



ST. ANDREW'S
PRESBYTERIAN CHURCH
OF NEWPORT BEACH AND
HORIZONS FOUNDATION

Combined Financial Statements
With Independent Auditors' Report

December 31, 2016 and 2015

**ST. ANDREW'S PRESBYTERIAN CHURCH OF NEWPORT BEACH
AND HORIZONS FOUNDATION**

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INDEPENDENT AUDITORS' REPORT

Board of Session
St. Andrew's Presbyterian Church of Newport Beach
and Horizons Foundation
Newport Beach, California

We have audited the accompanying consolidated financial statements of St. Andrew's Presbyterian Church of Newport Beach and Horizons Foundation, which comprise the consolidated statements of financial position as of December 31, 2016 and 2015, and the related consolidated statements of activities and cash flows for the years then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits 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 consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the organization's preparation and fair presentation of the consolidated 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 organization'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 consolidated financial statements.

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

Board of Session
St. Andrew's Presbyterian Church of Newport Beach
and Horizons Foundation
Newport Beach, California

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of St. Andrew's Presbyterian Church of Newport Beach and Horizons Foundation as of December 31, 2016 and 2015, and the changes in their net assets and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Correction of an Error

As described in note 15 to the financial statements, the Church corrected fixed asset balances that were not capitalized during the year ended December 31, 2015. Our opinion is not modified with respect to that matter.

Capin Crouse LLP

Brea, California
January 3, 2018

**ST. ANDREW'S PRESBYTERIAN CHURCH OF NEWPORT BEACH
AND HORIZONS FOUNDATION**

Consolidated Statements of Financial Position

	December 31,	
	2016	2015 Restated
ASSETS:		
Current assets:		
Cash and cash equivalents	\$ 5,376,269	\$ 7,589,481
Accounts receivable	55,673	73,617
Donations receivable	159,400	-
Short-term investments	1,495,588	37,164
Prepaid expenses	124,092	116,292
	7,211,022	7,816,554
Shared equity ownership agreements, net	770,000	1,613,914
Other assets	20,800	20,800
Land, buildings, and equipment - at cost, net	28,068,238	20,920,176
	\$ 36,070,060	\$ 30,371,444
LIABILITIES AND NET ASSETS:		
Current liabilities:		
Accounts payable	\$ 1,374,357	\$ 274,549
Contributions payable	130,000	-
Accrued expenses	165,531	180,732
Deferred revenue	106,516	80,770
Capital lease payable - current portion	10,596	6,596
Long-term debt - current portion	37,107	-
	1,824,107	542,647
Capital lease payable - net of current portion	56,763	67,359
Long-term debt - net of current portion	1,358,447	200,000
	3,239,317	810,006
Net assets:		
Unrestricted	31,712,148	27,037,845
Temporarily restricted	1,118,595	2,523,593
	32,830,743	29,561,438
Total Liabilities and Net Assets	\$ 36,070,060	\$ 30,371,444

See notes to consolidated financial statements

**ST. ANDREW'S PRESBYTERIAN CHURCH OF NEWPORT BEACH
AND HORIZONS FOUNDATION**

Consolidated Statements of Activities

	Year Ended December 31, 2016		
	Unrestricted	Temporarily Restricted	Total
OPERATING			
SUPPORT AND REVENUE:			
Contributions	\$ 6,245,937	\$ -	\$ 6,245,937
Tuition revenue, net of discounts of \$42,409	1,139,467	-	1,139,467
Investment income	3,324	-	3,324
Total Support and Revenue	7,388,728	-	7,388,728
EXPENSES:			
Gather	765,582	-	765,582
Build	1,380,663	-	1,380,663
Send	1,010,308	-	1,010,308
Core	2,770,668	-	2,770,668
Watch	312,247	-	312,247
Tuition programs	490,348	-	490,348
Depreciation	1,335,775	-	1,335,775
Foundation	130,742	-	130,742
Overhead allocation	290,266	-	290,266
Total Expenses	8,486,599	-	8,486,599
Change in Net Assets before Non-Operating Support, Reclassifications and Expenses	(1,097,871)	-	(1,097,871)
NON-OPERATING			
SUPPORT AND RECLASSIFICATIONS:			
Contributions	39,252	725,031	764,283
Contributions-building fund	-	4,910,034	4,910,034
Activities and special events	461,549	-	461,549
Reclassifications:			
Released from restriction	7,040,063	(7,040,063)	-
Total Support and Reclassifications	7,540,864	(1,404,998)	6,135,866
EXPENSES:			
Gather	171,984	-	171,984
Build	228,844	-	228,844
Send	1,029,504	-	1,029,504
Core	228,084	-	228,084
Tuition programs	24,340	-	24,340
Session	85,934	-	85,934
Total Expenses	1,768,690	-	1,768,690
Change in Net Assets from Non-Operating Support and Expenses	5,772,174	(1,404,998)	4,367,176
Change in Net Assets	4,674,303	(1,404,998)	3,269,305
Net Assets, Beginning of Year, as previously stated	26,547,226	2,523,593	29,070,819
Prior Period Adjustment (note 15)	490,619	-	490,619
Net Assets, Beginning of Year, as restated	27,037,845	2,523,593	29,561,438
Net Assets, End of Year	\$ 31,712,148	\$ 1,118,595	\$ 32,830,743

See notes to consolidated financial statements

**ST. ANDREW'S PRESBYTERIAN CHURCH OF NEWPORT BEACH
AND HORIZONS FOUNDATION**

Consolidated Statements of Activities

	Year Ended December 31, 2015		
	Restated		
	Unrestricted	Temporarily Restricted	Total
OPERATING			
SUPPORT AND REVENUE:			
Contributions	\$ 6,379,319	\$ -	\$ 6,379,319
Tuition revenue, net of discounts of \$41,657	1,107,743	-	1,107,743
Investment income	258,867	-	258,867
Total Support and Revenue	7,745,929	-	7,745,929
EXPENSES:			
Gather	792,856	-	792,856
Build	1,381,592	-	1,381,592
Send	827,400	-	827,400
Core	2,877,985	-	2,877,985
Watch	302,000	-	302,000
Tuition programs	469,541	-	469,541
Depreciation	1,297,856	-	1,297,856
Denomination	180,143	-	180,143
Foundation	299,881	-	299,881
Total Expenses	8,429,254	-	8,429,254
Change in Net Assets before Non-Operating Support, Reclassifications and Expenses	(683,325)	-	(683,325)
NON-OPERATING SUPPORT AND RECLASSIFICATIONS:			
Contributions	415,428	432,426	847,854
Contributions-building fund	-	13,141,501	13,141,501
Activities and special events	495,202	-	495,202
Investment income	-	259,470	259,470
Reclassifications:			
Released from restriction	12,844,134	(12,844,134)	-
Total Support and Reclassifications	13,754,764	989,263	14,744,027
EXPENSES:			
Gather	102,653	-	102,653
Build	230,812	-	230,812
Send	290,924	-	290,924
Core	251,625	-	251,625
Tuition programs	24,837	-	24,837
Building	802,639	-	802,639
Denomination	-	-	-
Session	194,475	-	194,475
Total Expenses	1,897,965	-	1,897,965
Change in Net Assets from Non-Operating Support and Expenses	11,856,799	989,263	12,846,062
Change in Net Assets	11,173,474	989,263	12,162,737
Net Assets, Beginning of Year	15,864,371	1,534,330	17,398,701
Net Assets, End of Year	\$ 27,037,845	\$ 2,523,593	\$ 29,561,438

See notes to consolidated financial statements

**ST. ANDREW'S PRESBYTERIAN CHURCH OF NEWPORT BEACH
AND HORIZONS FOUNDATION**

Consolidated Statements of Cash Flows

	Year Ended December 31,	
	2016	2015 Restated
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	\$ 3,269,305	\$ 12,162,737
Adjustments to reconcile change in net assets		
15 to net cash provided by (used in) operating activities:		
Realized and unrealized (gains) losses on investments	3,324	(227,115)
Depreciation expense	1,335,775	1,297,856
(Gain) loss on sale of capital assets	8,199	(6,047)
Contributions for building fund	(4,910,034)	(13,141,501)
Net change in:		
Accounts receivable	17,944	(25,213)
Donations receivable	(159,400)	1,000
Prepaid expenses and other assets	(7,800)	13,054
Accounts and contributions payable	42,436	153,208
Accrued expenses	(15,201)	(109,809)
Deferred revenue	25,746	(11,849)
Net Cash Provided by (Used in) Operating Activities	<u>(389,706)</u>	<u>106,321</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Payments on shared equity agreements, net of allowance	843,914	-
Purchase of investments	(1,461,748)	(29,358)
Proceeds from sales of investments	-	227,253
Issued shared equity ownership agreement	-	31,500
Capital additions	(7,304,664)	(834,773)
Net Cash Used in Investing Activities	<u>(7,922,498)</u>	<u>(605,378)</u>
CASH FLOWS FROM FINANCING ACTIVITIES:		
Payments on long-term debt	(4,446)	(10,562,195)
Payments on capital lease	(6,596)	(6,045)
Proceeds from long-term debt	1,200,000	200,000
Contributions for building fund	4,910,034	13,141,501
Net Cash Provided by Financing Activities	<u>6,098,992</u>	<u>2,773,261</u>
Change in Cash and Cash Equivalents	(2,213,212)	2,274,204
Cash and Cash Equivalents, Beginning of Year	<u>7,589,481</u>	<u>5,315,277</u>
Cash and Cash Equivalents, End of Year	<u>\$ 5,376,269</u>	<u>\$ 7,589,481</u>
SUPPLEMENTAL DISCLOSURES:		
Assets acquired through accounts payable	<u>\$ 1,187,372</u>	<u>\$ -</u>
Assets acquired through long-term debt	<u>\$ 1,200,000</u>	<u>\$ -</u>
Assets acquired through capital lease	<u>\$ -</u>	<u>\$ 80,000</u>

See notes to consolidated financial statements

ST. ANDREW'S PRESBYTERIAN CHURCH OF NEWPORT BEACH AND HORIZONS FOUNDATION

Notes to Consolidated Financial Statements

December 31, 2016 and 2015

1. NATURE OF ORGANIZATION:

St. Andrew's Presbyterian Church of Newport Beach (the Church) is a not-for-profit corporation that was formed October 7, 1948, in order to establish a church for the public worship of God in the City of Newport Beach. The primary source of support for the Church is contributions; however, the Church's activities include early childhood tuition-based programs for the purpose of serving the community and extending the ministerial outreach of the Church.

The Horizons Foundation (the Foundation) is a separate not-for-profit corporation incorporated in 1981 under the laws of the State of California in order to provide financial support for the Church through the receipt of donations of real estate, securities, and other assets.

The Church and the Foundation are nonprofit organizations that are exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code (IRC) and comparable state laws. However, the organizations are subject to federal income tax on any unrelated business taxable income. In addition the organizations are not classified as private foundations within the meaning of Section 509(a) of the IRC.

Until 2014, the Church was denominationally related to the Presbyterian Church USA, within which the Presbytery of Los Ranchos is the regional denominational body. As of September 26, 2014, the Church's denominational affiliation was transferred with property to ECO, a Covenant Order of Evangelical Presbyterians.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

BASIS OF ACCOUNTING

The consolidated financial statements of the Church and the Foundation, collectively referred to as "the Organization", have been prepared on the accrual basis of accounting. A summary of significant accounting policies followed are described below to enhance the usefulness of the consolidated financial statements to the reader.

PRINCIPLES OF COMBINATION

The consolidated financial statements include the accounts of the Church and the Foundation. The Foundation is a not-for-profit organization under common operational control of the Church. All significant transactions between consolidated entities have been eliminated in the accompanying consolidated financial statements.

The consolidated statements of activities separately presents the operating activities of the Church and the Foundation from the non-operating activities of the Church. The non-operating activities of the Church are those activities which are to be self-supporting from revenues generated or unrestricted, board designated contributions and temporarily restricted contributions.

ST. ANDREW'S PRESBYTERIAN CHURCH OF NEWPORT BEACH AND HORIZONS FOUNDATION

Notes to Consolidated Financial Statements

December 31, 2016 and 2015

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued:

CASH AND CASH EQUIVALENTS

Cash and cash equivalents are defined as all highly liquid instruments with maturities of less than three months for which the intended purpose is other than facilitating longer term investment objectives. These cash and cash equivalent accounts may, at times, exceed federally insured limits; however, the Church and the Foundation have not experienced any losses on these accounts.

ACCOUNTS RECEIVABLE

Accounts receivable arise from tuition based programs. These receivables are reported net of any anticipated losses due to uncollectible accounts. Only immaterial amounts were considered uncollectible at December 31, 2016 and 2015.

PREPAID EXPENSES AND OTHER ASSETS

Prepaid expenses and other assets consist primarily of deposits, prepaid expenses, cemetery lots held for sale, and an artwork collection.

INVESTMENTS

Investments consist of corporate stocks, exchange-traded funds, and operating units of private stock and are stated at fair value. Donated investments are recorded at the fair value on the date of donation and thereafter carried in accordance with the above provisions. Realized and unrealized gains and losses are included as unrestricted revenue in the consolidated statements of activities.

LAND, BUILDINGS, AND EQUIPMENT

Acquisitions or donations of long-lived assets in excess of \$5,000 are capitalized at cost on date of purchase or fair market value on the date of the gift. Such donations are reported as unrestricted support unless the donor has restricted the donated asset to a specific purpose.

Assets donated with explicit restrictions regarding their use and cash contributions that must be used to acquire property and equipment are reported as restricted support. Absent donor stipulations regarding how long these donated assets must be maintained, the Church reports expirations of donor restrictions when the donated or acquired assets are placed in service as instructed by the donor.

Depreciation is expensed to operations using the straight-line method over the useful life of the asset. The range of estimated useful lives of asset categories are buildings 25-50 years, building improvements 7-40 years, rental property 35 years, furniture and equipment 3-40 years, and vehicles 3 years.

DEFERRED REVENUE

Deferred revenue primarily consists of deposits received in advance for the following school year. Revenue from these deposits is recognized in the year when earned.

ST. ANDREW'S PRESBYTERIAN CHURCH OF NEWPORT BEACH AND HORIZONS FOUNDATION

Notes to Consolidated Financial Statements

December 31, 2016 and 2015

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued:

ACCRUED VACATION

Employees earn 80 - 160 hours of vacation each year depending on years of service. No vacation benefits accrue for an employee when unused vacation benefits accumulate to 150% of the annual benefits earned, until the unused balance is brought below 150%. Cash payment for accrued vacation is paid only upon termination of employment. The Church's policy is to record accumulated vacation when earned. As of December 31, 2016 and 2015, the Church's accrued vacation liability was \$114,031 and \$144,363, respectively, and was included as a component of accrued expenses in the accompanying consolidated statements of financial position.

NET ASSETS

The Church and the Foundation report information regarding their financial position and activities according to two classes of net assets as follows:

Unrestricted net assets are those currently available for operating purposes under the direction of the board, those resources invested in land, buildings, and equipment and those resources designated by the board for specified purposes.

Temporarily restricted net assets are those contributed with donor stipulations for specific purposes and programs or with time restrictions.

SUPPORT, REVENUE, AND EXPENSES

Contributions are recorded when cash has been received or ownership of donated assets has been transferred to the Church or the Foundation. The Church and the Foundation record contributions as temporarily restricted if they are received with donor stipulations that limit their use either through purpose or time restrictions, or both. When donor restrictions expire, that is when the purpose restriction is fulfilled or the time restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the consolidated statements of activities as net assets for which donor restrictions have been satisfied. Conditional promises to give are recognized when the conditions on which they depend are substantially met. The Church and the Foundation receive non-cash donations, which are recorded as support at the estimated fair market value on the date of the gift. Tuition revenue and investment income are recorded when earned.

The Church received approximately 23% and 44% of its total revenue from donations received from three families during the year ended December 31, 2016 and 2015, respectively.

ST. ANDREW'S PRESBYTERIAN CHURCH OF NEWPORT BEACH AND HORIZONS FOUNDATION

Notes to Consolidated Financial Statements

December 31, 2016 and 2015

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued:

SUPPORT, REVENUE, AND EXPENSES, continued

The Church annually solicits faith pledges from its congregation. These pledges are considered intentions to give and not promises to give. Such intentions to give are not recorded in the consolidated financial statements until the contributions are received.

Expenses are recorded when incurred in accordance with the accrual basis of accounting and classified as unrestricted on the consolidated statements of activities.

FUNCTIONAL ALLOCATION OF EXPENSES

The costs of providing the various program services and supporting activities have been summarized on a functional basis in a note to the consolidated financial statements. Accordingly, certain costs, such as depreciation and payroll, have been allocated among the program services and supporting activities (see note 13). Currently, there are no joint costs that have been allocated among program, general and administrative, and fundraising functions.

USE OF ESTIMATES

The preparation of consolidated financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

**ST. ANDREW'S PRESBYTERIAN CHURCH OF NEWPORT BEACH
AND HORIZONS FOUNDATION**

Notes to Consolidated Financial Statements

December 31, 2016 and 2015

3. INVESTMENTS:

The Church and the Foundation carry their investments at fair market value with the exception of cash balances held in the portfolio. The difference between market value and cost is recorded as an unrealized gain (loss). Investments are comprised of the following:

	December 31,	
	2016	2015
Investments at Fair Value Level 1		
Corporate stocks:		
Large Cap	\$ -	\$ 3,094
Exchange-traded funds (ETF):		
Technology	15,402	9,255
Large Cap	14,069	9,640
Dividend Equity	-	12,967
Investments at Fair Value Level 2		
Operating units of private stock	1,417,500	-
Cash	48,617	2,208
	\$ 1,495,588	\$ 37,164

Investment income is reported in the consolidated statements of activities as follows:

	December 31,	
	2016	2015
Interest and dividends	\$ 288	\$ 34,487
Gains on investments	3,036	227,115
	3,324	261,602
Less: investment fees	-	(2,735)
	\$ 3,324	\$ 258,867

ST. ANDREW'S PRESBYTERIAN CHURCH OF NEWPORT BEACH AND HORIZONS FOUNDATION

Notes to Consolidated Financial Statements

December 31, 2016 and 2015

4. SHARED EQUITY OWNERSHIP AGREEMENTS:

At the discretion of the board of trustees, the Church has entered into shared equity ownership agreements with eligible employees. Promissory notes secured by deeds of trust are executed for the amount invested by the Church. Under the terms of the agreements, the net proceeds from the sale, refinancing or other disposition of the property will be shared by the Church and the owner based upon the terms of the agreement. At December 31, 2016 and 2015, management maintained an estimated loss reserve of \$175,000 and \$200,000, respectively, reducing the carrying value of the shared equity ownership agreements to their net realizable value.

5. FAIR VALUE:

The *Fair Value Measurements and Disclosure Topic* of the Financial Accounting Standards Board Accounting Standards Codification (FASB ASC) establishes a fair value hierarchy that prioritizes the valuation techniques used to measure fair value. This hierarchy consists of three broad levels: Level 1 inputs consist of unadjusted quoted prices in active markets for identical assets and have the highest priority; Level 2 inputs consist of observable inputs other than quoted prices for identical assets; and Level 3 inputs are unobservable and include situations where there is little, if any, market activity for the investments. The Church and the Foundation use appropriate valuation techniques based on the available inputs to measure the fair value of its investments. When available, the Church and the Foundation measure fair value using Level 1 inputs because they generally provide the most reliable evidence of fair value. Level 3 inputs are only used when Level 1 or Level 2 inputs were not available.

Following is a description of the valuation methodologies used for instruments measured at fair value on a recurring basis and recognized in the accompanying consolidated statements of financial position, as well as the general classification of such instruments pursuant to the valuation hierarchy.

LEVEL 1 FAIR VALUE MEASUREMENTS

The fair values of common stock and exchange-traded funds are based on quoted market prices.

LEVEL 2 FAIR VALUE MEASUREMENTS

The operating units in private stock are valued at the convertible value yielded when sold subsequent to the year ended December 31, 2016.

**ST. ANDREW'S PRESBYTERIAN CHURCH OF NEWPORT BEACH
AND HORIZONS FOUNDATION**

Notes to Consolidated Financial Statements

December 31, 2016 and 2015

6. LAND, BUILDINGS, AND EQUIPMENT:

Land, buildings, and equipment consist of the following at December 31:

	December 31,	
	2016	2015
Land	\$ 2,286,060	\$ 786,060
Building	28,274,116	27,514,215
Building improvements	6,407,162	6,383,377
Furniture and equipment	3,030,992	2,824,265
Vehicles	207,390	207,390
	40,205,720	37,715,307
Less accumulated depreciation	(18,614,918)	(17,285,750)
	21,590,802	20,429,557
Construction in progress	6,477,436	490,619
Land, buildings, and equipment - at cost, net	28,068,238	20,920,176
Less debt secured by land, buildings, and equipment	(1,195,554)	-
Less assets acquired through accounts payable	(1,187,372)	-
Net investment in land, buildings, and equipment	\$ 25,685,312	\$ 20,920,176

7. CAPITAL LEASE PAYABLE:

During the year ended December 31, 2015, the Church entered into a 5-year capital lease agreement for office equipment with a fair market value of \$80,000. Monthly payments of \$3,418 also include imputed interest and service fees.

Future committed costs are:

<u>Year Ending December 31,</u>	
2017	\$ 41,016
2018	41,016
2019	41,016
2020	13,672
	136,720
Less imputed interest and service fees	(69,361)
	\$ 67,359

**ST. ANDREW'S PRESBYTERIAN CHURCH OF NEWPORT BEACH
AND HORIZONS FOUNDATION**

Notes to Consolidated Financial Statements

December 31, 2016 and 2015

8. LONG-TERM DEBT:

Long-term debt consists of a mortgage of \$1,195,554 at an interest rate of 1.5% over the LIBOR index, payable to a bank, and secured by a parsonage property. The debt agreement was entered into in November 2016 and matures in November 2023, when a balloon payment is due. Total principal and interest payments of \$5,128 are due monthly. Additionally, there is a non-interest bearing note payable to members of the church for \$200,000 which is due December 2018 and is included in long-term debt in the statements of financial position.

Annual maturities are:

<u>Year Ending December 31,</u>	
2017	\$ 37,107
2018	237,883
2019	38,675
2020	39,421
2021	40,307
2022	41,149
2023	<u>961,012</u>
	<u>\$ 1,395,554</u>

The above mortgage has certain financial and reporting covenants. The Church was either in compliance or had received waivers from all financial and reporting covenants as of December 31, 2016.

9. NET ASSETS:

	<u>December 31,</u>	
	<u>2016</u>	<u>2015</u>
Unrestricted net assets:		
Available for operations	\$ 5,566,402	\$ 4,944,314
Designated by Session	85,935	194,475
Designated for Horizons Foundation quasi trust	374,499	978,880
Net investment in land, buildings, and equipment	<u>25,685,312</u>	<u>20,920,176</u>
Total unrestricted net assets	<u>31,712,148</u>	<u>27,037,845</u>

**ST. ANDREW'S PRESBYTERIAN CHURCH OF NEWPORT BEACH
AND HORIZONS FOUNDATION**

Notes to Consolidated Financial Statements

December 31, 2016 and 2015

9. NET ASSETS, continued:

	December 31,	
	2016	2015
Temporarily restricted net assets restricted for:		
Timing	159,400	-
Gather	205,992	114,375
Build	92,846	73,652
Send	171,685	129,814
Core	15,182	52,570
Tuition	15,893	8,435
Building	431,842	2,118,992
Horizons Foundation	25,755	25,755
	1,118,595	2,523,593
Total temporarily restricted net assets	\$ 32,830,743	\$ 29,561,438
Net Assets Released from Restrictions		
Satisfaction of program and timing restrictions:		
Gather	\$ 119,139	\$ 231,800
Build	25,198	22,448
Send	827,132	230,759
Core	76,257	132,204
Tuition	5,520	3,682
Building	5,986,817	12,223,241
	\$ 7,040,063	\$ 12,844,134

10. EMPLOYEE BENEFIT PLANS:

The Church has established a 403(b) contributory retirement contribution plan covering substantially all full-time employees. Employer contributions are discretionary and based on a percentage of a qualifying employee's base salary after completing three years of full-time employment. Eligible employees apply the Church's retirement contribution towards a retirement plan arranged for by the employee. Retirement contribution expense under this plan for the years ended December 31, 2016 and 2015, was \$216,877 and \$208,047, respectively.

The Church has established a health reimbursement plan for non-ordained employees in which \$1,500 or \$3,000 is set aside each year based on single or family insurance, respectively. At December 31, 2016 and 2015, the accrued liability for the health reimbursement plan was \$35,034 and \$22,556, respectively.

**ST. ANDREW'S PRESBYTERIAN CHURCH OF NEWPORT BEACH
AND HORIZONS FOUNDATION**

Notes to Consolidated Financial Statements

December 31, 2016 and 2015

11. COMMITMENTS:

Subsequent to the year ended December 31, 2016, the Church completed construction on its main campus at a total cost of \$476,000.

12. RELATED PARTY TRANSACTIONS:

Effective September 26, 2014, the Church is denominationally related to the Covenant Order of Evangelical Presbyterians (ECO). During the years ended 2016 and 2015, the Church contributed to ECO dues of \$62,449 and \$61,179 and mission-related donations of \$0 and \$100,000.

The Church spun off a ministry, Northeast of the Well (NEW), as a separate IRC Section 501(c)(3) in 2011. Although some of the board members of NEW are either employees of the Church or Session board members, the Church does not have economic interest in NEW, therefore NEW is not consolidated with these financial statements. During the years ended December 31, 2016 and 2015, the Church donated to NEW \$52,200 and \$65,205, respectively. During the years ended 2016 and 2015, the Church provided in-kind facility usage and services to NEW valued at \$30,000.

During the year ended December 31, 2015, the Church paid \$109,0270 for computer maintenance and support to a company at which a board member was the principal partner.

13. FUNCTIONAL EXPENSE ALLOCATION:

The following is an allocation of the consolidated expenses by function:

	December 31,	
	2016	2015
Program services	\$ 10,002,444	\$ 9,572,837
Supporting activities:		
Management and general	252,845	565,792
Fundraising	-	188,590
	\$ 10,255,289	\$ 10,327,219

14. ADVERTISING EXPENSE:

Advertising expense is used to attract members and non-members to the Church and new students to the school. Advertising costs are expensed as incurred. For the years ended December 31, 2016 and 2015, advertising expense was \$23,003 and \$29,756, respectively.

**ST. ANDREW'S PRESBYTERIAN CHURCH OF NEWPORT BEACH
AND HORIZONS FOUNDATION**

Notes to Consolidated Financial Statements

December 31, 2016 and 2015

15. PRIOR PERIOD ADJUSTMENT:

During the year ended December 31, 2016, the Church discovered it had not properly capitalized fixed assets constructed during the year ended December 31, 2015. The Church also noted errors on the supplemental consolidating schedules in reporting unrestricted and temporarily restricted net assets. As a result, the following summarizes the adjustment made to each affected consolidated financial statement line item for the year ended December 31, 2015.

	As Previously Stated	Adjustment	As Restated
Changes to consolidated statement of financial position for the year ended December 31, 2015:			
Net assets-unrestricted	\$ 26,547,226	\$ 490,619	\$ 27,037,845
Land, buildings, and equipment - at cost, net	20,429,557	490,619	20,920,176
Changes to consolidated statement of activities for the year ended December 31, 2015:			
Non-operating expenses - building	1,293,258	(490,619)	802,639
Change in net assets-unrestricted	10,682,855	490,619	11,173,474
Net assets-unrestricted	26,547,226	490,619	27,037,845
Changes to supplemental consolidating statement of financial position for the year ended December 31, 2015:			
Net assets-unrestricted	\$ 25,387,825	\$ 1,650,020	\$ 27,037,845
Net assets-temporarily restricted	3,682,944	(1,159,351)	2,523,593
Land, buildings, and equipment - at cost, net	20,429,557	490,619	20,920,176
Changes to supplemental consolidating statement of activities for the year ended December 31, 2015:			
Non-operating expenses - building	1,293,258	(490,619)	802,639
Change in net assets	11,672,118	490,619	12,162,737
Net assets, end of year	29,070,819	490,619	29,561,438

16. SUBSEQUENT EVENTS:

Subsequent events have been evaluated by management through January 3, 2017, which is the date the financial statements were available to be issued. Subsequent events after that date have not been evaluated.

SUPPLEMENTAL INFORMATION

INDEPENDENT AUDITORS' REPORT ON SUPPLEMENTAL INFORMATION

Board of Session
St. Andrew's Presbyterian Church of Newport Beach
and Horizons Foundation
Newport Beach, California

We have audited the consolidated financial statements of St. Andrew's Presbyterian Church of Newport Beach and Horizons Foundation as of and for the years ended December 31, 2016 and 2015, and our report thereon dated January 3, 2018, which expressed an unmodified opinion on those consolidated financial statements, appears on page 1. Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The consolidating statements of financial position, activities, and cash flows are presented for purposes of additional analysis of the consolidated financial statements rather than to present the financial position and results of operations of the individual organizations, and they are not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The consolidating information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the consolidated financial statements as a whole.

Capin Crouse LLP

Brea, California
January 3, 2018

**ST. ANDREW'S PRESBYTERIAN CHURCH OF NEWPORT BEACH
AND HORIZONS FOUNDATION**

Supplemental Consolidating Statement of Financial Position

	December 31, 2016			Total
	Church	Foundation	Eliminations	
ASSETS:				
Current assets:				
Cash and cash equivalents	\$ 4,996,990	\$ 379,279	\$ -	\$ 5,376,269
Accounts receivable	61,247	-	(5,574)	55,673
Donations receivable	159,400	-	-	159,400
Investments	1,495,588	-	-	1,495,588
Prepaid expenses	123,298	794	-	124,092
	<u>6,836,523</u>	<u>380,073</u>	<u>(5,574)</u>	<u>7,211,022</u>
Shared equity ownership agreements, net	770,000	-	-	770,000
Other assets	20,800	-	-	20,800
Land, buildings, and equipment - at cost, net	28,068,238	-	-	28,068,238
	<u>28,068,238</u>	<u>-</u>	<u>-</u>	<u>28,068,238</u>
Total Assets	<u><u>\$ 35,695,561</u></u>	<u><u>\$ 380,073</u></u>	<u><u>\$ (5,574)</u></u>	<u><u>\$ 36,070,060</u></u>
LIABILITIES AND NET ASSETS:				
Current liabilities:				
Accounts payable	\$ 1,374,357	\$ 5,574	\$ (5,574)	\$ 1,374,357
Contributions payable	130,000	-	-	130,000
Accrued expenses	165,531	-	-	165,531
Deferred revenue	106,516	-	-	106,516
Capital lease payable - current portion	10,596	-	-	10,596
Long-term debt - current portion	37,107	-	-	37,107
	<u>1,824,107</u>	<u>5,574</u>	<u>(5,574)</u>	<u>1,824,107</u>
Capital lease payable - net of current portion	56,763	-	-	56,763
Long-term debt	1,358,447	-	-	1,358,447
	<u>3,239,317</u>	<u>5,574</u>	<u>(5,574)</u>	<u>3,239,317</u>
Net assets:				
Unrestricted	31,355,872	356,276	-	31,712,148
Temporarily restricted	1,100,372	18,223	-	1,118,595
	<u>32,456,244</u>	<u>374,499</u>	<u>-</u>	<u>32,830,743</u>
Total Liabilities and Net Assets	<u><u>\$ 35,695,561</u></u>	<u><u>\$ 380,073</u></u>	<u><u>\$ (5,574)</u></u>	<u><u>\$ 36,070,060</u></u>

**ST. ANDREW'S PRESBYTERIAN CHURCH OF NEWPORT BEACH
AND HORIZONS FOUNDATION**

Supplemental Consolidating Statement of Financial Position

	December 31, 2015			
	Restated			
	Church	Foundation	Eliminations	Total
ASSETS:				
Current assets:				
Cash and cash equivalents	\$ 6,611,659	\$ 977,822	\$ -	\$ 7,589,481
Accounts receivable	73,413	204	-	73,617
Investments	37,164	-	-	37,164
Prepaid expenses	115,283	1,009	-	116,292
	<u>6,837,519</u>	<u>979,035</u>	<u>-</u>	<u>7,816,554</u>
Shared equity ownership agreements, net	1,613,914	-	-	1,613,914
Other assets	20,800	-	-	20,800
Land, buildings, and equipment- at cost, net	<u>20,920,176</u>	<u>-</u>	<u>-</u>	<u>20,920,176</u>
Total Assets	<u><u>\$29,392,409</u></u>	<u><u>\$ 979,035</u></u>	<u><u>\$ -</u></u>	<u><u>\$30,371,444</u></u>
LIABILITIES AND NET ASSETS:				
Current liabilities:				
Accounts payable	\$ 274,394	\$ 155	\$ -	\$ 274,549
Accrued expenses	180,732	-	-	180,732
Deferred revenue	80,770	-	-	80,770
Capital lease payable - current portion	6,596	-	-	6,596
	<u>542,492</u>	<u>155</u>	<u>-</u>	<u>542,647</u>
Capital lease payable - net of current portion	67,359	-	-	67,359
Long-term debt	<u>200,000</u>	<u>-</u>	<u>-</u>	<u>200,000</u>
	<u>809,851</u>	<u>155</u>	<u>-</u>	<u>810,006</u>
Net assets, as restated:				
Unrestricted	26,080,954	953,125	3,766	27,037,845
Temporarily restricted	2,501,604	25,755	(3,766)	2,523,593
	<u>28,582,558</u>	<u>978,880</u>	<u>-</u>	<u>29,561,438</u>
Total Liabilities and Net Assets	<u><u>\$29,392,409</u></u>	<u><u>\$ 979,035</u></u>	<u><u>\$ -</u></u>	<u><u>\$30,371,444</u></u>

**ST. ANDREW'S PRESBYTERIAN CHURCH OF NEWPORT BEACH
AND HORIZONS FOUNDATION**

Supplemental Consolidating Statement of Activities

	Year Ended December 31, 2016			Total
	Church	Foundation	Eliminations	
OPERATING				
SUPPORT AND REVENUE:				
Contributions	\$ 6,245,937	\$ -	\$ -	\$ 6,245,937
Tuition revenue	1,139,467	-	-	1,139,467
Investment and other income	3,036	288	-	3,324
Total Support and Revenue	7,388,440	288	-	7,388,728
EXPENSES:				
Gather	765,582	-	-	765,582
Build	1,380,663	-	-	1,380,663
Send	1,010,308	-	-	1,010,308
Core	2,770,668	-	-	2,770,668
Watch	312,247	-	-	312,247
Tuition programs	490,348	-	-	490,348
Depreciation	1,335,775	-	-	1,335,775
Foundation	-	604,669	(473,927)	130,742
Overhead Allocation	290,266	-	-	290,266
Total Expenses	8,355,857	604,669	(473,927)	8,486,599
Change in Net Assets before Non-Operating Support and Expenses	(967,417)	(604,381)	473,927	(1,097,871)
NON-OPERATING				
SUPPORT AND RECLASSIFICATIONS:				
Contributions	513,179	-	(473,927)	39,252
Contributions-temporarily restricted	725,031	-	-	725,031
Contributions-building temporarily restricted	4,910,034	-	-	4,910,034
Activities and special events	461,549	-	-	461,549
Total Support	6,609,793	-	(473,927)	6,135,866
EXPENSES:				
Gather	171,984	-	-	171,984
Build	228,844	-	-	228,844
Send	1,029,504	-	-	1,029,504
Core	228,084	-	-	228,084
Tuition programs	24,340	-	-	24,340
Session	85,934	-	-	85,934
Foundation	-	-	-	-
Total Expenses	1,768,690	-	-	1,768,690
Change in Net Assets from Non-Operating Support and Expenses	4,841,103	-	(473,927)	4,367,176
Change in Net Assets	3,873,686	(604,381)	-	3,269,305
Net Assets, Beginning of Year, as previously stated	28,091,939	978,880	-	29,070,819
Prior Period Adjustments (note 15)	490,619	-	-	490,619
Net Assets, Beginning of Year, as restated	28,582,558	978,880	-	29,561,438
Net Assets, End of Year	\$ 32,456,244	\$ 374,499	\$ -	\$ 32,830,743

**ST. ANDREW'S PRESBYTERIAN CHURCH OF NEWPORT BEACH
AND HORIZONS FOUNDATION**

Supplemental Consolidating Statement of Activities

	Year Ended December 31, 2015			
	Restated			
	Church	Foundation	Eliminations	Total
OPERATING				
SUPPORT AND REVENUE:				
Contributions	\$ 6,379,319	\$ -	\$ -	\$ 6,379,319
Tuition revenue	1,107,743	-	-	1,107,743
Investment and other income	258,867	479,700	(479,700)	258,867
Total Support and Revenue	7,745,929	479,700	(479,700)	7,745,929
EXPENSES:				
Gather	792,856	-	-	792,856
Build	1,381,592	-	-	1,381,592
Send	827,400	-	-	827,400
Core	2,877,985	-	-	2,877,985
Watch	302,000	-	-	302,000
Tuition programs	469,541	-	-	469,541
Depreciation	1,297,856	-	-	1,297,856
Foundation	-	183,909	(3,766)	180,143
Overhead allocation	299,881	-	-	299,881
Total Expenses	8,249,111	183,909	(3,766)	8,429,254
Change in Net Assets before Non-Operating Support and Expenses	(503,182)	295,791	(475,934)	(683,325)
NON-OPERATING				
SUPPORT AND RECLASSIFICATIONS:				
Contributions	415,428	-	-	415,428
Contributions-temporarily restricted	436,192	-	(3,766)	432,426
Contributions-building temporarily restricted	13,141,501	-	-	13,141,501
Activities and special events	495,202	-	-	495,202
Investment income	259,470	-	-	259,470
Total Support and Reclassifications	14,747,793	-	(3,766)	14,744,027
EXPENSES:				
Gather	102,653	-	-	102,653
Build	230,812	-	-	230,812
Send	290,924	-	-	290,924
Core	251,625	-	-	251,625
Tuition programs	24,837	-	-	24,837
Building	802,639	-	-	802,639
Denomination	-	-	-	-
Session	194,475	-	-	194,475
Foundation	479,700	-	(479,700)	-
Total Expenses	2,377,665	-	(479,700)	1,897,965
Change in Net Assets from Non-Operating Support and Expenses	12,370,128	-	475,934	12,846,062
Change in Net Assets	11,866,946	295,791	-	12,162,737
Net Assets, Beginning of Year	16,715,612	683,089	-	17,398,701
Net Assets, End of Year	\$ 28,582,558	\$ 978,880	\$ -	\$ 29,561,438

**ST. ANDREW'S PRESBYTERIAN CHURCH OF NEWPORT BEACH
AND HORIZONS FOUNDATION**

Supplemental Consolidating Statement of Cash Flows

	Year Ended December 31, 2016			
	Church	Foundation	Eliminations	Total
CASH FLOWS FROM OPERATING ACTIVITIES:				
Change in net assets	\$ 3,873,686	\$ (604,381)	\$ -	\$ 3,269,305
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:				
Realized and unrealized loss on investments	3,324	-	-	3,324
Depreciation expense	1,335,775	-	-	1,335,775
Loss on disposal of capital assets	8,199	-	-	8,199
Contributions for building fund	(4,910,034)			(4,910,034)
Net change in:				
Accounts receivable	17,740	204	-	17,944
Donations receivable	(159,400)	-	-	(159,400)
Prepaid expenses and other assets	(8,015)	215	-	(7,800)
Accounts and contributions payable	37,017	5,419	-	42,436
Accrued expenses	(15,201)	-	-	(15,201)
Deferred revenue	25,746	-	-	25,746
Net Cash Provided by (Used in) Operating Activities	<u>208,837</u>	<u>(598,543)</u>	<u>-</u>	<u>(389,706)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:				
Payments on shared equity agreements, net of allowance	843,914	-	-	843,914
Purchases of investments	(1,461,748)	-	-	(1,461,748)
Capital additions	(7,304,664)	-	-	(7,304,664)
Net Cash Used in Investing Activities	<u>(7,922,498)</u>	<u>-</u>	<u>-</u>	<u>(7,922,498)</u>
CASH FLOWS FROM FINANCING ACTIVITIES:				
Payments on long-term debt	(4,446)	-	-	(4,446)
Payments on capital lease	(6,596)	-	-	(6,596)
Proceeds from long-term debt	1,200,000	-	-	1,200,000
Contributions for building fund	4,910,034			4,910,034
Net Cash Provided by Financing Activities	<u>6,098,992</u>	<u>-</u>	<u>-</u>	<u>6,098,992</u>
Change in Cash and Cash Equivalents	(1,614,669)	(598,543)	-	(2,213,212)
Cash and Cash Equivalents, Beginning of Year	<u>6,611,659</u>	<u>977,822</u>	<u>-</u>	<u>7,589,481</u>
Cash and Cash Equivalents, End of Year	<u>\$ 4,996,990</u>	<u>\$ 379,279</u>	<u>\$ -</u>	<u>\$ 5,376,269</u>
SUPPLEMENTAL DISCLOSURES:				
Assets acquired through long-term debt	<u>\$ 1,200,000</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,200,000</u>
Assets acquired through accounts payable	<u>\$ 1,187,372</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,187,372</u>

**ST. ANDREW'S PRESBYTERIAN CHURCH OF NEWPORT BEACH
AND HORIZONS FOUNDATION**

Supplemental Consolidating Statement of Cash Flows

	Year Ended December 31, 2015			
	Restated			
	Church	Foundation	Eliminations	Total
CASH FLOWS FROM OPERATING ACTIVITIES:				
Change in net assets	\$ 11,866,946	\$ 295,791	\$ -	\$ 12,162,737
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:				
Realized and unrealized gains on investments	(227,115)	-	-	(227,115)
Depreciation expense	1,297,856	-	-	1,297,856
Gain on sale of capital assets	(6,047)	-	-	(6,047)
Contributions for building fund	(13,141,501)	-	-	(13,141,501)
Net change in:				
Accounts receivable	(25,009)	(204)	-	(25,213)
Donations receivable	1,000	-	-	1,000
Prepaid expenses and other assets	12,952	102	-	13,054
Accounts payable	153,053	155	-	153,208
Accrued expenses	(109,809)	-	-	(109,809)
Deferred revenue	(11,849)	-	-	(11,849)
Net Cash Provided by (Used in) Operating Activities	<u>(189,523)</u>	<u>295,844</u>	<u>-</u>	<u>106,321</u>
CASH FLOWS FROM INVESTING ACTIVITIES:				
Purchases of investments	(29,358)	-	-	(29,358)
Proceeds from sales of investments	227,253	-	-	227,253
Proceeds from sales of capital assets	31,500	-	-	31,500
Capital additions	(834,773)	-	-	(834,773)
Net Cash Used in Investing Activities	<u>(605,378)</u>	<u>-</u>	<u>-</u>	<u>(605,378)</u>
CASH FLOWS FROM FINANCING ACTIVITIES:				
Payments on long-term debt	(10,562,195)	-	-	(10,562,195)
Payments on capital lease	(6,045)	-	-	(6,045)
Proceeds from long-term debt	200,000	-	-	200,000
Contributions for building fund	13,141,501	-	-	13,141,501
Net Cash Provided by Financing Activities	<u>2,773,261</u>	<u>-</u>	<u>-</u>	<u>2,773,261</u>
Change in Cash and Cash Equivalents	1,978,360	295,844	-	2,274,204
Cash and Cash Equivalents, Beginning of Year	<u>4,633,299</u>	<u>681,978</u>	<u>-</u>	<u>5,315,277</u>
Cash and Cash Equivalents, End of Year	<u>\$ 6,611,659</u>	<u>\$ 977,822</u>	<u>\$ -</u>	<u>\$ 7,589,481</u>
SUPPLEMENTAL DISCLOSURES:				
Assets acquired through capital lease	<u>\$ 80,000</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 80,000</u>