VALLEY PRESBYTERIAN CHURCH
AND AFFILIATE

COMBINED FINANCIAL STATEMENTS
AND ADDITIONAL INFORMATION

Year Ended December 31, 2019

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4722 North 24th Street, Suite 300 ■ Phoenix, AZ 85016
Main: 602.264.6835 ■ Fax: 602.265.7631 ■ www.mhmcpa.com

INDEPENDENT AUDITORS' REPORT

To the Session of

VALLEY PRESBYTERIAN CHURCH AND AFFILIATE

We have audited the accompanying combined financial statements of ***Valley Presbyterian Church and Affiliate*** (the "Organization") which comprise the combined statement of financial position as of December 31, 2019, and the related combined statements of activities and change in net assets, functional expenses, and cash flows for the year then ended, and the related notes to the combined financial statements.

Management's Responsibility for the Combined Financial Statements

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

Auditors' Responsibility

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

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

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

Basis for Qualified Opinion

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

Qualified Opinion

In our opinion, except for the effects of not including the accounts of ***Valley Presbyterian Day School*** in the accompanying combined financial statements as explained in the Basis for Qualified Opinion paragraph, the 2019 combined financial statements referred to above present fairly, in all material respects, the financial position of ***Valley Presbyterian Church and Affiliate*** as of December 31, 2019, and the changes in their net assets and their cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Mayer Hoffman McCann P.C.

July 30, 2020

VALLEY PRESBYTERIAN CHURCH AND AFFILIATE

COMBINED STATEMENT OF FINANCIAL POSITION

December 31, 2019

ASSETS

CURRENT ASSETS	
Cash and cash equivalents	$ 3,383,879
Receivables	133,699
Prepaid expenses	12,082
TOTAL CURRENT ASSETS	3,529,660
ASSETS RESTRICTED TO CAPITAL CAMPAIGN	
Cash and cash equivalents	70,628
Investments	1,467,435
Construction in progress	5,901,289
TOTAL ASSETS RESTRICTED TO CAPITAL CAMPAIGN	7,439,352
INVESTMENTS	3,823,970
PROPERTY AND EQUIPMENT, net	6,697,442
ASSETS HELD UNDER SPLIT-INTEREST AGREEMENTS	30,719
TOTAL ASSETS	$ 21,521,143

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES	
Accounts payable	$ 871,260
Accrued expenses	67,457
Current maturities of capital lease obligation	4,792
Current portion of liabilities under split-interest agreements	6,042
TOTAL CURRENT LIABILITIES	949,551
CAPITAL LEASE OBLIGATION, less current maturities	13,209
LIABILITIES UNDER SPLIT-INTEREST AGREEMENTS, net of current portion	26,212
TOTAL LIABILITIES	988,972
NET ASSETS	
NET ASSETS WITHOUT DONOR RESTRICTIONS	
Board designated	3,951,964
Undesignated	7,612,122
NET ASSETS WITHOUT DONOR RESTRICTIONS	11,564,086
NET ASSETS WITH DONOR RESTRICTIONS	8,968,085
TOTAL NET ASSETS	20,532,171
TOTAL LIABILITIES AND NET ASSETS	$ 21,521,143

See Notes to Combined Financial Statements

VALLEY PRESBYTERIAN CHURCH AND AFFILIATE

COMBINED STATEMENT OF ACTIVITIES AND CHANGE IN NET ASSETS

Year Ended December 31, 2019

	Without Donor Restrictions	With Donor Restrictions	Totals
SUPPORT AND REVENUE			
Contributions and bequests	$ 2,469,207	$ 2,729,122	$ 5,198,329
Program fees	16,173	-	16,173
Investment income	740,218	279,224	1,019,442
Change in value of split-interest agreements	(1,290)	(1,265)	(2,555)
Other income	18,922	-	18,922
Total support and revenue before special events and net assets released from restrictions	3,243,230	3,007,081	6,250,311
Special events:			
Special events revenue	151,268	-	151,268
Less costs of direct donor benefits	(55,250)	-	(55,250)
Gross profit on special events	96,018	-	96,018
Change in donor intent	61,686	(61,686)	-
Net assets released from restrictions	187,630	(187,630)	-
TOTAL SUPPORT AND REVENUE	3,588,564	2,757,765	6,346,329
EXPENSES			
Salaries	1,186,316	-	1,186,316
Employee benefits	316,991	-	316,991
Payroll taxes	57,297	-	57,297
Mission (incl Per Capita)	295,487	-	295,487
Student camp and mission trips	12,194	-	12,194
Supplies	239,204	-	239,204
Fellowship events and meals	15,628	-	15,628
Professional fees	51,735	-	51,735
Occupancy	156,078	-	156,078
Insurance	35,914	-	35,914
Outside contractors	211,273	-	211,273
Depreciation and amortization	393,532	-	393,532
TOTAL EXPENSES	2,971,649	-	2,971,649
LOSS ON DISPOSAL OF PROPERTY AND EQUIPMENT	(83,110)	-	(83,110)
CHANGE IN NET ASSETS	533,805	2,757,765	3,291,570
NET ASSETS, BEGINNING OF YEAR	11,030,281	6,210,320	17,240,601
NET ASSETS, END OF YEAR	$ 11,564,086	$ 8,968,085	$ 20,532,171

See Notes to Combined Financial Statements

VALLEY PRESBYTERIAN CHURCH AND AFFILIATE

COMBINED STATEMENT OF FUNCTIONAL EXPENSES

Year Ended December 31, 2019

	Program Services									
	Pastoral Ministry	Facilities	Missions	Worship and Music	Christian Education	Fellowship and Congregational Care	Total Programs	General and Administrative	Fundraising	Total
Salaries	$ 316,377	$ 177,555	$ 43,629	$ 138,029	$ 224,995	$ 47,069	$ 947,654	$ 181,443	$ 57,219	$ 1,186,316
Employee benefits	145,388	41,317	10,302	21,111	29,503	10,464	258,085	52,524	6,382	316,991
Payroll taxes	-	12,698	3,235	10,150	12,330	3,359	41,772	11,298	4,227	57,297
Total salaries and related expenses	461,765	231,570	57,166	169,290	266,828	60,892	1,247,511	245,265	67,828	1,560,604
Mission (incl Per Capita)	-	-	295,487	-	-	-	295,487	-	-	295,487
Student camp and mission trips	-	-	-	-	12,194	-	12,194	-	-	12,194
Supplies	-	64,826	-	18,382	45,159	27,391	155,758	39,710	43,736	239,204
Fellowship events and meals	-	-	-	-	7,026	8,602	15,628	-	-	15,628
Professional fees	-	-	-	-	-	-	-	36,177	15,558	51,735
Occupancy	-	-	57,947	7,907	78,679	5,160	149,693	4,080	2,305	156,078
Insurance	-	-	-	-	-	-	-	35,914	-	35,914
Outside contractors	-	68,608	-	60,321	33,715	-	162,644	28,629	20,000	211,273
Direct donor benefits	-	-	-	-	-	-	-	-	55,250	55,250
Total before depreciation and amortization	461,765	365,004	410,600	255,900	443,601	102,045	2,038,915	389,775	204,677	2,633,367
Depreciation and amortization	-	-	145,924	19,910	198,135	12,992	376,961	10,767	5,804	393,532
Total functional expenses	$ 461,765	$ 365,004	$ 556,524	$ 275,810	$ 641,736	$ 115,037	$ 2,415,876	$ 400,542	$ 210,481	$ 3,026,899

See Notes to Combined Financial Statements

VALLEY PRESBYTERIAN CHURCH AND AFFILIATE

COMBINED STATEMENT OF CASH FLOWS

Year Ended December 31, 2019

CASH FLOWS FROM OPERATING ACTIVITIES	
Change in net assets	$ 3,291,570
Adjustments to reconcile change in net assets to net cash used in operating activities:	
Depreciation and amortization	393,532
Loss on disposal of property and equipment	83,110
Endowment contribution	(4,578)
Contributions restricted for purchase of property and equipment	(2,967,179)
Realized and unrealized investment gains	(880,963)
Changes in operating assets and liabilities:	
(Increase) decrease in:	
Receivables	(80,228)
Prepaid expenses	(8,021)
Assets held under split-interest agreements	2,701
Increase (decrease) in:	
Accounts payable	45,743
Accrued expenses	1,190
Liabilities under split-interest agreements	331
Net cash used in operating activities	(122,792)
CASH FLOWS FROM INVESTING ACTIVITIES	
Proceeds from sales of investments	5,436,191
Purchases of investments	(1,978,879)
Purchases of property and equipment	(4,444,556)
Net cash used in investing activities	(987,244)
CASH FLOWS FROM FINANCING ACTIVITIES	
Proceeds from line of credit	166,301
Cash received for endowment contribution	4,578
Proceeds from contributions restricted to purchase of property and equipment	2,967,179
Payments on line of credit	(166,301)
Payments on capital lease obligation	(4,622)
Net cash provided by financing activities	2,967,135
NET CHANGE IN CASH AND CASH EQUIVALENTS, AND RESTRICTED CASH AND CASH EQUIVALENTS	1,857,099
CASH AND CASH EQUIVALENTS, AND RESTRICTED CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	1,597,408
CASH, CASH EQUIVALENTS, AND RESTRICTED CASH AND CASH EQUIVALENTS, END OF YEAR	$ 3,454,507
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:	
Cash paid for interest	$ 2,280
SUPPLEMENTAL DISCLOSURE OF NONCASH INVESTING AND FINANCING ACTIVITIES:	
Purchases of property and equipment included within accounts payable	$ 743,248

See Notes to Combined Financial Statements

(1) Organization operations and summary of significant accounting policies

Nature of operations – ***Valley Presbyterian Church*** *(*the "Church") was organized on October 31, 1956 and is a constituent of the Presbyterian Church of the United States of America. The Church is a nonprofit organization and is dedicated to spreading the Gospel through establishing, developing, and promoting all aspects of church ministry within Paradise Valley, Arizona and the surrounding communities. The Church is supported primarily through contributions from the congregation. Additionally, the Church offers courses to the public under the label of Adventures in Learning.

Valley Presbyterian Foundation (the "Foundation") was organized on February 18, 1976 as a nonprofit corporation with the purpose of providing income exclusively to the Church. This income is intended to strengthen and extend the work of the Church in areas that are not part of the operating budget. In addition, the Foundation is the Trustee under the terms of the irrevocable trusts described in Note 12. The assets and liabilities of the Memorial Gardens Trust are included in the Foundation.

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

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

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

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

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

Basis of presentation – The accompanying combined financial statements are presented in accordance with FASB ASC 958-205, *Not-for-Profit Organizations – Presentation of Financial Statements*. Under FASB ASC 958-205, the Organization is required to report information regarding their financial position and activities according to two classes of net assets: net assets without donor restrictions and net assets with donor restrictions.

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

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

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

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

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

Management's use of estimates – The preparation of combined financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the combined financial statements. Estimates also affect the reported amounts of revenues and expenses during the reporting period. Actual results could differ from these estimates.

Contributions – The Organization adopted FASB Accounting Standards Update ("ASU") No. 2018-08, *Not-for-Profit Entities (Topic 958)* effective January 1, 2019 on a modified prospective basis. ASU 2018-08 clarifies the characterization of grants as either reciprocal transactions (exchanges) or nonreciprocal transactions (contributions). ASU 2018-08 also provided additional guidance to distinguish between conditional and unconditional contributions. In accordance with ASU 2018-08, the Organization evaluates grants and contributions for evidence of the transfer of commensurate value from the Organization to the resource provider. The transfer of commensurate value from the Organization to the resource provider may include instances when a) the goods or services provided by the Organization directly benefit the grantor or resource provider or are for the sole use of the grantor or resource provider or b) the grantor or resource provider obtains proprietary rights or other privileges from the goods or services provided by the Organization. When such factors exist, the Organization accounts for the grants or contributions as exchange transactions under ASC 606, *Revenue from Contracts with Customers*, or other appropriate guidance. In the absence of these factors, the Organization accounts for the award under the contribution accounting model.

In the absence of the transfer of commensurate value from the Organization to the resource provider, the Organization evaluates the contribution for criteria indicating the existence of measurable barriers to entitlement for the Organization or the right of return from the resource provider. A barrier to entitlement is subject to judgment and generally represents an unambiguous threshold for entitlement that provides clarity to both the Organization and resource provider whether the threshold has been met and when. These factors may include measurable performance thresholds or limited discretion on the part of the Organization to use the funds. Should the existence of a measurable barrier to entitlement exist and be accompanied by a right of return of the funds to the resource provider or release of the resource provider from the obligation, the contribution is treated as a conditional contribution. If both the barrier to entitlement and right of return do not exist, the contribution is unconditional.

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

The Organization accounts for contributions in accordance with FASB ASC 958-605, *Not-for-Profit Entities – Revenue Recognition*. In accordance with FASB ASC 958-605, contributions received are recorded as contributions without donor restrictions or contributions with donor restrictions depending on the existence and/or nature of any donor restrictions. All contributions with donor restrictions are reported as an increase in net assets with donor restrictions. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), net assets with donor restrictions are reclassified to net assets without donor restrictions and are reported in the combined statement of activities and change in net assets as net assets released from restrictions. Restricted support where restrictions are met in the same period as the donation is made is shown as additions to contributions without donor restrictions.

Special events revenue – The Organization conducts special events in which a portion of the gross proceeds paid by the participant represents payment for the direct cost of the benefits received by the participant at the event. Unless a verifiable, objective reason exists to demonstrate otherwise, the fair value of meals and entertainment provided at special events is measured at the actual cost to the Organization.

The direct costs of the special events which ultimately benefit the donor rather than the Organization are included in special events revenues and simultaneously recorded as costs of direct donor benefits. All proceeds received in excess of the direct costs are recorded as gross profit on special events in the accompanying combined statement of activities and change in net assets.

Revenue from contracts with customers – The Organization offers various other services through program fees, events, and other sources. Revenue is recognized when control of the promised services is transferred to the Organization’s customers at an amount that reflects the consideration the Organization expects to be entitled to in exchange for those services.

Donated materials and services – Donated materials and professional services are recognized as contributions, in accordance with FASB ASC 958-605, if the services (a) create or enhance nonfinancial assets or (b) require specialized skills, are performed by people with those skills, and would otherwise be purchased. The Organization has reflected donated materials and professional services totaling $14,126 in 2019 in contributions and bequests in the accompanying combined statement of activities and change in net assets. No amounts have been reflected in the combined financial statements for certain donated volunteer services because they did not qualify for recording under the guidelines of FASB ASC 958-605; however, a substantial number of volunteers have donated significant amounts of their time to administer the numerous ministries and programs of the Organization.

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

Assets restricted to capital campaign – During 2018, the Church launched the New Heart for the Valley Capital Campaign (“Capital Campaign”) in order to support phase one of a plan developed to revitalize and renovate the Church. The Master Plan has three phases, and the Session has authorized Phase One renovations which includes renovations to the Sanctuary, the Music and Education Building and Plaza, permits and fees for the construction, as well as support for mission partners. The nature of the Capital Campaign is to build operational capacity that will enable the Church to grow its mission driven work in the community.

As of December 31, 2019, assets restricted to Capital Campaign included cash and cash equivalents of $70,628, investments of $1,467,435, and construction in progress of $5,901,289. The funds raised by the Church under the Capital Campaign can only be utilized by the Church towards completion of the outlined project components.

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

The following table reconciles total cash, cash equivalents and restricted cash and cash equivalents from the combined statement of financial position to the combined statement of cash flows:

Cash and cash equivalents	$ 3,383,879
Cash and cash equivalents restricted to Capital Campaign	70,628
	$ 3,454,507

Receivables – Receivables are stated at the amount management expects to collect from outstanding balances. Management provides for probable uncollectible amounts through a charge to earnings and a credit to a valuation allowance based on its assessment of the current status of individual accounts. Balances that are still outstanding after management has used reasonable collection efforts are written off through a charge to the valuation allowance and a credit to receivables. Receivables are considered by management to be fully collectible and, accordingly, an allowance for doubtful accounts is not considered necessary as of December 31, 2019.

Investments – The Organization accounts for its marketable investments in accordance with FASB ASC ASC 958-321, *Not-for-Profit Entities – Investments – Equity Securities.*

On January 1, 2019, the Organization adopted ASUs 2016-01 and 2018-03, which changed the accounting for non-marketable equity securities up or down for observable price changes in orderly transactions for identical or similar investments of the same issuer and for impairment, if any (referred to as the measurement alternative). All gains and losses on non-marketable equity securities, realized and unrealized, are recognized in the combined statement of activities and changes in net assets. Because the ASUs were adopted prospectively, the Organization recognizes unrealized gains that occurred in prior periods in the first period after January 1, 2019 when there is an observable transaction, resulting to no impact to beginning net assets.

As of December 31, 2019, the Organization's investments in equity instruments without readily determinable fair values consisted of investment in a non-traded real estate investment trust ("REIT") which is further described in Note 2. Additionally, the Organization invests in certain investments that qualify for the use of Net Asset Value ("NAV") as a practical expedient for fair value as permitted under FASB ASC 820, *Fair Value Measurement*.

The Organization has elected to report their other investments at fair value in accordance with FASB ASC 958-325*, Not-for-Profit Entities – Investments – Other*. As of December 31, 2019, the Organization's other investments consisted of funds held at the Presbyterian Foundation which are further described in Note 5.

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

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

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

Property and equipment and related depreciation – Purchased property and equipment is recorded at cost and donated property and equipment is recorded at fair value at the date of the gift to the Organization. Maintenance and repairs are charged to operations when incurred. Betterments and renewals in excess of $1,000 are capitalized. When property and equipment is sold or otherwise disposed of, the asset and related accumulated depreciation account is relieved and any gain or loss is included in operations.

Depreciation of property and equipment is computed using the straight-line method over the following estimated range of useful lives:

Landes Center, education and administration facility	5 - 39 years
Sanctuary	5 - 50 years
Chapel	5 - 50 years
Furniture, fixtures and equipment	7 - 10 years
Music building	7 - 40 years
Memorial garden	5 - 40 years
Automotive equipment	5 years
Equipment held under capital lease	5 years

Donations of property and equipment are reported as increases in net assets without donor restrictions unless the donor has restricted the donated asset to a specific purpose. Assets donated with explicit restrictions regarding their use and contributions of cash that must be used to acquire property and equipment are reported as revenues of the net assets with donor restrictions class. Absent donor stipulations regarding how long those donated assets must be maintained, the Organization reports expirations of donor restrictions when the donated or acquired assets are placed in service as instructed by the donor.

Impairment of long-lived assets – The Organization accounts for long-lived assets in accordance with the provisions of FASB ASC 360, *Property, Plant and Equipment*. FASB ASC 360 requires that long-lived assets be reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to future undiscounted net cash flows expected to be generated by the asset. If such assets are considered to be impaired, the impairment to be recognized is measured by the amount by which the carrying amount of the assets exceeds the fair value of the assets. Assets to be disposed of are reported at the lower of the carrying amount or fair value less costs to sell. No impairment charges were recorded for 2019.

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

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

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

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

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

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

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

Level 3: Unobservable inputs for the asset or liability.

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

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

Recent accounting pronouncements – In May 2014, the FASB issued ASU No. 2014-09, *Revenue from Contracts with Customers (Topic 606)*, that supersedes most current revenue recognition guidance, including industry-specific guidance. The core principle of the new guidance is that an entity recognizes revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The standard provides a five-step analysis of transactions to determine when and how revenue is recognized. Other major provisions include the capitalization and amortization of certain contract costs, ensuring the time value of money is considered in the transaction price, and allowing estimates of variable consideration to be recognized before contingencies are resolved in certain circumstances. Additionally, the guidance requires disclosures related to the nature, amount, timing, and uncertainty of revenue that is recognized. The Organization adopted this standard as of January 1, 2019, using a modified retrospective approach, and the guidance is applied to the most current period presented, recognizing the cumulative effect of the adoption change as an adjustment to beginning net assets. The timing of revenue recognition was not affected by the adoption of Topic 606. As a result, there was no adjustment to net assets as of January 1, 2019.

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

In February 2016, the FASB issued ASU No. 2016-02, *Leases (Topic 842).* ASU 2016-02 requires that a lease liability and related right-of-use-asset representing the lessee's right to use or control the asset be recorded on the balance sheet upon the commencement of all leases except for short-term leases. Leases will be classified as either finance leases or operating leases, which are substantially similar to the classification criteria for distinguishing between capital leases and operating in existing lease accounting guidance. As a result, the effect of leases in the statement of activities and change in net assets and the statement of cash flows will be substantially unchanged from the existing lease accounting guidance. The ASU is effective for fiscal years beginning after December 15, 2021. Early adoption is permitted. The Organization elected to defer adoption of ASU 2016-02 consistent with ASU 2020-05, which allows companies to defer adoption for one year. The Organization currently has no operating leases and therefore the adoption of this standard is not expected to have a material effect on the combined financial statements.

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

In November 2016, the FASB issued ASU No. 2016-18, *Statement of Cash Flows (Topic 230)*. This ASU requires that a statement of cash flows explain the change during the period in total cash, cash equivalents, and amounts generally described as restricted cash or restricted cash equivalents. Therefore, amounts generally described as restricted cash and restricted cash equivalents should be included with cash and cash equivalents when reconciling the beginning-of-period and end-of-period total amounts shown on the statement of cash flows. The amendments of the ASU do not provide a definition of restricted cash or restricted cash equivalents. The ASU is effective for all nonpublic business entities for fiscal years beginning after December 15, 2018. The Organization adopted this standard in 2019.

Subsequent events – The Organization has evaluated subsequent events through July 30, 2020, which is the date the combined financial statements were available to be issued.

On March 11, 2020, the World Health Organization declared the outbreak of a respiratory disease caused by a new coronavirus as a "pandemic". First identified in late 2019 and now known as COVID-19, the outbreak has impacted millions of individuals worldwide. In response, many countries have implemented measures to combat the outbreak which have impacted global business operations.

The COVID-19 outbreak has triggered volatility in financial markets and a significant negative impact on the global economy. The extent of the impact of COVID-19 on the Organization's combined operational and financial performance depend on certain developments, including the duration and spread of the outbreak, and the impact on employees, donors and vendors, all of which are uncertain and cannot be predicted. Beginning in March 2020, in person Church services were discontinued with a transition to online delivery. While this resulted in less in person contributions, online giving has increased and overall contributions have remained steady. Additionally, as all services and programs were discontinued in March, the Organization realized the cost savings associated with childcare, mission trips, student camps, and other supplies expenses associated with those programs.

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

In response to the pandemic, the U.S. Government has enacted fiscal and monetary stimulus measures to counteract the disruption caused by the coronavirus. The Organization applied for and received a stimulus loan in the amount of approximately $218,000, the proceeds of which will largely be used to fund payroll costs. The Organization anticipates the loan will ultimately be forgiven in accordance with the stimulus regulations. However, there can be no assurance that the loan will be forgiven. Additionally, subsequent to year end, the Organization entered an agreement with its investment custodian to leverage cash against marketable securities for up to 50% of the amount invested. There are maturity dates associated with these margin loans and the interest rate is variable. As of the date the financial statements were available to be issued, the Organization withdrew $250,000 as part of this agreement with an interest rate of 1.75%.

As of the date the combined financial statements were available to be issued, the Organization's combined operations have not been significantly negatively impacted. However, the Organization continues to closely monitor the situation. Depending on the severity and duration of the pandemic, the Organization could experience a material negative impact to combined operations, cash flow, and financial condition. However, the extent of the impact cannot be reasonably estimated at this time.

(2) Investments

Investments consist of the following at December 31, 2019:

Cash	$ 49,799
Equity – domestic stock	2,334,987
Equity mutual funds:	
Equity mutual funds – real estate	87,934
Equity mutual funds – alternative	39,875
Equity mutual funds – emerging markets	155,645
Equity mutual funds – small blend	305,606
Other equity mutual funds	290,135
Fixed income mutual funds	
Fixed income bond – US	175,880
Other fixed income mutual funds	155,043
Intermediate term bonds	1,502,319
Assets held under split-interest agreements	30,719
Funds held at Presbyterian Foundation	50,258
Real estate investment trust	143,924
Total investments	$ 5,322,124

Investment income consists of the following for the year ended December 31, 2019:

Dividend and interest income	$ 184,107
Realized and unrealized investment gains	880,963
Investment fees	(45,628)
Total investment income	$ 1,019,442

(2) Investments (continued)

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

(3) Property and equipment

Property and equipment consists of the following at December 31, 2019:

Cost and donated value:	
Landes Center, education and administrative facility	$ 9,998,633
Sanctuary	1,146,125
Chapel	862,920
Furniture, fixtures and equipment	1,160,182
Music building	495,876
Memorial garden	237,955
Land	80,000
Automotive equipment	36,285
Equipment held under capital lease	24,574
Construction in progress	5,901,289
Total cost and donated value	19,943,839
Accumulated depreciation	(7,345,108)
Property and equipment, net	$ 12,598,731

Depreciation expense charged to operations was $393,532 for the year ended December 31, 2019.

The cost of the assets held under capital lease agreements totaled $24,574 at December 31, 2019. Accumulated amortization on assets held under the capital lease agreements totaled $6,963 at December 31, 2019. Depreciation and amortization for assets held under the capital lease agreements was $4,915 for the year ended December 31, 2019.

Construction in progress represents the construction to date on the funds used in the Capital Campaign (Note 1) for the first phase of construction. Total costs to complete this phase are estimated at approximately $13,800,000 and is expected to be completed in October 2020 with funds used from the Capital Campaign.

(4) Capital lease obligation

In May 2018, the Organization entered into a non-cancelable capital lease agreement for certain equipment that expires in April 2023 and bears interest at 3.62%. The obligation under the capital lease reflects the present value of future lease payments discounted at the interest rate implicit in the lease. Total interest expense related to these capital leases was $742 for 2019.

(4) Capital lease obligation (continued)

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

Year Ending December 31,	
2020	$ 5,364
2021	5,364
2022	5,364
2023	3,129
Total future minimum lease payments	19,221
Less amounts representing interest	(1,220)
Present value of minimum lease obligation	$ 18,001

(5) Split-interest agreements

The Organization has been named the beneficiary in irrevocable trusts held by the Presbyterian Foundation. Assets of the trusts represent the fair value of the assets held by the Presbyterian Foundation as gifts from which a lifetime annuity is paid to the donor or other named beneficiary(s). Upon termination of the annuity, the principal becomes available for the Organization's use in accordance with donor restrictions, or if no restrictions are imposed by the donor, for the Organization's unrestricted use. The fair value of the charitable remainder interests was determined as the present value of the estimated future cash flows using a discount rate of 6%. The fair value of charitable remainder interests expected to be received by the Organization was estimated to be $2,450 at December 31, 2019.

The Organization is currently the irrevocable beneficiary of a charitable remainder trust. The charitable remainder trust provides for the payment of distributions to the grantor over the trust's term (the designated beneficiary's lifetime). At the end of the trust's term, the remaining assets are available for the Organization's use. The fair market value of the assets held in the charitable remainder trust was $28,269 at December 31, 2019. The portion of the trust attributable to the present value of the future benefits to be received by the Organization is recorded as a donor restricted contribution in the period the trust is established. On an annual basis, the Organization recalculates the liability to adjust distributions to the designated beneficiary based on actuarial assumptions. Adjustments to reflect the valuation of the present value of the estimated annuity payments and changes in actuarial assumptions are recognized in the combined statement of activities and change in net assets as a change in value of split interest agreements. The liabilities under split-interest agreements include the present value of the estimated annuity payments for the charitable remainder trust (estimated payments of $32,254 at December 31, 2019) which is calculated using a discount rate of 2.00% for 2019, and the applicable IRS mortality tables.

The investments associated with the charitable remainder trusts have been accounted for in accordance with FASB ASC 958-321, *Not-for-Profit Entities – Investments – Equity Securities*. Under FASB ASC 958-321, the Organization is required to report investments in equity securities at fair value. The fair values of investments are based on quoted market prices. The charitable remainder trust investments consist entirely of U.S. equity mutual funds, international fixed income mutual funds and cash at December 31, 2019.

(6) Line of credit

In July 2013, the Church entered into a line of credit agreement with a limit of $250,000. The line of credit is guaranteed by certain investments of the Foundation. The line of credit does not mature until default or notice is given by the lender. Interest is charged at the prime rate plus 0.63% (5.38% at December 31, 2019). No amounts were outstanding under the line of credit as of December 31, 2019. Total interest expense related to this line of credit was $1,538 for 2019.

(7) Note payable

On December 10, 2019, the Organization signed a promissory note for $5,000,000 with Presbyterian Church (U.S.A) Investment and Loan Program, Inc. The note has two phases: a Construction Loan Phase and a Permanent Loan Phase. The lender is not required to disburse funds during the Construction Loan Phase. During the Construction Loan Phase, the Organization is only required to pay interest on a monthly basis at a blended rate of 4.06%. Once the Organization has met the requirements of the loan agreement, namely completion of construction), the lender can convert the loan to the Permanent Loan Phase in which monthly payments of principal and interest are due, totaling $30,457. Payments begin on the first day of the second month after commencement of the Permanent Loan Phase and the loan term is 240 months. On the 3rd anniversary of the note and every 3rd anniversary date thereafter, the interest rate will be adjusted to a new blended interest rate. The loan is collateralized by the Organization's investment accounts. The Organization did not draw funds as of December 31, 2019.

(8) Net assets with donor restrictions

Net assets with donor restrictions are restricted for purposes or periods as follows at December 31, 2019:

Church:	
Capital Campaign	$ 7,439,352
Deacon Fund	20,723
Church subtotal	7,460,075
Foundation:	
Scholarship endowments	71,071
Music endowments	78,404
McKee Youth Mission Fund	13,091
Whiting Fund	14,084
Boy Scouts	28,747
Freeman Fund	1,037
Kreizenbeck Fund	1,994
Annis Organ Fund	12,910
Other funds	(1,243)
Music program	264,823
Split-interest agreements	2,450
Foundation subtotal	487,368
Restricted in perpetuity	1,020,642
Foundation total	1,508,010
Total net assets with donor restrictions	$ 8,968,085

During the year ended December 31, 2019, a restricted scholarship fund was terminated and the remaining assets included in the fund, totaling $61,686 was transferred to the general endowment fund, without donor restrictions.

(9) Net assets released from donor restrictions

Net assets released from restriction consist of the following for the year ended December 31, 2019:

Church:		
Capital Campaign	$	140,849
Deacon Fund		17,724
Church subtotal		158,573
Foundation:		
Music program		12,497
Split-interest agreements		6,182
Scholarships		9,966
Freeman Fund		412
Foundation subtotal		29,057
Total net assets released from restriction	$	187,630

(10) Net assets without donor restrictions

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

Board designated net assets consist of the following at December 31, 2019:

Board designated endowment funds	$	3,699,984
Board designated capital campaign funds		251,980
Total net assets with board designations	$	3,951,964

(11) Endowments

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

In September 2008, the State of Arizona enacted ARS§10-11801 et seq Management of Charitable Funds Act ("MCFA"). The Board of Trustees of the Organization has interpreted MCFA as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Organization classifies as net assets restricted in perpetuity (a) the original value of gifts donated to the perpetual endowment, and (b) the original value of subsequent gifts to the perpetual endowment.

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

(11) Endowments (continued)

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

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

The Organization's Board of Trustees has discretion over the amounts appropriated for distribution. In recent periods, the Board of Trustees appropriated for distribution 5% of its endowment fund's average fair value over the prior 3 years through the calendar year-end preceding the fiscal year in which the distribution is planned. In establishing this practice, the Organization considered the long-term expected return on their endowments. From time to time, certain donor-restricted endowment funds may have fair values less than the amount required to be maintained by donors or by law (underwater endowments). The Board of Trustees has interpreted MCFA to permit spending from underwater endowments in accordance with prudent measures required under law.

The following table presents the endowment net assets composition by type of fund as of December 31, 2019:

	Without Donor Restrictions	With Donor Restrictions	Total
Board designated endowment funds	$ 3,699,984	$ -	$ 3,699,984
Endowment funds restricted in perpetuity	-	1,020,642	1,020,642
Accumulated earnings on endowment funds	-	488,611	488,611
Underwater endowment funds	-	(1,243)	(1,243)
Total funds	$ 3,699,984	$ 1,508,010	$ 5,207,994

(11) Endowments (continued)

The changes in endowment net assets for the year ended December 31, 2019 are as follows:

	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets, January 1, 2019	$ 3,140,809	$ 1,348,986	$ 4,489,795
Contributions	53,847	4,578	58,425
Change in donor intent	61,686	(61,686)	-
Investment return:			
Investment income	75,652	24,747	100,399
Net appreciation	649,725	214,261	863,986
Appropriation of endowment assets for expenditure	(281,735)	(22,876)	(304,611)
Endowment net assets, December 31, 2019	$ 3,699,984	$ 1,508,010	$ 5,207,994

At December 31, 2019, funds with original gift values of $45,286, fair values of $44,043, and deficiencies of $1,243 were reported as net assets with donor restrictions. These deficiencies resulted primarily from unfavorable market fluctuations.

(12) Trust beneficiary

The Church had been named as one of the beneficiaries of the Freeda Roth Greenan Trust. Upon the death of any of the primary beneficiaries, 2% of their share of income from the trust is to be distributed to the Church. Upon the death of all the primary beneficiaries, 25% of the entire corpus of the trust will be distributed to the Church. In 2019, the Church was notified of the death of all of the primary beneficiaries, and the trust became irrevocable. As a result, the Church received a distribution of $251,980, which is included in contributions and bequests in the accompanying combined statement of activities and change in net assets. Additionally, the Board of Trustees has designated this contribution to the Capital Campaign (see Note 10).

The Memorial Gardens Trust was established by the Church on July 20, 1987, naming the Foundation as the Trustee, for purposes of maintaining the Memorial Gardens at the Church in perpetuity. The Memorial Gardens Trust must retain funds that are actuarially determined to meet the future requirements of the Memorial Gardens for maintenance and repair. The Trustee may distribute income and principal of the Memorial Gardens Trust to the Valley Presbyterian Church once the trust corpus is safely above the actuarially determined amounts necessary to maintain the Memorial Gardens in perpetuity. At December 31, 2019, this fund totaled $465,357 and was included in the Foundation investments and within Board designated net assets.

(13) Retirement plan

Starting 2017, Pastors and employees who are over the age of 50 and have been employed at Valley Presbyterian Church (U.S.A.) for at least 20 years, are eligible to participate in a defined contribution plan sponsored by the Presbyterian Church (U.S.A). Contributions are made to the plan based upon 11% of each employee’s effective salary rate. The Organization’s contributions to the plan totaled approximately $46,000 for 2019.

(14) National per capita assessment

The Organization makes per capita payments to the National Presbyterian Church on an annual basis. The per capita payment was $20,000 for 2019.

(15) Uncombined affiliate

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

If the accounts (on the cash basis and unaudited) of the School were included in the combined statement of financial position, net assets would increase by approximately $201,000 at December 31, 2019. The change in net assets in the combined statement of activities and change in net assets would increase by approximately $28,000 for the year ended December 31, 2019.

(16) Fair value measurement

The following table summarizes the valuation of the Organization's assets and liabilities by the categories described in Note 1 as of December 31, 2019:

	(Level 1)	(Level 2)	(Level 3)
Domestic stock			
Healthcare	$ 336,659	$ -	$ -
Technology	492,510	-	-
Consumer goods	423,662	-	-
Utilities	29,403	-	-
Industrial goods	271,026	-	-
Financial	291,782	-	-
Other domestic stock	489,945	-	-
Equity mutual funds			
Equity mutual funds – real estate	87,934	-	-
Equity mutual funds – alternative	39,875	-	-
Equity mutual funds – emerging markets	155,645	-	-
Equity mutual funds – small blend	305,606	-	-
Other equity mutual funds	290,135	-	-
Fixed income mutual funds			
Fixed income bond – US	175,880	-	-
Other fixed income mutual funds	155,043	-	-
Intermediate term bonds	-	1,502,319	-
Assets held under split-interest agreement	28,269	-	2,450

(16) Fair value measurement (continued)

Following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes to methodologies used at December 31, 2019.

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

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

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

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

The table below presents the change in fair value measurements that used Level 3 inputs during the year ended December 31, 2019:

Balance on January 1, 2019	$	3,384
Change in value recognized in earnings		(934)
Balance at December 31, 2019	$	2,450

As disclosed in Note 1, the Organization measures its investments in a non-marketable REIT at carrying value, less impairment, and adjusted for observable price changes in orderly transactions. During the year ended December 31, 2019, the Organization recognized a gain of approximately $21,000 in the carrying value of the non-marketable REIT investment resulting from an increase in the published per share value of the REIT above the Organization's carrying value. The gain is recognized as a nonrecurring level three fair value measurement. The gain has been recorded by the Organization in investment income in the accompanying combined statement of activities and changes in net assets.

(17) Liquidity and availability of resources

Financial asset available for general expenditure as of December 31, 2019 are as follows:

Cash and cash equivalents	$ 3,383,879
Accounts receivable	133,699
Investments	3,823,970
Total financial assets available within one year	7,341,548
Less: Amounts unavailable for general expenditures within one year, due to:	
Restricted by donors with program purpose restrictions	(508,091)
Investments held under split-interest agreements	(30,719)
Perpetual donor restricted endowments	(1,020,642)
Total amounts unavailable for general expenditures within one year	(1,559,452)
Amounts unavailable to management without Board's approval	
Board designated endowment funds	(3,699,984)
Board designated capital campaign funds	(251,980)
Total amounts unavailable to management without Board's approval	(3,951,964)
Total financial assets available within one year after board designations	$ 1,830,132

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

The Church also maintains a $250,000 line of credit with a bank, of which the full balance was available for use by the Church as of December 31, 2019.

4722 North 24th Street, Suite 300 ■ Phoenix, AZ 85016
Main: 602.264.6835 ■ Fax: 602.265.7631 ■ www.mhmcpa.com

INDEPENDENT AUDITORS' REPORT ON ADDITIONAL INFORMATION

We have audited the combined financial statements of ***Valley Presbyterian Church and Affiliate*** (collectively, the "Organization") as of and for the year ended December 31, 2019, and our report thereon dated July 30, 2020, which expresses a qualified opinion on these combined financial statements, appears on pages 1 and 2. Our audit was performed for the purpose of forming an opinion on the combined financial statements as a whole. The combining statement of financial position, combining statement of activities and change in net assets, and combining statement of cash flows on pages 25, 26, and 27 are presented for purposes of additional analysis of the combined financial statements rather than to present the financial position, results of operations and cash flows of the individual organizations, and are not a required part of the combined financial statements. The combining information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the combined financial statements. The combining information has been subjected to the auditing procedures applied in the audit of the combined financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the combined financial statements or to the combined financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining information is fairly stated in all material respects in relation to the combined financial statements taken as a whole.

Mayer Hoffman McCann P.C.

July 30, 2020

VALLEY PRESBYTERIAN CHURCH AND AFFILIATE

ADDITIONAL INFORMATION

December 31, 2019

COMBINING STATEMENT OF FINANCIAL POSITION

A S S E T S

	Church	Foundation and Memorial Gardens Trust	Eliminations	Total
CURRENT ASSETS				
Cash and cash equivalents	$ 3,370,934	$ 12,945	$ -	$ 3,383,879
Receivables	5,244,491	70,839	(5,181,631)	133,699
Prepaid expenses	6,595	5,487	-	12,082
TOTAL CURRENT ASSETS	8,622,020	89,271	(5,181,631)	3,529,660
ASSETS RESTRICTED TO CAPITAL CAMPAIGN				
Cash and cash equivalents	70,628	-	-	70,628
Receivables	130,827	-	(130,827)	-
Investments	1,467,435	-	-	1,467,435
Construction in progress	5,901,289	-	-	5,901,289
TOTAL ASSETS RESTRICTED TO CAPITAL CAMPAIGN	7,570,179	-	(130,827)	7,439,352
INVESTMENTS	(1,467,435)	5,291,405	-	3,823,970
PROPERTY AND EQUIPMENT, net	6,697,442	-	-	6,697,442
ASSETS HELD UNDER SPLIT-INTEREST AGREEMENTS	-	30,719	-	30,719
TOTAL ASSETS	$ 21,422,206	$ 5,411,395	$ (5,312,458)	$ 21,521,143

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

	Church	Foundation and Memorial Gardens Trust	Eliminations	Total
CURRENT LIABILITIES				
Accounts payable	$ 6,180,414	$ 3,304	$ (5,312,458)	$ 871,260
Accrued expenses	67,457	-	-	67,457
Current maturities of capital lease obligation	4,792	-	-	4,792
Current portion of liabilities under split-interest agreements	-	6,042	-	6,042
TOTAL CURRENT LIABILITIES	6,252,663	9,346	(5,312,458)	949,551
CAPITAL LEASE OBLIGATION, less current maturities	13,209	-	-	13,209
LIABILITIES UNDER SPLIT-INTEREST AGREEMENTS, net of current portion	-	26,212	-	26,212
TOTAL LIABILITIES	6,265,872	35,558	(5,312,458)	988,972
NET ASSETS				
NET ASSETS WITHOUT DONOR RESTRICTIONS	7,696,259	3,867,827	-	11,564,086
NET ASSETS WITH DONOR RESTRICTIONS	7,460,075	1,508,010	-	8,968,085
TOTAL NET ASSETS	15,156,334	5,375,837	-	20,532,171
TOTAL LIABILITIES AND NET ASSETS	$ 21,422,206	$ 5,411,395	$ (5,312,458)	$ 21,521,143

VALLEY PRESBYTERIAN CHURCH AND AFFILIATE

ADDITIONAL INFORMATION

Year Ended December 31, 2019

COMBINING STATEMENT OF ACTIVITIES AND CHANGE IN NET ASSETS

	Church	Foundation and Memorial Gardens Trust	Eliminations	Total
SUPPORT AND REVENUE				
Contributions and bequests	$ 5,394,212	$ 80,865	$ (276,748)	$ 5,198,329
Program fees	16,173	-	-	16,173
Investment income	36,057	983,385	-	1,019,442
Change in value of split-interest agreements	-	(2,555)	-	(2,555)
Other income	18,922	-	-	18,922
Foundation support	22,176	-	(22,176)	-
Total support and revenue before special events	5,487,540	1,061,695	(298,924)	6,250,311
Special events:				
Special events revenue	-	151,268	-	151,268
Less costs of direct donor benefits	-	(103,450)	48,200	(55,250)
Gross profit on special events	-	47,818	48,200	96,018
TOTAL SUPPORT AND REVENUE	5,487,540	1,109,513	(250,724)	6,346,329
EXPENSES				
Salaries	1,169,070	17,246	-	1,186,316
Employee benefits	316,991	-	-	316,991
Payroll taxes	55,908	1,389	-	57,297
Mission (incl Per Capita)	295,487	-	-	295,487
Student camp and mission trips	12,194	-	-	12,194
Supplies	204,021	224,231	(189,048)	239,204
Fellowship events and meals	15,628	-	-	15,628
Professional fees	36,177	15,558	-	51,735
Occupancy	156,078	-	-	156,078
Insurance	35,914	-	-	35,914
Outside contractors	211,273	-	-	211,273
Depreciation and amortization	393,532	-	-	393,532
Grant	-	61,676	(61,676)	-
TOTAL EXPENSES	2,902,273	320,100	(250,724)	2,971,649
LOSS ON DISPOSAL OF PROPERTY AND EQUIPMENT	(83,110)	-	-	(83,110)
CHANGE IN NET ASSETS	2,502,157	789,413	-	3,291,570
NET ASSETS, BEGINNING OF YEAR	12,654,177	4,586,424	-	17,240,601
NET ASSETS, END OF YEAR	$ 15,156,334	$ 5,375,837	$ -	$ 20,532,171

VALLEY PRESBYTERIAN CHURCH AND AFFILIATE

ADDITIONAL INFORMATION

Year Ended December 31, 2019

COMBINING STATEMENT OF CASH FLOWS

	Church	Foundation and Memorial Gardens Trust	Eliminations	Total
CASH FLOWS FROM OPERATING ACTIVITIES				
Change in net assets	$ 2,502,157	$ 789,413	$ -	$ 3,291,570
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:				
Depreciation and amortization	393,532	-	-	393,532
Loss on disposal of property and equipment	83,110	-	-	83,110
Endowment contribution	-	(4,578)	-	(4,578)
Contributions restricted for purchase of property and equipment	(2,967,179)	-	-	(2,967,179)
Realized and unrealized investment (gains) losses	15,620	(896,583)	-	(880,963)
Changes in operating assets and liabilities:				
(Increase) decrease in:				
Receivables	(4,550,141)	(44,739)	4,514,652	(80,228)
Prepaid expenses	(2,534)	(5,487)	-	(8,021)
Assets held under split-interest agreements	-	2,701	-	2,701
Increase (decrease) in:				
Accounts payable	4,897,045	(336,650)	(4,514,652)	45,743
Accrued expenses	1,190	-	-	1,190
Liabilities under split-interest agreements	-	331	-	331
Net cash provided by (used in) operating activities	372,800	(495,592)	-	(122,792)
CASH FLOWS FROM INVESTING ACTIVITIES				
Proceeds from sales of investments	3,513,731	1,922,460	-	5,436,191
Purchases of investments	(551,001)	(1,427,878)	-	(1,978,879)
Purchases of property and equipment	(4,444,556)	-	-	(4,444,556)
Net cash provided by (used in) investing activities	(1,481,826)	494,582	-	(987,244)
CASH FLOWS FROM FINANCING ACTIVITIES				
Proceeds from line of credit	166,301	-	-	166,301
Cash received for endowment contribution	-	4,578	-	4,578
Proceeds from contributions restricted to purchase of property and equipment	2,967,179	-	-	2,967,179
Payments on line of credit	(166,301)	-	-	(166,301)
Payments on capital lease obligation	(4,622)	-	-	(4,622)
Net cash provided by financing activities	2,962,557	4,578	-	2,967,135
NET CHANGE IN CASH AND CASH EQUIVALENTS	1,853,531	3,568	-	1,857,099
CASH AND CASH EQUIVALENTS, AND RESTRICTED CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	1,588,031	9,377	-	1,597,408
CASH, CASH EQUIVALENTS, AND RESTRICTED CASH AND CASH EQUIVALENTS, END OF YEAR	$ 3,441,562	$ 12,945	$ -	$ 3,454,507
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:				
Cash paid for interest	$ 2,280	$ -	$ -	$ 2,280
SUPPLEMENTAL DISCLOSURE OF NONCASH INVESTING AND FINANCING ACTIVITIES:				
Purchases of property and equipment included within accounts payable	$ 743,248	$ -	$ -	$ 743,248