

Consolidated Financial Statements with
Independent Auditors' Report



St. Andrew's Presbyterian Church of
Newport Beach

*As of and for the Year Ended
December 31, 2017*

Consolidated Financial Statements with Independent Auditors' Report



St. Andrew's Presbyterian Church of Newport Beach

As of and for the Year Ended December 31, 2017

ST. ANDREW'S PRESBYTERIAN CHURCH OF NEWPORT BEACH

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INDEPENDENT AUDITORS' REPORT

Session Board of Trustees of
St. Andrew's Presbyterian Church of Newport Beach

We have audited the accompanying consolidated financial statements of St. Andrew's Presbyterian Church of Newport Beach, which comprise the consolidated statement of financial position as of December 31, 2017, and the related consolidated statements of activities and cash flows for the year then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Consolidated Financial Statements

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

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated 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 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.

INDEPENDENT AUDITORS' REPORT (CONTINUED)

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 as of December 31, 2017, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Supplemental Information

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The accompanying supplemental information is presented for the purpose of additional analysis and is 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 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.

Haskell & White LLP

HASKELL & WHITE LLP

Irvine, California
November 1, 2018

ST. ANDREW'S PRESBYTERIAN CHURCH OF NEWPORT BEACH

**Consolidated Statement of Financial Position
As of December 31, 2017**

ASSETS:

Current assets:

Cash and cash equivalents	\$ 6,343,546
Accounts receivable	46,757
Short-term investments (Note 3)	32,991
Prepaid expenses	97,472

Total current assets 6,520,766

Shared equity ownership investments (Note 4) 645,000

Other assets 1,335

Land, building and equipment, net (Note 5) 28,527,533

Total assets \$ 35,694,634

LIABILITIES AND NET ASSETS:

Current liabilities:

Accounts payable	\$ 273,181
Accrued expenses	167,528
Deferred revenue	110,277
Capital lease payable - current portion (Note 6)	17,021
Long-term debt - current portion (Note 7)	21,557

Total current liabilities 589,564

Capital lease payable - net of current portion (Note 6) 39,742

Long-term debt - net of current portion (Note 7) 1,137,634

Total liabilities 1,177,376

Commitments and contingencies (Note 6, 7, 8, 10)

Net assets (Note 9):

Unrestricted	31,979,133
Temporarily restricted	1,948,561

Total net assets 33,927,694

Total liabilities and net assets \$ 35,694,634

See accompanying notes to the consolidated financial statements.

ST. ANDREW'S PRESBYTERIAN CHURCH OF NEWPORT BEACH

**Consolidated Statement of Activities
For The Year Ended December 31, 2017**

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
<u>OPERATING ACTIVITIES</u>			
SUPPORT AND REVENUE:			
Contributions	\$ 6,302,907	\$ -	\$ 6,302,907
Tuition revenue	1,196,596	-	1,196,596
Investment income	62,482	-	62,482
Total support and revenue	<u>7,561,985</u>	<u>-</u>	<u>7,561,985</u>
EXPENSES:			
Program			
Gather	1,026,999	-	1,026,999
Build	1,316,997	-	1,316,997
Send	1,465,087	-	1,465,087
Support	1,739,422	-	1,739,422
Tuition Programs	1,128,947	-	1,128,947
Depreciation	1,719,934	-	1,719,934
Foundation	64,429	-	64,429
	<u>8,461,815</u>	<u>-</u>	<u>8,461,815</u>
General & administrative	509,955	-	509,955
Total expenses	<u>8,971,770</u>	<u>-</u>	<u>8,971,770</u>
Change in net assets from operating activities	<u>(1,409,785)</u>	<u>-</u>	<u>(1,409,785)</u>
<u>NON-OPERATING ACTIVITIES</u>			
SUPPORT AND RECLASSIFICATIONS:			
Contributions	263,868	589,721	853,589
Contributions-building fund	-	2,319,488	2,319,488
Activities and special events	743,710	-	743,710
Other income	343,345	67,627	410,972
Released from restriction reclassification	2,146,870	(2,146,870)	-
Total support and reclassifications	<u>3,497,793</u>	<u>829,966</u>	<u>4,327,759</u>
EXPENSES:			
Program			
Gather	188,993	-	188,993
Build	257,126	-	257,126
Send	655,076	-	655,076
Support	584,858	-	584,858
Tuition programs	19,977	-	19,977
Session	114,993	-	114,993
Total expenses	<u>1,821,023</u>	<u>-</u>	<u>1,821,023</u>
Change in net assets from non-operating activities	<u>1,676,770</u>	<u>829,966</u>	<u>2,506,736</u>
Change in net assets	266,985	829,966	1,096,951
Net assets, beginning of year	<u>31,712,148</u>	<u>1,118,595</u>	<u>32,830,743</u>
Net assets, end of year	<u>\$ 31,979,133</u>	<u>\$ 1,948,561</u>	<u>\$ 33,927,694</u>

See accompanying notes to the consolidated financial statements.

ST. ANDREW'S PRESBYTERIAN CHURCH OF NEWPORT BEACH

**Consolidated Statement of Cash Flows
For The Year Ended December 31, 2017**

Change in net assets	\$ 1,096,951
<i>Adjustments to reconcile change in net assets:</i>	
Depreciation expense	1,719,934
Gain on sale of equipment	(45,674)
Realized gain on sale of investments	(64,897)
Release of shared equity agreement reserve	(175,000)
<i>Net change in:</i>	
Accounts receivable	8,916
Contributions receivable	159,400
Prepaid expenses	26,620
Accounts payable	(1,101,174)
Contributions payable	(130,000)
Accrued expenses	1,997
Deferred revenue	3,761
	<hr/>
Net cash provided by operating activities	1,500,834
	<hr/>
CASH FLOWS FROM INVESTING ACTIVITIES:	
Payments received on shared equity agreements	300,000
Proceeds from sales of investments	1,527,494
Purchase of building and equipment	(2,216,574)
Proceeds from sale of vehicle and equipment	83,019
Proceeds from sale of investments	19,463
	<hr/>
Net cash used in investing activities	(286,598)
	<hr/>
CASH FLOWS FROM FINANCING ACTIVITIES:	
Payments on long-term debt	(236,363)
Payments on capital lease	(10,596)
	<hr/>
Net cash used in financing activities	(246,959)
	<hr/>
Change in cash and cash equivalents	967,277
Cash and cash equivalents, beginning of year	5,376,269
	<hr/>
Cash and cash equivalents, end of year	\$ 6,343,546
	<hr/> <hr/>
SUPPLEMENTAL NON-CASH DISCLOSURES:	
Cash paid for interest	\$ 24,429
	<hr/> <hr/>

See accompanying notes to the consolidated financial statements.

ST. ANDREW'S PRESBYTERIAN CHURCH OF NEWPORT BEACH

Notes to Consolidated Financial Statements Year Ended December 31, 2017

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.

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 Foundation, (collectively the "Organizations"), 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 Consolidation

The consolidated financial statements include the accounts of the Organizations. 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.

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 Organizations have not experienced any losses on these accounts.

ST. ANDREW'S PRESBYTERIAN CHURCH OF NEWPORT BEACH

**Notes to Consolidated Financial Statements (continued)
Year Ended December 31, 2017**

2. Summary of Significant Accounting Policies (continued)

Accounts Receivable

Accounts receivable arise from tuition based programs. These receivables are reported net of any anticipated losses due to uncollectible accounts. No amounts were considered uncollectible at December 31, 2017.

Prepaid Expenses and Other Assets

Prepaid expenses and other assets consist primarily of deposits and prepaid expenses.

Investments

Investments consist of corporate stocks, exchange-traded funds, and operating units of private stock that were donated to the Organizations and are stated at fair value. Donated investments are sold as soon as reasonably possible. Investments held at the end of the year consist only of investments that were unable to be sold by the end of the year. 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 recognized when earned.

Land, Building 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 39-40 years, building improvements 3-15 years, furniture and equipment 3-15 years, and vehicles 7 years.

ST. ANDREW'S PRESBYTERIAN CHURCH OF NEWPORT BEACH

**Notes to Consolidated Financial Statements (continued)
Year Ended December 31, 2017**

2. Summary of Significant Accounting Policies (continued)

Deferred Revenue

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

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, 2017, the Church's accrued vacation liability was \$101,297, and was included as a component of accrued expenses in the accompanying consolidated statement of financial position.

Net Assets

The Organizations 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 Contributed Investment Assets

Unconditional promises to give are recorded as contributions receivable at their estimated fair value and recognized as revenue by net asset class when they are earned. Subsequent changes to the estimated fair value of contributions receivable are reflected separately on the statement of activities. Conditional promises to give are not recorded until the conditions are substantially met.

ST. ANDREW'S PRESBYTERIAN CHURCH OF NEWPORT BEACH

**Notes to Consolidated Financial Statements (continued)
Year Ended December 31, 2017**

2. Summary of Significant Accounting Policies (continued)

Support, Revenue and Contributed Investment Assets (continued)

The Organizations 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 statement 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. When the Organizations receive non-cash donations, which are recorded as support at the estimated fair market value on the date of the gift.

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 collections are considered reasonably assured.

Tuition revenue is recorded when earned.

Donated Goods and Services

Donated non-cash goods and services are recorded at their estimated fair values in the period received. Donated services that create or enhance non-financial assets, or require specialized skills, which would typically need to be purchased, are recorded at their estimated fair values in the period received. There were no donated goods or services during the year ended December 31, 2017.

Functional Allocation of Expenses

Certain costs, such as depreciation and payroll, have been allocated among the program services and supporting activities. Currently, there are no joint costs that have been allocated among program, general and administrative, and fundraising functions and there were no material amounts incurred for fundraising.

ST. ANDREW'S PRESBYTERIAN CHURCH OF NEWPORT BEACH

Notes to Consolidated Financial Statements (continued) Year Ended December 31, 2017

2. Summary of Significant Accounting Policies (continued)

Revenue and Program Expense Classifications

The Church segregates expenses into regular church operations which are budgeted each year, called Operating, and activities that are used for special designated purposes, called Non-Operating. Further, the Church has determined three main strategies that they consider important to accomplish their mission. *Gather* is the strategy of gathering members for worship and other functions. *Build* is the strategy of growing individuals and families in Christ. *Send* is the strategy of sending people out of the Church to serve others. The program expenses are broken out on the accompanying statement of activities, into these three categories depending on what strategy the expense supports.

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.

Income Tax Status

The Organizations 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. The Church is exempt from filing a Form 990, however the Foundation is required to file.

Generally Accepted Accounting Principles ("GAAP") requires the Foundation to evaluate the tax positions taken or expected to be taken in the course of preparing the tax return to determine whether the tax positions are "more-likely-than-not" of being sustained by the applicable tax authority. Tax positions not deemed to meet the more-likely-than-not threshold are required to be recorded as a tax benefit or expense in the current year. For the year ended December 31, 2017, the Foundation concluded that there was no impact from requirement.

The Foundation is subject to routine audits by taxing jurisdictions; however, there are currently no audits for any tax periods in progress. The Foundation's management believes it is no longer subject to income tax examinations for the years prior to 2012.

ST. ANDREW'S PRESBYTERIAN CHURCH OF NEWPORT BEACH

**Notes to Consolidated Financial Statements (continued)
Year Ended December 31, 2017**

2. Summary of Significant Accounting Policies (continued)

Fair Value Measurements

GAAP 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 Organizations use appropriate valuation techniques based on the available inputs to measure the fair value of its investments. When available, the Organizations 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: The fair values of common stock and exchange-traded funds are based on quoted market prices.

Level 2: The operating units in private stock are valued at the convertible value yielded when sold subsequent to the year ended December 31, 2017.

Level 3: The operating units in private stock are valued using unobservable inputs and reflect assumptions on the part of management.

ST. ANDREW'S PRESBYTERIAN CHURCH OF NEWPORT BEACH

**Notes to Consolidated Financial Statements (continued)
Year Ended December 31, 2017**

3. Investments

From time to time the Organizations receive donated investments and real estate property. Although its policy is to sell these investments as soon as reasonable possible, there are times when a balance remains at year end. These investments are stated at fair value as of December 31, 2017. The difference between fair value and cost is recorded in non-operating other income on the accompanying consolidated statement of activities. Investments are comprised of the following:

Investments at Fair Value Level 1:	
Corporate stocks	\$ 22,883
Exchange-traded funds (ETF)	<u>10,108</u>
Total short-term investments	<u>\$ 32,991</u>

Investment income from the operating donated investment accounts are included in the investment income line under operating activities on the statement of activities. Realized gain on sale of other investments is included in other income on the accompanying consolidated statement of activities. There were no unrealized gains or losses as of December 31, 2017.

Operating Activities:	
Interest and dividends	\$ 65,184
Net loss on sale of investments	<u>(2,702)</u>
Investment income	<u>\$ 62,482</u>
Non-operating Activities:	
Net realized gain on sale of other investments	<u>\$ 67,599</u>

4. Shared Equity Ownership Investments

As part of certain compensation arrangements, the Church has investments in the personal residences of two eligible employees. Under the terms of the agreements, the percentage of investment is based upon the investment of the respective parties. Upon sale to a third party, the net proceeds will be shared by the Church and the employee based upon the terms of the agreement. This investment is recorded at the historical cost of the Church's original investment or the Church's percentage of fair value, whichever is lower. At December 31, 2017 management maintained no loss reserve on this investment.

ST. ANDREW'S PRESBYTERIAN CHURCH OF NEWPORT BEACH

**Notes to Consolidated Financial Statements (continued)
Year Ended December 31, 2017**

5. Land, Building and Equipment

Land, building and equipment consisted of the following at December 31:

Land	\$ 786,060
Building	27,514,215
Building improvements	13,935,846
Furniture and equipment	3,715,534
Vehicles	156,576
Parsonage	2,259,902
	<hr/>
	48,368,133
Less accumulated depreciation	(19,840,600)
	<hr/>
Land, building and equipment - at cost, net	<u>\$ 28,527,533</u>

6. 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 as of December 31, 2017 are:

<u>Year</u>	
2018	\$ 41,016
2019	41,016
2020	13,672
	<hr/>
	95,704
Less imputed interest and service fees	38,941
	<hr/>
	<u>\$ 56,763</u>

ST. ANDREW'S PRESBYTERIAN CHURCH OF NEWPORT BEACH

**Notes to Consolidated Financial Statements (continued)
Year Ended December 31, 2017**

7. Long-Term Debt

Long-term debt consists of a mortgage at an interest rate of 1.5% over the LIBOR index, payable to a bank, and secured by property owned by the Church. 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.

Annual maturities as of December 31, 2017 are:

<u>Year</u>	
2018	\$ 21,557
2019	38,675
2020	39,421
2021	40,307
2022	41,149
Thereafter	<u>978,082</u>
	<u>\$ 1,159,191</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, 2017.

8. Commitments and Contingencies

Legal Proceedings

The Organizations are subject to legal proceedings and claims that arise in the normal course of operations. While the outcome of these proceedings and claims cannot be predicted with certainty, management does not believe that the outcome of any of these matters will have a material adverse effect on the consolidated financial statements.

ST. ANDREW'S PRESBYTERIAN CHURCH OF NEWPORT BEACH

**Notes to Consolidated Financial Statements (continued)
Year Ended December 31, 2017**

9. Net Assets

Net assets are comprised of the following unrestricted and temporarily restricted balances:

Unrestricted net assets:

Available for operations	\$ 3,143,513
Designated for Horizons Foundation quasi trust	308,086
Net investment in land, buildings and equipment	<u>28,527,534</u>
Total unrestricted net assets	<u>31,979,133</u>

Temporarily restricted net assets restricted for:

Gather	211,413
Build	88,800
Send	183,118
Support	17,134
Tuition	28,317
Building	1,405,321
Horizons Foundation	<u>14,458</u>
Total temporarily restricted net assets	<u>1,948,561</u>

Total net assets	<u><u>\$ 33,927,694</u></u>
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Net assets released from restriction during the year were comprised of the following:

Net assets released from restrictions

Satisfaction of program and timing restrictions:

Gather	\$ 112,056
Build	33,375
Send	376,806
Support	219,536
Tuition	1,830
Building	1,387,517
Session	<u>15,750</u>
Total released from restriction	<u><u>\$ 2,146,870</u></u>

ST. ANDREW'S PRESBYTERIAN CHURCH OF NEWPORT BEACH

**Notes to Consolidated Financial Statements (continued)
Year Ended December 31, 2017**

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 year ended December 31, 2017, was \$205,550.

The Church has a health reimbursement plan for employees in which \$1,500 or \$3,000 is set aside each year based on single or family insurance, respectively. At December 31, 2017, the accrued liability for the health reimbursement plan was \$52,701 and are included in program and general and administrative expenses on the accompanying consolidated statement of activities.

11. Related Party Transactions

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 year ended December 31, 2017, the Church donated to NEW \$50,000. During the year ended 2017, the Church provided in-kind facility usage and services to NEW valued at \$30,000.

12. 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 year ended December 31, 2017, advertising expense was \$13,914 and is included in general and administrative expenses on the accompanying consolidated statement of activities.

13. Subsequent Events

Subsequent events have been evaluated by management through November 1, 2018, which is the date the consolidated financial statements were available to be issued. Subsequent events after that date have not been evaluated.

Supplemental Information

ST. ANDREW'S PRESBYTERIAN CHURCH OF NEWPORT BEACH

**Supplemental Consolidating Statement of Financial Position
As of Year Ended December 31, 2017**

	<u>Church</u>	<u>Foundation</u>	<u>Eliminations</u>	<u>Total</u>
ASSETS:				
Current assets:				
Cash and cash equivalents	\$ 6,030,558	\$ 312,988	\$ -	\$ 6,343,546
Accounts receivable, net	51,757	-	(5,000)	46,757
Short-term investments	32,991	-	-	32,991
Prepaid expenses	97,472	-	-	97,472
Total current assets	<u>6,212,778</u>	<u>312,988</u>	<u>(5,000)</u>	<u>6,520,766</u>
Shared equity ownership agreements	645,000	-	-	645,000
Other assets	1,335	-	-	1,335
Land, building and equipment, net	28,527,533	-	-	28,527,533
Total Assets	<u><u>35,386,646</u></u>	<u><u>312,988</u></u>	<u><u>(5,000)</u></u>	<u><u>35,694,634</u></u>
LIABILITIES AND NET ASSETS:				
Current liabilities:				
Accounts payable	273,181	5,000	(5,000)	273,181
Accrued expenses	167,528	-	-	167,528
Deferred revenue	110,277	-	-	110,277
Capital lease payable - current portion	17,021	-	-	17,021
Long-term debt - current portion	21,557	-	-	21,557
Total current liabilities	<u>589,564</u>	<u>5,000</u>	<u>(5,000)</u>	<u>589,564</u>
Capital lease payable - net of current portion	39,742	-	-	39,742
Long-term debt - net of current portion	1,137,634	-	-	1,137,634
Total liabilities	<u>1,177,376</u>	<u>-</u>	<u>-</u>	<u>1,177,376</u>
Net assets:				
Unrestricted	31,685,602	293,531	-	31,979,133
Temporarily restricted	1,934,104	14,457	-	1,948,561
	<u>33,619,706</u>	<u>307,988</u>	<u>-</u>	<u>33,927,694</u>
Total liabilities and net assets	<u><u>\$ 35,386,646</u></u>	<u><u>\$ 312,988</u></u>	<u><u>\$ (5,000)</u></u>	<u><u>\$ 35,694,634</u></u>

See accompanying independent auditors' report.

ST. ANDREW'S PRESBYTERIAN CHURCH OF NEWPORT BEACH

**Supplemental Consolidating Statement of Activities
For the Year Ended December 31, 2017**

	<u>Church</u>	<u>Foundation</u>	<u>Eliminations</u>	<u>Total</u>
<u>OPERATING</u>				
SUPPORT AND REVENUE:				
Contributions	\$ 6,302,907	\$ -	\$ -	\$ 6,302,907
Tuition revenue	1,196,596	-	-	1,196,596
Investment income	60,700	1,782	-	62,482
Total support and revenue	<u>7,560,203</u>	<u>1,782</u>	<u>-</u>	<u>7,561,985</u>
EXPENSES:				
Program				
Gather	1,026,999	-	-	1,026,999
Build	1,316,997	-	-	1,316,997
Send	1,465,087	-	-	1,465,087
Support	1,739,422	-	-	1,739,422
Tuition Programs	1,128,947	-	-	1,128,947
Depreciation	1,719,934	-	-	1,719,934
Foundation	-	68,195	(3,766)	64,429
	<u>8,397,386</u>	<u>68,195</u>	<u>(3,766)</u>	<u>8,461,815</u>
General & administrative	509,955	-	-	509,955
Total expenses	<u>8,907,341</u>	<u>68,195</u>	<u>(3,766)</u>	<u>8,971,770</u>
Change in net assets from operating activity	<u>(1,347,138)</u>	<u>(66,413)</u>	<u>3,766</u>	<u>(1,409,785)</u>
<u>NON-OPERATING</u>				
SUPPORT AND RECLASSIFICATIONS:				
Contributions	853,589	-	-	853,589
Contributions-building fund	2,319,488	-	-	2,319,488
Activities and special events	743,710	-	-	743,710
Other income	410,972	-	-	410,972
Total support and reclassifications	<u>4,327,759</u>	<u>-</u>	<u>-</u>	<u>4,327,759</u>
EXPENSES:				
Program				
Gather	188,993	-	-	188,993
Build	257,126	-	-	257,126
Send	655,076	-	-	655,076
Support	584,858	-	-	584,858
Tuition programs	19,977	-	-	19,977
Session	114,993	-	-	114,993
	<u>1,821,023</u>	<u>-</u>	<u>-</u>	<u>1,821,023</u>
Change in net assets from non-operating activity	<u>2,506,736</u>	<u>-</u>	<u>-</u>	<u>2,506,736</u>
Change in net assets	1,159,598	(66,413)	3,766	1,096,951
Net assets, beginning of year	<u>32,456,244</u>	<u>374,499</u>	<u>-</u>	<u>32,830,743</u>
Net assets, end of year	<u>\$ 33,615,842</u>	<u>\$ 308,086</u>	<u>\$ 3,766</u>	<u>\$ 33,927,694</u>