December 31, 2018:

	Without Donor Restrictions	With Donor Restrictions	Total
Board-designated endowment funds	$ 3,140,809	$ -	$ 3,140,809
Endowment funds restricted in perpetuity	-	1,077,750	1,077,750
Accumulated earnings on endowment funds	-	289,957	289,957
Underwater endowment funds	-	(18,721)	(18,721)
Total funds	$ 3,140,809	$ 1,348,986	$ 4,489,795

(10) Endowments (continued)

The changes in endowment net assets for the year ended December 31, 2018 are as follows:

	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets, January 1, 2018	$ 5,025,997	$ 1,428,778	$ 6,454,775
Contributions	36,139	10,339	46,478
Change in donor intent	-	(47,524)	(47,524)
Investment return:			
Investment income	70,851	24,326	95,177
Net depreciation	(162,357)	(55,915)	(218,272)
Appropriation of endowment assets for expenditure	(1,829,821)	(11,018)	(1,840,839)
Endowment net assets, December 31, 2018	$ 3,140,809	$ 1,348,986	$ 4,489,795

At December 31, 2018, funds with original gift values of $691,464, fair values of $672,743, and deficiencies of $18,721 were reported as net assets with donor restrictions. These deficiencies resulted primarily from unfavorable market fluctuations.

(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 $1,062,000 as of December 31, 2018. 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, 2018, this fund totaled $397,546 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). Contributions are made to the plan based upon 11% of each employee’s effective salary rate. The Organization’s contributions to the plan totaled approximately $48,000 for 2018.

(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 2018.

(14) 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 $173,000 at December 31, 2018. The change in net assets in the combined statements of activities and change in net assets would increase by approximately $29,000 for the year ended December 31, 2018.

(15) 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, 2018:

	(Level 1)	(Level 2)	(Level 3)
Domestic stock			
Healthcare	$ 255,149	$ -	$ -
Technology	399,590	-	-
Consumer goods	475,529	-	-
Utilities	68,168	-	-
Industrial goods	200,633	-	-
Financial	160,961	-	-
Other domestic stock	450,102	-	-
Equity mutual funds			
Equity mutual funds – real estate	116,458	-	-
Equity mutual funds – alternative	97,950	-	-
Equity mutual funds – U.S.	641,959	-	-
Equity mutual funds – small blend	127,370	-	-
Other equity mutual funds	171,904	-	-
Fixed income mutual funds			
Fixed income bond – U.S.	202,784	-	-
Other fixed income mutual funds	278,293	-	-
Intermediate term bonds	-	651,250	-
Negotiable certificates of deposit	-	2,978,350	-
Assets held under split-interest agreement	30,036	-	3,384

(15) Fair value measurement (continued)

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, 2018.

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 and negotiable certificates of deposit – Bonds and negotiable certificates of deposit 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.

The table below presents the change in fair value measurements that used Level 3 inputs during the year ended December 31, 2018:

Balance on January 1, 2018	$	4,401
Change in value recognized in earnings		(1,017)
Balance at December 31, 2018	$	3,384

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

(16) Liquidity and availability of resources

Financial asset available for general expenditure as of December 31, 2018 are as follows:

Cash and cash equivalents	$ 1,597,408
Accounts receivable	53,471
Investments	7,901,174
Total financial assets available within one year	9,552,053
Less: Amounts unavailable for general expenditures within one year, due to:	
Restricted by donors with program purpose restrictions	(4,827,914)
Investments held under split interest agreement	(33,420)
Perpetual donor restricted endowments	(1,348,986)
Total amounts unavailable for general expenditures within one year	(6,210,320)
Amounts unavailable to management without Board's approval	
Board-designated endowment funds	(3,140,809)
Total amounts unavailable to management without Board's approval	(3,140,809)
Total financial assets available within one year after board designations	$ 200,924

The Church and the Foundation monitor their cash flows to ensure the fulfillment of all obligations. As part of their liquidity plan, excess cash is invested in short term investments, primarily mutual funds and certificates of deposit, so as to have readily liquid investments available as needed. Upon approval by The Board of Trustees, excess cash invested in long term investments may be liquidated within a reasonable period of time to fund current obligations. The Board of Trustees' designated investments may be drawn upon, if necessary to meet unexpected liquidity needs or in the event of financial distress.

The Church also maintains a $250,000 line of credit with a bank, of which the full balance was available for use by the Church as of December 31, 2018.

(17) Capital Campaign

During 2018, the Church launched the New Heart for the Valley Capital Campaign ("Capital Campaign") in order to support phase one of a plan developed to revitalize and renovate the Church. Phase one of the project includes the renovations to the Sanctuary, the School, administrative building, and plaza, permits and fees for the construction, as well as support for mission partners. The nature of the Capital Campaign is to build operational capacity that will enable the Church to grow its mission driven work in the community.

As of December 31, 2018, assets restricted to Capital Campaign included cash and cash equivalents of $1,228,547, receivables of $25,800, investments of $2,778,789, and construction in progress of $802,346. For the year ended December 31, 2018, the Foundation contributed $1,640,524 to the Church for funding of phase one of the Capital Campaign. The funds raised can only be utilized by the Church towards completion of the outlined project components.

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INDEPENDENT AUDITORS' REPORT ON ADDITIONAL INFORMATION

We have audited the combined financial statements of ***Valley Presbyterian Church and Affiliate*** (collectively, the "Organization") as of and for the year ended December 31, 2018, and our report thereon dated June 14, 2019, 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 combining statement of financial position, combining statement of activities and change in net assets, and combining statement of cash flows on pages 24, 25, and 26 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.

June 14, 2019

VALLEY PRESBYTERIAN CHURCH AND AFFILIATE

ADDITIONAL INFORMATION

December 31, 2018

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	$ 359,484	$ 9,377	$ -	$ 368,861
Receivables	394,388	26,100	(392,817)	27,671
Prepaid expenses	4,061	-	-	4,061
TOTAL CURRENT ASSETS	757,933	35,477	(392,817)	400,593
ASSETS RESTRICTED TO CAPITAL CAMPAIGN				
Cash and cash equivalents	1,228,547	-	-	1,228,547
Receivables	430,789	-	(404,989)	25,800
Investments	2,778,789	-	-	2,778,789
Construction in progress	802,346	-	-	802,346
TOTAL ASSETS RESTRICTED TO CAPITAL CAMPAIGN	5,240,471	-	(404,989)	4,835,482
INVESTMENTS	199,561	4,889,404	-	5,088,965
PROPERTY AND EQUIPMENT, net	7,085,223	-	-	7,085,223
ASSETS HELD UNDER SPLIT-INTEREST AGREEMENTS	-	33,420	-	33,420
TOTAL ASSETS	$ 13,283,188	$ 4,958,301	$ (797,806)	$ 17,443,683

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	$ 540,121	$ 339,954	$ (797,806)	$ 82,269
Accrued expenses	66,267	-	-	66,267
Current maturities of capital lease obligation	4,622	-	-	4,622
Current portion of liabilities under split-interest agreements	-	6,042	-	6,042
TOTAL CURRENT LIABILITIES	611,010	345,996	(797,806)	159,200
CAPITAL LEASE OBLIGATION, less current maturities	18,001	-	-	18,001
LIABILITIES UNDER SPLIT-INTEREST AGREEMENTS, net of current portion	-	25,881	-	25,881
TOTAL LIABILITIES	629,011	371,877	(797,806)	203,082
NET ASSETS				
NET ASSETS WITHOUT DONOR RESTRICTIONS	7,794,342	3,235,939	-	11,030,281
NET ASSETS WITH DONOR RESTRICTIONS	4,859,835	1,350,485	-	6,210,320
TOTAL NET ASSETS	12,654,177	4,586,424	-	17,240,601
TOTAL LIABILITIES AND NET ASSETS	$ 13,283,188	$ 4,958,301	$ (797,806)	$ 17,443,683

VALLEY PRESBYTERIAN CHURCH AND AFFILIATE

ADDITIONAL INFORMATION

Year Ended December 31, 2018

COMBINING STATEMENT OF ACTIVITIES AND CHANGE IN NET ASSETS

	Church	Foundation and Memorial Gardens Trust	Eliminations	Total
SUPPORT AND REVENUE				
Contributions and bequests	$ 7,337,857	$ 60,620	$ (1,697,524)	$ 5,700,953
Encore revenues	26,706	-	-	26,706
Program fees	19,025	-	-	19,025
Investment income (loss)	25,018	(140,702)	-	(115,684)
Change in value of split-interest agreements	-	(4,307)	-	(4,307)
Other income	30,183	645	-	30,828
Foundation support	176,615	-	(155,750)	20,865
Total support and revenue before special events	7,615,404	(83,744)	(1,853,274)	5,678,386
Special events:				
Special events revenue	-	181,376	-	181,376
Less costs of direct donor benefits	-	(107,179)	57,000	(50,179)
Gross profit on special events	-	74,197	57,000	131,197
TOTAL SUPPORT AND REVENUE	7,615,404	(9,547)	(1,796,274)	5,809,583
EXPENSES				
Salaries	1,133,788	18,370	-	1,152,158
Employee benefits	298,623	-	-	298,623
Payroll taxes	56,641	1,452	-	58,093
Mission (incl Per Capita)	303,960	-	-	303,960
Student camp and mission trips	12,307	-	-	12,307
Organ repair	49,864	-	-	49,864
Capital campaign-fees, licenses	6,509	-	-	6,509
Supplies	164,186	62,414	-	226,600
Fellowship events and meals	20,657	-	-	20,657
Professional fees	25,019	9,853	-	34,872
Occupancy	165,988	-	-	165,988
Insurance	38,941	-	-	38,941
Outside contractors	264,162	-	-	264,162
Dividend declared	-	155,750	(155,750)	-
Depreciation and amortization	374,542	-	-	374,542
New Heart for the Valley contribution	-	1,640,524	(1,640,524)	-
TOTAL EXPENSES	2,915,187	1,888,363	(1,796,274)	3,007,276
CHANGE IN NET ASSETS	4,700,217	(1,897,910)	-	2,802,307
NET ASSETS, BEGINNING OF YEAR	7,953,960	6,484,334	-	14,438,294
NET ASSETS, END OF YEAR	$ 12,654,177	$ 4,586,424	$ -	$ 17,240,601

VALLEY PRESBYTERIAN CHURCH AND AFFILIATE

ADDITIONAL INFORMATION

Year Ended December 31, 2018

COMBINING STATEMENT OF CASH FLOWS

	Church	Foundation and Memorial Gardens Trust	Eliminations	Total
CASH FLOWS FROM OPERATING ACTIVITIES				
Change in net assets	$ 4,700,217	$ (1,897,910)	$ -	$ 2,802,307
Adjustments to reconcile change in net assets to net cash used in operating activities:				
Depreciation and amortization	374,542	-	-	374,542
Endowment contribution	-	(10,339)	-	(10,339)
Contributions restricted for purchase of property and equipment	(5,304,076)	-	-	(5,304,076)
Realized and unrealized investment losses	1,473	221,427	-	222,900
Changes in operating assets and liabilities:				
(Increase) decrease in:				
Receivables	(149,441)	(25,900)	391,945	216,604
Prepaid expenses	17,889	45,350	-	63,239
Assets held under split-interest agreements	-	8,155	-	8,155
Increase (decrease) in:				
Accounts payable	(174,902)	316,575	(391,945)	(250,272)
Accrued expenses	922	(16,928)	-	(16,006)
Liabilities under split-interest agreements	-	(3,347)	-	(3,347)
Net cash used in operating activities	(533,376)	(1,362,917)	-	(1,896,293)
CASH FLOWS FROM INVESTING ACTIVITIES				
Proceeds from sales of investments	-	2,780,657	-	2,780,657
Purchases of investments	(2,979,823)	(1,527,034)	-	(4,506,857)
Purchases of property and equipment	(691,094)	-	-	(691,094)
Change in restricted cash	(1,228,547)	-	-	(1,228,547)
Net cash provided by (used in) investing activities	(4,899,464)	1,253,623	-	(3,645,841)
CASH FLOWS FROM FINANCING ACTIVITIES				
Proceeds from line of credit	6,868	-	-	6,868
Cash received for endowment contribution	-	10,339	-	10,339
Proceeds from contributions restricted to purchase of property and equipment	5,278,276	-	-	5,278,276
Payments on line of credit	(6,868)	-	-	(6,868)
Payments on capital lease obligation	(4,405)	-	-	(4,405)
Net cash provided by financing activities	5,273,871	10,339	-	5,284,210
NET CHANGE IN CASH AND CASH EQUIVALENTS	(158,969)	(98,955)	-	(257,924)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	518,453	108,332	-	626,785
CASH AND CASH EQUIVALENTS, END OF YEAR	$ 359,484	$ 9,377	$ -	$ 368,861
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:				
Cash paid for interest	$ 351	$ -	$ -	$ 351
SUPPLEMENTAL DISCLOSURE OF NONCASH INVESTING AND FINANCING ACTIVITIES:				
Property and equipment acquired through capital lease agreements	$ 24,574	$ -	$ -	$ 24,574
Purchases of property and equipment included within accounts payable	$ 45,771	$ -	$ -	$ 45,771