

Consolidated Financial Statements with
Independent Auditors' Report



St. Andrew's Presbyterian Church of
Newport Beach

*As of and for the Years Ended
December 31, 2019 and 2018*

Consolidated Financial Statements with Independent Auditors' Report



St. Andrew's Presbyterian Church of Newport Beach

As of and for the Years Ended December 31, 2019 and 2018

ST. ANDREW'S PRESBYTERIAN CHURCH OF NEWPORT BEACH

Table of Contents

	<u>Page</u>
Independent Auditors' Report	
Consolidated Financial Statements	
Consolidated Statements of Financial Position	3
Consolidated Statement of Activities	4
Consolidated Statement of Functional Activities	5
Consolidated Statements of Cash Flows	6
Notes to Consolidated Financial Statements	7
Supplemental Information	
Supplemental Consolidating Statements of Financial Position	18-19
Supplemental Consolidating Statements of Activities	20-21

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, 2019, and the related consolidated statement of activities, functional expenses 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 auditors' 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, 2019, 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.

Report on Summarized Comparative Information

We have previously audited St. Andrew's Presbyterian Church of Newport Beach's 2018 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated October 22, 2019. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2018, is consistent, in all material respects, with the audited financial statements from which it has been derived.

HASKELL & WHITE LLP

Irvine, California
September 15, 2020

ST. ANDREW'S PRESBYTERIAN CHURCH OF NEWPORT BEACH

Consolidated Statements of Financial Position

As of December 31, 2019 and 2018

(With summarized Information as of December 31, 2018)

	<u>2019</u>	<u>2018</u>
ASSETS:		
Current assets:		
Cash and cash equivalents	\$ 4,738,663	\$ 5,292,959
Accounts receivable	63,494	81,305
Contributions receivable	60,000	100,000
Short-term investments	25,631	-
Prepaid expenses and other current assets	77,069	106,608
Total current assets	<u>4,964,857</u>	<u>5,580,872</u>
Shared equity ownership investments (Note 4)	545,000	645,000
Land, building and equipment, net (Note 5)	<u>25,649,506</u>	<u>27,315,064</u>
Total assets	<u>\$ 31,159,363</u>	<u>\$ 33,540,936</u>
LIABILITIES AND NET ASSETS:		
Current liabilities:		
Accounts payable	\$ 219,822	\$ 209,263
Accrued expenses	193,928	151,552
Deferred revenue	84,360	85,970
Capital lease payable - current portion (Note 6)	43,416	25,801
Long-term debt - current portion (Note 7)	39,421	38,675
Total current liabilities	<u>580,947</u>	<u>511,261</u>
Capital lease payable - net of current portion (Note 6)	76,379	119,795
Long-term debt - net of current portion (Note 7)	<u>1,080,199</u>	<u>1,099,017</u>
Total liabilities	<u>1,737,525</u>	<u>1,730,073</u>
Commitments and contingencies (Note 6, 7, 9, and 11)		
Net assets (Note 10):		
Without donor restrictions	27,874,231	30,235,915
With donor restrictions	<u>1,547,607</u>	<u>1,574,948</u>
Total net assets	<u>29,421,838</u>	<u>31,810,863</u>
Total liabilities and net assets	<u>\$ 31,159,363</u>	<u>\$ 33,540,936</u>

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, 2019**

(With summarized information for the year ended December 31, 2018)

	2019			
	Without donor restriction	With donor restriction	Total	2018 Total
<u>OPERATING ACTIVITIES</u>				
SUPPORT AND REVENUE:				
Contributions	\$ 5,669,247	\$ -	\$ 5,669,247	\$ 6,096,492
Tuition revenue	1,276,419	-	1,276,419	1,260,273
Investment income	37,209	-	37,209	33,316
Total support and revenue	6,982,875	-	6,982,875	7,390,081
EXPENSES:				
Program				
Gather	1,809,734	-	1,809,734	1,616,644
Build	1,636,013	-	1,636,013	1,760,730
Serve	1,871,198	-	1,871,198	1,937,934
Support	1,849,829	-	1,849,829	1,812,246
Tuition programs	1,216,679	-	1,216,679	1,285,048
Foundation	3,523	-	3,523	5,300
	8,386,976	-	8,386,976	8,417,902
General & administrative	678,473	-	678,473	707,384
Total expenses	9,065,449	-	9,065,449	9,125,286
Change in net assets from operating activities	(2,082,574)	-	(2,082,574)	(1,735,205)
<u>NON-OPERATING ACTIVITIES</u>				
SUPPORT AND RECLASSIFICATIONS:				
Contributions	40,804	280,127	320,931	446,203
Contributions-2020 vision		292,937	292,937	476,877
Activities and special events	621,143	-	621,143	725,367
Other income	20,822	-	20,822	77,127
Released from restriction reclassification	600,405	(600,405)	-	-
Total support and reclassifications	1,283,174	(27,341)	1,255,833	1,725,574
EXPENSES:				
Program				
Gather	200,929	-	200,929	391,879
Build	227,557	-	227,557	280,517
Serve	863,601	-	863,601	936,611
Support	159,246	-	159,246	345,153
Tuition programs	48,352	-	48,352	56,250
Session	62,599	-	62,599	96,790
Total expenses	1,562,284	-	1,562,284	2,107,200
Change in net assets from non-operating activities	(279,110)	(27,341)	(306,451)	(381,626)
Change in net assets	(2,361,684)	(27,341)	(2,389,025)	(2,116,831)
Net assets, beginning of year	30,235,915	1,574,948	31,810,863	33,927,694
Net assets, end of year	\$ 27,874,231	\$ 1,547,607	\$ 29,421,838	\$ 31,810,863

See accompanying notes to the consolidated financial statements.

ST. ANDREW'S PRESBYTERIAN CHURCH OF NEWPORT BEACH

Consolidated Statement of Functional Expenses For The Year Ended December 31, 2019

(With summarized information for the year ended December 31, 2018)

	2019					General & Administrative	Total	2018 Total
	Program Services				Subtotal			
	Gather	Build	Serve	Other				
Operating								
Salaries and related expenses:								
Salaries & Wages	\$ 768,414	\$ 771,954	\$ 646,616	\$ 1,326,566	\$ 3,513,550	\$ 314,580	\$ 3,828,130	\$ 3,891,607
FICA & W/C	31,130	36,480	21,945	105,102	194,657	19,335	213,992	216,981
Benefits	90,994	113,549	124,301	217,016	545,860	55,048	600,908	581,129
Other expenses:								
Musicians/Choir	330,607	-	-	-	330,607	-	330,607	325,085
Worship Services	43,209	-	2,362	-	45,571	-	45,571	-
Mission Partners	-	-	399,431	-	399,431	-	399,431	408,721
Activities, Supplies, & Training	32,816	97,851	41,750	19,540	191,957	1,250	193,207	273,030
ECO Membership & Dues	-	-	130,646	-	130,646	-	130,646	146,553
Facilities, Insurance, Utilities, Phone	128,391	87,941	71,952	124,225	412,509	35,974	448,483	448,733
Contracted Services	29,548	40,628	33,241	64,635	168,052	16,621	184,673	191,765
Printing, Copying, Adversting & Promotion	24,480	33,660	27,540	53,551	139,231	13,770	153,001	168,873
Audit/Tax Prep	-	-	-	-	-	35,000	35,000	36,220
Credit Card/Bank Fees	-	-	-	22,577	22,577	1,188	23,765	28,472
Tuitions Program/Supplies	-	-	-	414,626	414,626	-	414,626	398,596
Depreciation Expense	330,145	453,950	371,413	722,193	1,877,701	185,707	2,063,408	2,009,521
	<u>1,809,734</u>	<u>1,636,013</u>	<u>1,871,197</u>	<u>3,070,031</u>	<u>8,386,975</u>	<u>678,473</u>	<u>9,065,448</u>	<u>9,125,286</u>
Non-Operating								
Salaries and related expenses:								
Salaries & Wages	46,019	-	193,037	12,191	251,247	-	251,247	266,475
FICA & W/C	5,112	-	21,449	1,355	27,916	-	27,916	29,608
Benefits	5,681	-	23,832	1,505	31,018	-	31,018	32,898
Other expenses:								
Worship/Musicians/Choir	98,437	-	-	-	98,437	-	98,437	194,389
Mission Partners	-	-	429,052	-	429,052	-	429,052	678,135
Activities/Supplies	30,862	51,869	112,341	96,697	291,769	-	291,769	491,452
Camps/Retreats	-	175,688	-	-	175,688	-	175,688	161,774
Facilities	-	-	-	62,599	62,599	-	62,599	-
Benevolence	-	-	45,582	17,249	62,831	-	62,831	56,640
Seminarians	-	-	3,073	-	3,073	-	3,073	24,909
New Pastor Search/Transition	-	-	-	-	-	-	-	63,018
Contracted Services	7,500	-	-	30,250	37,750	-	37,750	36,400
Printing	7,318	-	35,235	-	42,553	-	42,553	15,252
Tuitions Program/Supplies	-	-	-	48,351	48,351	-	48,351	56,250
	<u>200,929</u>	<u>227,557</u>	<u>863,601</u>	<u>270,197</u>	<u>1,562,284</u>	<u>-</u>	<u>1,562,284</u>	<u>2,107,200</u>

See accompanying notes to the consolidated financial statements.

ST. ANDREW'S PRESBYTERIAN CHURCH OF NEWPORT BEACH

Consolidated Statement of Cash Flows
For The Years Ended December 31, 2019 and 2018
(With summarized information for the year ended December 31, 2018)

	<u>2019</u>	<u>2018</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	\$ (2,389,025)	\$ (2,116,831)
<i>Adjustments to reconcile change in net assets:</i>		
Depreciation expense	2,043,608	2,009,521
Gain on sale of equipment	-	(19,167)
<i>Net change in:</i>		
Accounts receivable	17,811	(34,548)
Contributions receivable	40,000	(100,000)
Prepaid expenses	29,539	(9,136)
Accounts payable	10,559	(63,918)
Accrued expenses	42,376	(15,976)
Deferred revenue	<u>(1,610)</u>	<u>(24,307)</u>
Net cash used in operating activities	<u>(206,742)</u>	<u>(374,362)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Proceeds from sale of investments	74,369	34,326
Purchase of building and equipment	(378,050)	(824,186)
Proceeds from sale of building and equipment	<u>-</u>	<u>46,301</u>
Net cash used in investing activities	<u>(303,681)</u>	<u>(743,559)</u>
CASH FLOWS FROM FINANCING ACTIVITIES:		
Payments on long-term debt	(18,072)	(21,499)
Payments on capital lease payable	(25,801)	(56,763)
Borrowings on capital lease payable	<u>-</u>	<u>145,596</u>
Net cash (used in) provided by financing activities	<u>(43,873)</u>	<u>67,334</u>
Change in cash and cash equivalents	(554,296)	(1,050,587)
Cash and cash equivalents, beginning of year	<u>5,292,959</u>	<u>6,343,546</u>
Cash and cash equivalents, end of year	<u><u>\$ 4,738,663</u></u>	<u><u>\$ 5,292,959</u></u>
SUPPLEMENTAL NON-CASH DISCLOSURES:		
Cash paid for interest	<u>\$ 50,157</u>	<u>\$ 40,038</u>

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, 2019

(With summarized information for the year ended December 31, 2018)

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 St. Andrew's 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 cash, real estate, securities, and other assets.

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 in accordance with Generally Accepted Accounting Principles in the United States of America ("GAAP"). 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 at times may 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, 2019

(With summarized information for the year ended December 31, 2018)

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, 2019 and 2018.

Short-term Investments

During the year, investments consisted of corporate stocks, mutual and exchange-traded funds that were donated to the Organizations. Donated investments are sold as soon as reasonably possible. Donated investments are recorded at the fair value on the date of donation. Realized and unrealized gains and losses are recognized when earned.

Prepaid Expenses

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

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.

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

Notes to Consolidated Financial Statements (continued)

Year Ended December 31, 2019

(With summarized information for the year ended December 31, 2018)

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, 2019 and 2018, the Church's accrued vacation liability was \$126,000 and \$111,072, respectively, and was included as a component of accrued expenses in the accompanying consolidated statements of financial position.

Net Assets

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

Net assets without donor restrictions 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.

Net assets with donor restrictions are those contributed with donor stipulations for specific purposes 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. Conditional promises to give are not recorded until the conditions are substantially met.

The Organizations record contributions as with donor restrictions, if they are received with donor stipulations that limit their use through either purpose or time restrictions, or both. When donor restrictions expire (when the purpose restriction is fulfilled or the time restriction expires), net assets with restrictions are reclassified to net assets without restrictions and reported in the consolidated statement of activities as released from restriction reclassification. When donor restrictions or contributions are satisfied in the same period as the receipt of the contribution, the organizations report both the revenue and the expense in net assets without donor restrictions.

ST. ANDREW'S PRESBYTERIAN CHURCH OF NEWPORT BEACH

Notes to Consolidated Financial Statements (continued)

Year Ended December 31, 2019

(With summarized information for the year ended December 31, 2018)

2. Summary of Significant Accounting Policies (continued)

Support, Revenue and Contributed Investment Assets (continued)

The Church annually receives Giving Goal intent cards from some members of its congregation. These are considered intentions to give, 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 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 years ended December 31, 2019 and 2018.

Functional Allocation of Expenses

The costs of program and general & administrative activities have been summarized on a functional basis in the statement of activities. The statement of functional expenses presents the natural classification detail of expenses by function. Accordingly, certain costs have been allocated among the programs and general and administrative services benefited. There are certain categories of expenses that are attributed to more than one program or supporting function therefore, expenses require allocation on a reasonable basis that is consistently applied. The expenses that are allocated include information technology, copiers, supplies, insurance and support salaries and benefits, which are allocated on the basis of estimates of time used and effort. There were no material amounts incurred for fundraising.

Revenue and Program Expense Classifications

The Church segregates revenue and expenses into regular church operations that 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. *Serve* 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.

ST. ANDREW'S PRESBYTERIAN CHURCH OF NEWPORT BEACH

Notes to Consolidated Financial Statements (continued)

Year Ended December 31, 2019

(With summarized information for the year ended December 31, 2018)

2. Summary of Significant Accounting Policies (continued)

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.

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 years ended December 31, 2019 and 2018, the Foundation concluded that there was no impact from this requirement.

The Foundation is subject to routine audits by taxing jurisdictions; however, there are currently no audits for any tax periods in progress.

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 are not available.

ST. ANDREW'S PRESBYTERIAN CHURCH OF NEWPORT BEACH

Notes to Consolidated Financial Statements (continued)

Year Ended December 31, 2019

(With summarized information for the year ended December 31, 2018)

2. Summary of Significant Accounting Policies (continued)

Fair Value Measurements (continued)

Following is a description of the valuation methodologies used for instruments measured at fair value on a recurring basis, 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: Inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly.

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

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 reasonably possible, there are times when a balance remains at year-end. There were donated investments totaling \$25,631 as of December 31, 2019 and \$0 as of 2018.

The investment income line under operating activities on the statement of activities totaled \$37,209 and includes interest income, dividend income and realized gains and losses from donated investments. There were no unrealized gains or losses as of December 31, 2019 and 2018 and no gains or losses on investments related to non-operating accounts.

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.

ST. ANDREW'S PRESBYTERIAN CHURCH OF NEWPORT BEACH

Notes to Consolidated Financial Statements (continued)

Year Ended December 31, 2019

(With summarized information for the year ended December 31, 2018)

5. Land, Building and Equipment

Land, building and equipment consisted of the following at December 31, 2019 and December 2018:

	<u>2019</u>	<u>2018</u>
Land	\$ 786,060	\$ 786,060
Building	27,514,215	27,514,215
Building improvements	14,190,769	13,924,438
Furniture and equipment	4,158,953	4,036,809
Vehicles	220,906	220,906
Parsonage	<u>2,339,687</u>	<u>2,339,687</u>
	49,210,590	48,822,115
Less accumulated depreciation	<u>(23,561,084)</u>	<u>(21,507,051)</u>
Land, building and equipment - at cost, net	25,649,506	27,315,064
Less debt secured by land, buildings and equipment	<u>(1,119,620)</u>	<u>(1,137,692)</u>
Net investment in land, building and equipment	<u>\$ 24,529,886</u>	<u>\$ 26,177,372</u>

6. Capital Lease Payable

In November 2018, the Company cancelled their 60-month capital lease agreement for office equipment and instead entered into a new 63-month capital lease agreement for office equipment and service fees. Monthly payments of \$3,618 include lease of the equipment, imputed interest and service fees. The client estimated the fair value of the service and the equipment using comparable information from a similar leasing company and imputed interest at a 5% rate per annum. Future committed costs as of December 31, 2019 are:

<u>Year</u>	
2020	\$ 43,416
2021	43,416
2022	43,416
2023	43,416
2024	<u>3,618</u>
Total lease commitment	177,282
Less interest	(12,893)
Less service fees	<u>(44,594)</u>
Total lease liability	<u>\$ 119,795</u>

ST. ANDREW'S PRESBYTERIAN CHURCH OF NEWPORT BEACH

Notes to Consolidated Financial Statements (continued)

Year Ended December 31, 2019

(With summarized information for the year ended December 31, 2018)

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, at which time a balloon payment is due. Total principal and interest payments of \$5,128 are due monthly. Annual maturities as of December 31, 2019 are:

<u>Year</u>	
2020	\$ 39,421
2021	40,307
2022	41,149
2023	<u>998,743</u>
	<u>\$ 1,119,620</u>

The above mortgage has certain financial and reporting covenants. The Church either was in compliance or had received waivers from all financial and reporting covenants as of December 31, 2019.

8. Liquidity and Availability of Resources

The Organizations have \$3,314,550 of liquid assets available within one year of the statement of financial position date to meet cash needs for general expenditures consisting of cash of \$4,738,663, accounts receivable of \$63,494, and contributions receivable of \$60,000, less donor-restricted funds of \$1,547,607. The amount is calculated as follows:

Liquid assets, at December 31, 2019	\$ 4,862,157
Less those unavailable for general expenditures within one year, due to:	
Donor imposed restriction by time or purpose	<u>(1,547,607)</u>
Liquid assets available to meet cash needs for general expenditures within one year	<u>\$ 3,314,550</u>

The contributions receivable were received in cash within one month after year-end. The Organizations have a goal to maintain liquid assets, on hand to meet four months of normal operating and non-operating expenses, which are approximately \$2,700,000. The Organizations also have a policy to structure their liquid assets to be available as their general expenditures, liabilities and other obligations come due.

ST. ANDREW'S PRESBYTERIAN CHURCH OF NEWPORT BEACH

Notes to Consolidated Financial Statements (continued)

Year Ended December 31, 2019

(With summarized information for the year ended December 31, 2018)

9. 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.

10. Net Assets

Net assets are comprised of the following without donor restrictions and with donor restrictions for the years ended December 31, 2019 and 2018:

	<u>2019</u>	<u>2018</u>
Net assets without donor restrictions		
Available for operations	\$ 1,929,322	\$ 2,627,320
Designated for Foundation quasi trust	295,403	293,531
Land, buildings and equipment	<u>25,649,506</u>	<u>27,315,064</u>
Total net assets without donor restrictions	<u>27,874,231</u>	<u>30,235,915</u>
Net assets with donor restrictions		
Gather	47,720	78,014
Build	15,625	14,103
Serve	249,440	225,888
Support		3,508
Tuition	17,219	35,450
2020 Vision programs	<u>1,217,603</u>	<u>127,985</u>
Total net assets with donor restrictions	<u>1,547,607</u>	<u>484,948</u>
Total net assets	<u>\$ 29,421,838</u>	<u>\$ 30,720,863</u>

ST. ANDREW'S PRESBYTERIAN CHURCH OF NEWPORT BEACH

Notes to Consolidated Financial Statements (continued)

Year Ended December 31, 2019

(With summarized information for the year ended December 31, 2018)

10. Net Assets (continued)

There are no assets with permanent donor restrictions that are being held in perpetuity at any donors' request. Net assets released from restriction during the years ended December 31, 2019 and 2018 were comprised of the following:

Net assets released from restrictions	2019	2018
Satisfaction of purpose restrictions:		
Gather	\$ 40,981	\$ 275,093
Build	22,836	31,056
Serve	199,794	636,590
Support	3,508	9,002
Tuition	35,801	3,609
2020 Vision programs	297,485	288,298
Session	-	628
Total released from restriction	<u>\$ 600,405</u>	<u>\$ 1,244,276</u>

11. Employee Benefit Plan

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, 2019 and 2018, was \$212,768 and \$212,720, respectively, included in benefits on the statement of functional expenses.

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, 2019 and 2018, the accrued liability for the health reimbursement plan was \$39,143 and \$28,825, respectively, and is included in accrued expenses on the accompanying consolidated statement of financial position.

ST. ANDREW'S PRESBYTERIAN CHURCH OF NEWPORT BEACH

Notes to Consolidated Financial Statements (continued)

Year Ended December 31, 2019

(With summarized information for the year ended December 31, 2018)

12. 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, 2019, the Church donated to NEW \$40,000. During the year ended 2019, the Church provided in-kind facility usage to NEW valued at \$24,000.

13. Advertising Expense

Advertising expense is used to attract members and non-members to the Church and new students to the preschool. Advertising costs are expensed as incurred. For the years ended December 31, 2019 and 2018, advertising expense was \$13,680 and \$10,071, respectively, and is included in Support expenses on the accompanying consolidated statement of activities.

14. Subsequent Events

On April 28, 2020, the Church obtained a loan for \$981,000 pursuant to the Paycheck Protection Program (the “PPP”) under the CARES Act, which was enacted March 27, 2020. The loan, which is in the form of a note, matures on April 28, 2022 and bears interest at a rate of 1% per annum, payable monthly commencing on October 28, 2020. The loan may be prepaid by the Church at any time prior to maturity with no prepayment penalties. Funds from the loan may only be used for payroll, costs used to continue group health care benefits, mortgage payments, rent, utilities, and interest on other debt obligations incurred before February 15, 2020. Under the terms of the PPP, certain amounts of the loan may be forgiven if they are used for qualifying expenses as described in the CARES Act.

Management is currently in the process of dissolving the Foundation. The dissolution has been approved by the Session board members and is currently awaiting filing with the Secretary of State.

Subsequent events have been evaluated by management through September 15, 2020, which is the date the consolidated financial statements were available to be issued.

Supplemental Information

ST. ANDREW'S PRESBYTERIAN CHURCH OF NEWPORT BEACH

**Supplemental Consolidating Statement of Financial Position
As of December 31, 2019**

	<u>Church</u>	<u>Foundation</u>	<u>Eliminations</u>	<u>Total</u>
ASSETS:				
Current assets:				
Cash and cash equivalents	\$ 4,436,132	\$ 302,531	\$ -	\$ 4,738,663
Accounts receivable	63,494	-	-	63,494
Contributions receivable	60,000	-	-	60,000
Short-term investments	25,631	-	-	25,631
Prepaid expenses	77,069	-	-	77,069
Total current assets	<u>4,662,326</u>	<u>302,531</u>	<u>-</u>	<u>4,964,857</u>
Shared equity ownership investments	545,000	-	-	545,000
Land, building and equipment, net	<u>25,649,506</u>	<u>-</u>	<u>-</u>	<u>25,649,506</u>
Total assets	<u>\$ 30,856,832</u>	<u>\$ 302,531</u>	<u>\$ -</u>	<u>\$ 31,159,363</u>
LIABILITIES AND NET ASSETS:				
Current liabilities:				
Accounts payable	\$ 219,822	\$ -	\$ -	\$ 219,822
Accrued expenses	193,928	-	-	193,928
Deferred revenue	84,360	-	-	84,360
Capital lease payable - current portion	43,416	-	-	43,416
Long-term debt - current portion	<u>39,421</u>	<u>-</u>	<u>-</u>	<u>39,421</u>
Total current liabilities	580,947	-	-	580,947
Captial lease payable - net of current portion	76,379	-	-	76,379
Long-term debt - net of current portion	<u>1,080,199</u>	<u>-</u>	<u>-</u>	<u>1,080,199</u>
Total liabilities	<u>1,737,525</u>	<u>-</u>	<u>-</u>	<u>1,737,525</u>
Net assets:				
Without donor restrictions	27,578,828	295,403	-	27,874,231
With donor restrictions	<u>1,540,479</u>	<u>7,128</u>	<u>-</u>	<u>1,547,607</u>
Total net assets	<u>29,119,307</u>	<u>302,531</u>	<u>-</u>	<u>29,421,838</u>
Total liabilities and net assets	<u>\$ 30,856,832</u>	<u>\$ 302,531</u>	<u>\$ -</u>	<u>\$ 31,159,363</u>

See accompanying independent auditors' report.

ST. ANDREW'S PRESBYTERIAN CHURCH OF NEWPORT BEACH

**Supplemental Consolidating Statement of Financial Position
As of December 31, 2018**

	<u>Church</u>	<u>Foundation</u>	<u>Eliminations</u>	<u>Total</u>
ASSETS:				
Current assets:				
Cash and cash equivalents	\$ 4,989,354	\$ 303,605	\$ -	\$ 5,292,959
Accounts receivable	81,305	-	-	81,305
Contributions receivable	100,000	-	-	100,000
Prepaid expenses	106,608	-	-	106,608
Total current assets	<u>5,277,267</u>	<u>303,605</u>	<u>-</u>	<u>5,580,872</u>
Shared equity ownership investments	645,000	-	-	645,000
Land, building and equipment, net	27,315,064	-	-	27,315,064
Total assets	<u>\$ 33,237,331</u>	<u>\$ 303,605</u>	<u>\$ -</u>	<u>\$ 33,540,936</u>
LIABILITIES AND NET ASSETS:				
Current liabilities:				
Accounts payable	\$ 209,263	\$ -	\$ -	\$ 209,263
Accrued expenses	151,552	-	-	151,552
Deferred revenue	85,970	-	-	85,970
Capital lease payable - current portion	25,801	-	-	25,801
Long-term debt - current portion	38,675	-	-	38,675
Total current liabilities	<u>511,261</u>	<u>-</u>	<u>-</u>	<u>511,261</u>
Captial lease payable - net of current portion	119,795	-	-	119,795
Long-term debt - net of current portion	1,099,017	-	-	1,099,017
Total liabilities	<u>1,730,073</u>	<u>-</u>	<u>-</u>	<u>1,730,073</u>
Net assets:				
Without donor restrictions	29,943,002	292,913	-	30,235,915
With donor restrictions	1,564,256	10,692	-	1,574,948
Total net assets	<u>31,507,258</u>	<u>303,605</u>	<u>-</u>	<u>31,810,863</u>
Total liabilities and net assets	<u>\$ 33,237,331</u>	<u>\$ 303,605</u>	<u>\$ -</u>	<u>\$ 33,540,936</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, 2019**

	<u>Church</u>	<u>Foundation</u>	<u>Eliminations</u>	<u>Total</u>
<u>OPERATING ACTIVITIES</u>				
<u>SUPPORT AND REVENUE:</u>				
Contributions	\$ 5,669,247	\$ -	\$ -	\$ 5,669,247
Tuition revenue	1,276,419	-	-	1,276,419
Investment income	31,197	6,012	-	37,209
Total support and revenue	<u>6,976,863</u>	<u>6,012</u>	<u>-</u>	<u>6,982,875</u>
 <u>EXPENSES:</u>				
Program				
Gather	1,809,734	-	-	1,809,734
Build	1,636,013	-	-	1,636,013
Send	1,871,198	-	-	1,871,198
Support	1,849,829	-	-	1,849,829
Tuition programs	1,216,679	-	-	1,216,679
Foundation	-	3,523	-	3,523
	<u>8,383,453</u>	<u>3,523</u>	<u>-</u>	<u>8,386,976</u>
General & administrative	678,473	-	-	678,473
Total expenses	<u>9,061,926</u>	<u>3,523</u>	<u>-</u>	<u>9,065,449</u>
Change in net assets from operating activities	<u>(2,085,063)</u>	<u>2,489</u>	<u>-</u>	<u>(2,082,574)</u>
 <u>NON-OPERATING ACTIVITIES</u>				
<u>SUPPORT</u>				
Contributions	320,931	-	-	320,931
Contributions-2020 vision	292,937	-	-	292,937
Activities and special events	621,143	-	-	621,143
Other income	20,822	-	-	20,822
Total support and reclassifications	<u>1,255,833</u>	<u>-</u>	<u>-</u>	<u>1,255,833</u>
 <u>EXPENSES:</u>				
Program				
Gather	200,929	1,188	(1,188)	200,929
Build	227,557	-	-	227,557
Send	863,601	2,376	(2,376)	863,601
Support	159,246	-	-	159,246
Tuition programs	48,352	-	-	48,352
Session	62,599	-	-	62,599
Total expenses	<u>1,562,284</u>	<u>3,564</u>	<u>(3,564)</u>	<u>1,562,284</u>
Change in net assets from non-operating activities	<u>(306,451)</u>	<u>(3,564)</u>	<u>3,564</u>	<u>(306,451)</u>
Change in net assets	(2,391,514)	(1,075)	3,564	(2,389,025)
Net assets, beginning of year	<u>31,499,628</u>	<u>303,703</u>	<u>7,532</u>	<u>31,810,863</u>
Net assets, end of year	<u>\$ 29,108,114</u>	<u>\$ 302,628</u>	<u>\$ 11,096</u>	<u>\$ 29,421,838</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, 2018**

	<u>Church</u>	<u>Foundation</u>	<u>Eliminations</u>	<u>Total</u>
<u>OPERATING ACTIVITIES</u>				
<u>SUPPORT AND REVENUE:</u>				
Contributions	\$ 6,096,492	\$ -	\$ -	\$ 6,096,492
Tuition revenue	1,260,273	-	-	1,260,273
Investment income	28,633	4,683	-	33,316
Total support and revenue	<u>7,385,398</u>	<u>4,683</u>	<u>-</u>	<u>7,390,081</u>
 <u>EXPENSES:</u>				
Program				
Gather	1,616,644	-	-	1,616,644
Build	1,760,730	-	-	1,760,730
Send	1,937,934	-	-	1,937,934
Support	1,812,246	-	-	1,812,246
Tuition programs	1,285,048	-	-	1,285,048
Foundation	-	5,300	-	5,300
	<u>8,412,602</u>	<u>5,300</u>	<u>-</u>	<u>8,417,902</u>
General & administrative	707,384	-	-	707,384
Total expenses	<u>9,119,986</u>	<u>5,300</u>	<u>-</u>	<u>9,125,286</u>
Change in net assets from operating activities	<u>(1,734,588)</u>	<u>(617)</u>	<u>-</u>	<u>(1,735,205)</u>
 <u>NON-OPERATING ACTIVITIES</u>				
<u>SUPPORT</u>				
Contributions	446,203	-	-	446,203
Contributions-2020 vision	476,877	-	-	476,877
Activities and special events	725,367	-	-	725,367
Other income	77,127	-	-	77,127
Total support and reclassifications	<u>1,725,574</u>	<u>-</u>	<u>-</u>	<u>1,725,574</u>
 <u>EXPENSES:</u>				
Program				
Gather	391,879	1,255	(1,255)	391,879
Build	280,517	-	-	280,517
Send	936,611	2,511	(2,511)	936,611
Support	345,153	-	-	345,153
Tuition programs	56,250	-	-	56,250
Session	96,790	-	-	96,790
Total expenses	<u>2,107,200</u>	<u>3,766</u>	<u>(3,766)</u>	<u>2,107,200</u>
Change in net assets from non-operating activities	<u>(381,626)</u>	<u>(3,766)</u>	<u>3,766</u>	<u>(381,626)</u>
Change in net assets	(2,116,214)	(4,383)	3,766	(2,116,831)
Net assets, beginning of year	<u>33,615,842</u>	<u>308,086</u>	<u>3,766</u>	<u>33,927,694</u>
Net assets, end of year	<u>\$ 31,499,628</u>	<u>\$ 303,703</u>	<u>\$ 7,532</u>	<u>\$ 31,810,863</u>

See accompanying independent auditors' report.