

**WOODS MEMORIAL
PRESBYTERIAN CHURCH**

COMBINING FINANCIAL STATEMENTS

FOR THE YEARS ENDED JUNE 30, 2019 AND 2018

WOODS MEMORIAL PRESBYTERIAN CHURCH
COMBINING FINANCIAL STATEMENTS
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Independent Accountant's Review Report

To the Session of
Woods Memorial Presbyterian Church

We have reviewed the accompanying combining financial statements of Woods Memorial Presbyterian Church (a nonprofit organization), which comprise the combining statements of financial position as of June 30, 2019 and 2018, and the related combining statements of activities and cash flows for the years then ended, and the related notes to the combining financial statements. A review includes primarily applying analytical procedures to management's financial data and making inquiries of entity management. A review is substantially less in scope than an audit, the objective of which is the expression of an opinion regarding the financial statements as a whole. Accordingly, we do not express such an opinion.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these 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 financial statements that are free from material misstatement whether due to fraud or error.

Accountant's Responsibility

Our responsibility is to conduct the review engagements in accordance with Statements on Standards for Accounting and Review Services promulgated by the Accounting and Review Services Committee of the AICPA. Those standards require us to perform procedures to obtain limited assurance as a basis for reporting whether we are aware of any material modifications that should be made to the financial statements for them to be in accordance with accounting principles generally accepted in the United States of America. We believe that the results of our procedures provide a reasonable basis for our conclusion.

Accountant's Conclusion

Based on our reviews, we are not aware of any material modifications that should be made to the accompanying financial statements in order for them to be in accordance with accounting principles generally accepted in the United States of America.

Alta CPA Group, LLC

October 8, 2019

WOODS MEMORIAL PRESBYTERIAN CHURCH
 COMBINING STATEMENT OF FINANCIAL POSITION
 JUNE 30, 2019

	Church	Capital Campaign	Child Development Center	Combined
<u>ASSETS</u>				
CURRENT ASSETS				
Cash and Cash Equivalents	\$ 494,499	\$ -	\$ 294,418	\$ 788,917
Investments Available for Sale	2,580,805	448,636	-	3,029,441
Assets Held for Sale	-	9,780	-	9,780
Food Inventory	1,773	-	-	1,773
Other Receivables	1,783	-	(849)	934
Total Current Assets	3,078,860	458,416	293,569	3,830,845
PROPERTY AND EQUIPMENT, NET	3,300,343	-	15,294	3,315,637
OTHER ASSETS				
Certificate of Deposit	-	-	25,176	25,176
Total Other Assets	-	-	25,176	25,176
Total Assets	\$ 6,379,203	\$ 458,416	\$ 334,039	\$ 7,171,658
<u>LIABILITIES AND NET ASSETS</u>				
CURRENT LIABILITIES				
Deferred Pledges	\$ 32,839	\$ -	\$ -	\$ 32,839
Deferred Tuition and Fees	-	-	122,041	122,041
Total Current Liabilities	32,839	-	122,041	154,880
LONG TERM DEBT				
Promissory Notes Payable	257,313	-	-	257,313
Total Long Term Debt	257,313	-	-	257,313
Total Liabilities	290,152	-	122,041	412,193
NET ASSETS				
Without Donor Restrictions - Undesignated	3,196,313	-	211,998	3,408,311
Without Donor Restrictions - Designated	1,025,205	-	-	1,025,205
Total Without Donor Restrictions	4,221,518	-	211,998	4,433,516
With Donor Restrictions	1,867,533	458,416	-	2,325,949
Total Net Assets	6,089,051	458,416	211,998	6,759,465
Total Liabilities and Net Assets	\$ 6,379,203	\$ 458,416	\$ 334,039	\$ 7,171,658

See independent accountant's review report and accompanying notes to combining financial statements.

WOODS MEMORIAL PRESBYTERIAN CHURCH
COMBINING STATEMENT OF FINANCIAL POSITION
JUNE 30, 2018

	Church	Capital Campaign	Child Development Center	Combined
<u>ASSETS</u>				
<u>CURRENT ASSETS</u>				
Cash and Cash Equivalents	\$ 510,242	\$ -	\$ 274,559	\$ 784,801
Investments Available for Sale	2,388,496	501,288	-	2,889,784
Assets Held for Sale	-	9,780	-	9,780
Food Inventory	1,649	-	-	1,649
Other Receivables	19,453	-	40	19,493
Total Current Assets	2,919,840	511,068	274,599	3,705,507
PROPERTY AND EQUIPMENT, NET	3,503,899	-	18,076	3,521,975
<u>OTHER ASSETS</u>				
Certificate of Deposit	-	-	25,127	25,127
Total Other Assets	-	-	25,127	25,127
Total Assets	\$ 6,423,739	\$ 511,068	\$ 317,802	\$ 7,252,609
<u>LIABILITIES AND NET ASSETS</u>				
<u>CURRENT LIABILITIES</u>				
Accounts Payable and Accrued Expenses	\$ 31,283	\$ -	\$ -	\$ 31,283
Deferred Pledges	35,470	-	-	35,470
Deferred Tuition and Fees	-	-	123,056	123,056
Total Current Liabilities	66,753	-	123,056	189,809
<u>LONG TERM DEBT</u>				
Promissory Notes Payable	273,702	-	-	273,702
Total Long Term Debt	273,702	-	-	273,702
Total Liabilities	340,455	-	123,056	463,511
<u>NET ASSETS</u>				
Without Donor Restrictions - Undesignated	3,410,528	-	194,746	3,605,274
Without Donor Restrictions - Designated	882,071	-	-	882,071
Total Without Donor Restrictions	4,292,599	-	194,746	4,487,345
With Donor Restrictions	1,790,685	511,068	-	2,301,753
Total Net Assets	6,083,284	511,068	194,746	6,789,098
Total Liabilities and Net Assets	\$ 6,423,739	\$ 511,068	\$ 317,802	\$ 7,252,609

See independent accountant's review report and accompanying notes to combining financial statements.

WOODS MEMORIAL PRESBYTERIAN CHURCH
COMBINING STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2019

	Without Donor Restrictions		With Donor Restrictions		Combined
	Church	CDC	Capital Campaign	Other	
Revenues and Support:					
Contributions	\$ 1,960,596	\$ -	\$ -	\$ 406,256	\$ 2,366,852
Tuition	-	1,063,377	-	-	1,063,377
Other Income	169,583	21,475	-	-	191,058
Investment Income	56,444	1,898	13,372	50,197	121,911
Food Fees	45,113	-	-	-	45,113
Fundraising	-	6,091	-	-	6,091
Net Assets Released from Restrictions	445,629	-	(66,024)	(379,605)	-
Total Revenues and Support	2,677,365	1,092,841	(52,652)	76,848	3,794,402
Expenses:					
Personnel and Administration	1,239,325	932,837	-	-	2,172,162
School Operations	-	98,745	-	-	98,745
Payments from Restricted Funds	379,605	-	-	-	379,605
Local and World Community	233,118	-	-	-	233,118
Property Management	306,257	-	-	-	306,257
Depreciation	269,580	2,782	-	-	272,362
Stewardship and Finance	157,103	-	-	-	157,103
Interest Expense	5,687	-	-	-	5,687
Kitchen Operations	56,907	41,225	-	-	98,132
Youth Activities	23,502	-	-	-	23,502
Worship	52,595	-	-	-	52,595
Welcome and Membership	7,715	-	-	-	7,715
Family with Children	10,248	-	-	-	10,248
Deacons	6,223	-	-	-	6,223
Adult Education	581	-	-	-	581
Total Expenses	2,748,446	1,075,589	-	-	3,824,035
Change in Net Assets	(71,081)	17,252	(52,652)	76,848	(29,633)
Net Assets at Beginning of Year	4,292,599	194,746	511,068	1,790,685	6,789,098
Net Assets at End of Year	\$ 4,221,518	\$ 211,998	\$ 458,416	\$ 1,867,533	\$ 6,759,465

See independent accountant's review report and accompanying notes to combining financial statements.

WOODS MEMORIAL PRESBYTERIAN CHURCH
COMBINING STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2018

	Without Donor Restrictions		With Donor Restrictions		Combined
	Church	CDC	Capital Campaign	Other	
Revenues and Support:					
Contributions	\$ 1,982,327	\$ -	\$ -	\$ 354,349	\$ 2,336,676
Tuition	-	994,341	-	-	994,341
Other Income	192,210	16,944	-	-	209,154
Investment Income	55,857	525	11,224	78,084	145,690
Food Fees	42,393	2,341	-	-	44,734
Fundraising	-	10,185	-	-	10,185
Net Assets Released from Restrictions	640,258	-	(260,897)	(379,361)	-
Total Revenues and Support	2,913,045	1,024,336	(249,673)	53,072	3,740,780
Expenses:					
Personnel and Administration	1,174,575	861,594	-	-	2,036,169
School Operations	-	121,533	-	-	121,533
Payments from Restricted Funds	492,453	-	-	-	492,453
Local and World Community	233,744	-	-	-	233,744
Property Management	324,770	-	-	-	324,770
Depreciation	264,541	2,790	-	-	267,331
Stewardship and Finance	155,022	-	-	-	155,022
Interest Expense	4,987	-	-	-	4,987
Kitchen Operations	56,157	34,399	-	-	90,556
Youth Activities	28,519	-	-	-	28,519
Worship	58,681	-	-	-	58,681
Welcome and Membership	12,887	-	-	-	12,887
Family with Children	10,081	-	-	-	10,081
Deacons	3,609	-	-	-	3,609
Adult Education	1,641	-	-	-	1,641
Total Expenses	2,821,667	1,020,316	-	-	3,841,983
Change in Net Assets	91,378	4,020	(249,673)	53,072	(101,203)
Net Assets at Beginning of Year	4,201,221	190,726	760,741	1,737,613	6,890,301
Net Assets at End of Year	\$ 4,292,599	\$ 194,746	\$ 511,068	\$ 1,790,685	\$ 6,789,098

See independent accountant's review report and accompanying notes to combining financial statements.

WOODS MEMORIAL PRESBYTERIAN CHURCH
 COMBINING STATEMENTS OF CASH FLOWS
 FOR THE YEARS ENDED JUNE 30, 2019 AND 2018

	<u>2019</u>	<u>2018</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in Net Assets	\$ (29,633)	\$ (101,203)
Adjustments to Reconcile Change in Net Assets to Net Cash Provided (Used) by Operating Activities:		
Depreciation	272,362	267,331
Unrealized and Realized Gain on Investments	(38,544)	(69,205)
Accrued Interest on Promissory Notes	-	4,987
Changes in Operating Assets and Liabilities:		
(Increase) Decrease in Food Inventory	(124)	1,031
(Increase) Decrease in Other Receivables	18,559	(19,493)
Decrease in Prepaid Tuition and Fees	(1,015)	(88,656)
Decrease in Prepaid Pledges	<u>(2,631)</u>	<u>(19,389)</u>
Net Cash Provided (Used) by Operating Activities	218,974	(24,597)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of Investments	(681,390)	(1,708,348)
Sale of Investments	548,945	2,037,834
Purchase of Property and Equipment	<u>(66,024)</u>	<u>(260,887)</u>
Net Cash Provided (Used) for Investing Activities	(198,469)	68,599
CASH FLOWS FROM FINANCING ACTIVITIES		
Principal Payments on Promissory Notes	<u>(16,389)</u>	<u>(2,016)</u>
Net Cash Used for Financing Activities	<u>(16,389)</u>	<u>(2,016)</u>
Net Increase in Cash and Cash Equivalents	4,116	41,986
Cash and Cash Equivalents, Beginning of Year	<u>784,801</u>	<u>742,815</u>
Cash and Cash Equivalents, End of Year	<u><u>\$ 788,917</u></u>	<u><u>\$ 784,801</u></u>
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION		
Interest Paid	<u><u>\$ 5,687</u></u>	<u><u>\$ -</u></u>
Income Taxes Paid	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>

See independent accountant's review report and accompanying notes to combining financial statements.

WOODS MEMORIAL PRESBYTERIAN CHURCH
NOTES TO COMBINING FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2019 AND 2018

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization

Woods Memorial Presbyterian Church (“the Church”) was incorporated on June 23, 1912 under the laws of the state of Maryland. The Church’s purpose is to establish and maintain a place of religious worship. The Church also operates a daycare facility (the “Child Development Center” or CDC) for both members and nonmembers. The Church is supported by contributions from its members and tuition charged to users of its daycare facility.

Basis of Accounting

The Church prepares its combining financial statements in accordance with general accepted accounting principles, which involves the application of accrual accounting. In accordance with this method of accounting, revenue is recognized in the period in which it is earned and expenses are recognized in the period in which they are incurred. All revenue and expenses which are applicable to future periods have been presented as deferred or prepaid in the accompanying combining statements of financial position.

Net Assets

Net assets, revenues, gains, and losses are classified based on the existence or absence of donor or grantor imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

Net Assets Without Donor Restrictions – Net assets available for use in general operations and not subject to donor (or certain grantor) restrictions.

Net Assets With Donor Restrictions – Net assets subject to donor- (or certain grantor-) imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Gifts of long-lived assets and gifts of cash restricted for the acquisition of long-lived assets are recognized as revenue when the assets are placed in service. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both.

Basis of Combination

The Session of the Church and the leadership of the Child Development Center share common members. Accordingly, the financial statements of the two organizations are combined. All significant intercompany transactions have been eliminated in the combining financial statements.

WOODS MEMORIAL PRESBYTERIAN CHURCH
NOTES TO COMBINING FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2019 AND 2018

NOTE 1 - SUMMARY OF SIGNIFIGANT ACCOUNTING POLICIES (CONTINUED)

Use of Estimates

The preparation of combining 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 as of the date of the combining financial statements, and reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Change in Accounting Principle

In August 2016, the FASB issued Accounting Standards Update ASU 2016-14, Not-for-Profit Entities (Topic 958) – *Presentation of Financial Statements of Not-for-Profit Entities*. The update addresses the complexity and understandability of net asset classification, quantitative and qualitative information about the liquidity and availability of resources, consistency in the presentation of expenses and investment return, and other financial statement reporting requirements and disclosures intended to increase the usefulness of nonprofit financial statements. The ASU has been applied retrospectively to all periods presented. The Organization has changed its presentation of net asset classes, expanded the footnote disclosures required by ASU 2016-14, and reclassified certain expense items to conform to the requirements of the ASU.

Cash and Cash Equivalents

For purposes of financial statement presentation, cash includes all checking and cash management accounts, and all highly liquid investments with a maturity of three months or less at the time purchased. Excluded from cash balances are those amounts included in managed investment accounts.

Accounts Receivable

Accounts receivable are stated at the amount expected to be collected based on an analysis of the accounts receivable at year end and prior collection history. Receivables are charged off as management deems them uncollectible. No interest or late fees are charged on receivables. Management has determined that an allowance was not necessary at June 30, 2019 and 2018.

Food Inventory

Food inventory is stated at cost on the first in, first out method.

WOODS MEMORIAL PRESBYTERIAN CHURCH
NOTES TO COMBINING FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2019 AND 2018

NOTE 1 - SUMMARY OF SIGNIFIGANT ACCOUNTING POLICIES (CONTINUED)

Land, Buildings, Furniture, and Equipment

Land, buildings and equipment are recorded on the combining financial statements at their historical costs. The Church capitalizes items at cost or fair value at time of donation if \$1,000 or greater. The Church uses the straight line method of depreciation for fixtures and equipment over the respective estimated useful lives. Estimated useful lives are as follows:

Building and Improvements	15-39	years
Furniture and Equipment	5-7	years

Investments

Investments consist of mutual funds, exchange traded funds, and cash and money market funds held in investment accounts. These investments are recorded at market value. Investment income, which consists of interest and dividend income earned, realized gains or losses, and unrealized appreciation (depreciation) on those investments, is included in the combining statements of activities. All investment income is reported as operating income.

Fair Value Measurement

Financial assets and liabilities valued using level 1 inputs are based on unadjusted quoted market prices within active markets. Financial assets and liabilities valued using level 2 inputs are valued on the market approach, based primarily on quoted prices for similar assets or liabilities in active or inactive markets. Financial assets and liabilities using level 3 inputs were primarily valued using management's assumptions about the assumptions market participants would utilize in pricing the asset or liability. Valuation techniques utilized to determine fair value are consistently applied.

Revenue With Donor Restriction

Donor restricted revenue is 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 asset without donor restrictions and reported in the combining statements of activities as net assets released from restrictions.

WOODS MEMORIAL PRESBYTERIAN CHURCH
NOTES TO COMBINING FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2019 AND 2018

NOTE 1 - SUMMARY OF SIGNIFIGANT ACCOUNTING POLICIES (CONTINUED)

Compensated Absences

Full time employees of the Church are entitled to paid vacation, paid sick days and personal days off, depending on job classification, length of service and other factors. It is impractical to estimate the amount of compensation for future absences and, accordingly, no liability has been recorded in the accompanying combining financial statements. The Church's policy is to recognize the costs of compensated absences when actually paid to employees.

Tax Status

The Church is exempt from federal income taxes. The Church was established before the Internal Revenue Service created 501(c)(3) status for nonprofits. However, the Church was granted 501(c)(3) status on August 17, 2007. In addition, ministers of the Church are granted certain income tax exemptions, if applied for and documented by the Church's records. Additional income and payroll taxes can be assessed against the Church and its ministers if exemption requirements are not met.

Subsequent Events

The Church evaluated subsequent events through the date that the combining financial statements were available to be issued. The Church is not aware of any significant events that occurred subsequent to the combining statement of financial position date but prior to October 7, 2019 that would have a material impact on the combining financial statements.

NOTE 2 - CASH CONCENTRATION

The Church maintains cash deposits in various financial institutions. The balance is insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000 per financial institution. As of June 30, 2019, the Church's cash in excess of FDIC insurance coverage totaled approximately \$238,000. The Church has not experienced any losses on its deposits and believes it is not exposed to significant risk on cash and equivalents.

NOTE 3 - LIQUIDITY AND AVAILABILITY

The Church maintains a policy of structuring its financial assets to be available as its general expenditures, liabilities, and other obligations come due.

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the statement of financial position date, comprise the following:

WOODS MEMORIAL PRESBYTERIAN CHURCH
NOTES TO COMBINING FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2019 AND 2018

NOTE 3 - LIQUIDITY AND AVAILABILITY (CONTINUED)

	<u>2019</u>	<u>2018</u>
Cash and Cash Equivalents	\$ 788,917	\$ 784,801
Investments	3,029,441	2,889,784
Other Receivables	<u>934</u>	<u>19,493</u>
Total Current Financial Assets at Year End	3,819,292	3,694,078
Amounts Unavailable for General Expenditures Within One Year, Due to:		
Restricted by Donors for a Specific Purpose	(1,188,100)	(1,163,904)
Perpetually Restricted by Donors	(1,137,849)	(1,137,849)
Board Designated for a Specific Purpose	<u>(1,025,905)</u>	<u>(882,071)</u>
Total Financial Assets Available for General Expenditure Within One Year	\$ <u>468,138</u>	\$ <u>510,254</u>

NOTE 4 - OPERATING LEASES

The Church leases land to an unrelated party under an operating lease calling for monthly rents of \$4,500, which expired in 2016. The lease provides for renewal options through 2071, and is for operating a community center.

The Church also leases space to an unrelated party under an operating lease calling for monthly rents of \$1,801 with 3% increases per year, which expired June 2018. The lease contains renewal options through 2038.

NOTE 5 - INVESTMENTS

The following table presents the Organization's fair value hierarchy for assets and liabilities measured at fair value on a recurring basis as of June 30, 2019:

	Quoted Market Prices in Active Markets (Level 1)	Other Observable Inputs (Level 2)	Unobservable Inputs (Level 3)	<u>Total</u>
Cash and Money				
Market Funds	\$ 343,883	\$ ---	\$ ---	\$ 343,883
Exchange Traded Funds	352,488	---	---	352,488
Mutual Funds Equities	1,722,933	---	---	1,722,933
Mutual Funds Fixed Income	<u>610,137</u>	<u>---</u>	<u>---</u>	<u>610,137</u>
Total	\$ <u>3,029,441</u>	\$ <u>---</u>	\$ <u>---</u>	\$ <u>3,029,441</u>

WOODS MEMORIAL PRESBYTERIAN CHURCH
NOTES TO COMBINING FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2019 AND 2018

NOTE 5 – INVESTMENTS (CONTINUED)

The following table presents the Organization’s fair value hierarchy for assets and liabilities measured at fair value on a recurring basis as of June 30, 2018:

	Quoted Market Prices in Active Markets <u>(Level 1)</u>	Other Observable Inputs <u>(Level 2)</u>	Unobservable Inputs <u>(Level 3)</u>	<u>Total</u>
Cash and Money				
Market Funds	\$ 211,549	\$ ---	\$ ---	\$ 211,549
Exchange Traded Funds	314,173	---	---	314,173
Mutual Funds	<u>2,364,062</u>	<u>---</u>	<u>---</u>	<u>2,364,062</u>
Total	\$ <u>2,889,784</u>	\$ <u>---</u>	\$ <u>---</u>	\$ <u>2,889,784</u>

NOTE 6 - PROPERTY AND EQUIPMENT

Property and equipment is comprised of following at June 30:

<u>2019</u>	<u>Church</u>	Child Development <u>Center</u>	<u>Combined</u>
Buildings and Improvements	\$ 7,224,708	\$ ---	\$ 7,224,708
Land	335,760	---	335,760
Furniture, Fixtures, and Equipment	<u>279,223</u>	<u>68,268</u>	<u>347,491</u>
	7,839,691	68,268	7,907,959
Less Accumulated Depreciation	<u>(4,539,348)</u>	<u>(52,974)</u>	<u>(4,592,322)</u>
Property and Equipment, Net	\$ <u>3,300,343</u>	\$ <u>15,294</u>	\$ <u>3,315,637</u>
		Child Development <u>Center</u>	
<u>2018</u>	<u>Church</u>	<u>Center</u>	<u>Combined</u>
Buildings and Improvements	\$ 7,250,829	\$ ---	\$ 7,250,829
Land	335,760	---	335,760
Furniture, Fixtures, and Equipment	<u>187,078</u>	<u>68,268</u>	<u>255,346</u>
	7,773,667	68,268	7,841,195
Less Accumulated Depreciation	<u>(4,269,768)</u>	<u>(50,192)</u>	<u>(4,319,960)</u>
Property and Equipment, Net	\$ <u>3,503,899</u>	\$ <u>18,076</u>	\$ <u>3,521,975</u>

WOODS MEMORIAL PRESBYTERIAN CHURCH
NOTES TO COMBINING FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2019 AND 2018

NOTE 7 - PROMISSORY NOTES PAYABLE

The Church has promissory notes payable to various individual members of the Church. These promissory notes are unsecured, with interest being accrued at 2%, until maturity of the notes in 2022.

NOTE 8 - ENDOWMENT

The Session of the Church has interpreted the Maryland Uniform Prudent Management of Institutional Funds Act (MPMIFA) 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 Church classifies as net assets with perpetual donor restrictions (a) the original value of gifts donated to the donor restricted endowment, (b) the original value of subsequent gifts to the donor restricted endowment, and (c) accumulations to the perpetual endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the

fund. The remaining portion of the donor-restricted endowment fund that is not classified in perpetually restricted net assets is classified as donor restricted net assets until those amounts are appropriated for expenditure by the Church in a manner consistent with the standard of prudence prescribed by MPMIFA. In accordance with MPMIFA, the Church considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds: (1) the duration and preservation of the various funds, (2) the purposes of the donor-restricted endowment funds, (3) general economic conditions, (4) the possible effect of inflation and deflation, (5) the expected total return from income and the appreciation of investments, (6) other resources of the Church, and (7) the Church's investment policies.

The Church's endowment is comprised of two funds: the Memorial Fund and the Endowment Fund. As required by generally accepted accounting principles, net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

Funds that are specifically designated by the donor to be contributed to the endowment fund are placed in that sub-fund so designated. The use of endowment funds that are donor-restricted for a specific purpose are strictly restricted for the specified purpose. Endowment funds that are not specifically directed are placed in the general purpose endowment fund.

Contributions to the endowment fund may be in the form of cash, securities, bequests, trusts, or other planned gifts. In addition, the Session of the Church bears the right to reject any contribution that carries any restriction placed by the donor or otherwise, that is deemed by the Session to be inconsistent with the objectives and purposes of the Church and its needs, to be incompatible with its endowment policy or to be illegal.

WOODS MEMORIAL PRESBYTERIAN CHURCH
 NOTES TO COMBINING FINANCIAL STATEMENTS
 FOR THE YEARS ENDED JUNE 30, 2019 AND 2018

NOTE 8 - ENDOWMENT (CONTINUED)

Donor-directed named endowment funds may be created for purposes consistent with this endowment policy. Such named funds are required to be in an amount sufficient to support the designated purpose as determined by the Session.

For investing purposes, endowment funds may be commingled consistent with legal and/or regulatory provisions. The investment goal for the endowment fund is to achieve a rate of return on assets that is no less than the return realized by a benchmark from: for stocks - the S&P 500's Stock Index, for bonds - Barclay's Government Credit, for cash - 90-day T-Bills, and for real estate investment trusts (REIT) - the Morgan Stanley REIT Index or such indexes as the Stewardship and Finance Ministry deems appropriate for each asset class. To manage risks associated with declines in value of a single security, the asset portfolio shall be invested in diversified mutual funds holding assets in classes specified below, except that the REIT asset class dollars shall be invested in non-diversified mutual funds holding principally REIT's. Unless other asset allocation parameters or investments are approved, the asset allocation parameters shall be as follows:

<u>Asset Class</u>	<u>Range</u>
Equities	40%-60%
Fixed Income	30%-50%
Real Estate Investment Trusts	0%-10%
Cash Equivalents	0%-15%

For spending purposes of the strictly endowment fund, amounts may be transferred to the Church's operating budget in an amount equal to 4.5% of the total value of the endowment fund determined as of December 31 each year to further the Christian mission and goals of the Church, and as approved by the Session, which include but are not limited to: special needs and programs within the Church, seminars and speakers, improvements to Church property, community outreach, new membership development, and mission. Spending from the endowment fund may be increased in any given year if an extraordinary need arises that meets the general purposes of the Church's mission and goals, there are no other sources of funds available to the Church to meet the need, and a majority of the quorum of the Session approves the increase in the spending from the endowment fund for that year and extraordinary purpose.

For spending purposes of the memorial fund may be spent by the Church annually in any amount approved by the Session and shall be made in the memory of the person(s) for whom the memorial fund was established.

Endowment net asset composition by type of fund as of June 30, 2019 is as follows:

WOODS MEMORIAL PRESBYTERIAN CHURCH
NOTES TO COMBINING FINANCIAL STATEMENTS
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NOTE 8 - ENDOWMENT (CONTINUED)

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Endowment Net Assets</u>
Donor-Restricted Endowment Funds	\$ ---	\$ 1,271,568	\$ 1,271,568
Session-Designated Endowment Funds	<u>756,299</u>	<u>---</u>	<u>756,299</u>
Total	<u>\$ 756,299</u>	<u>\$ 1,271,568</u>	<u>\$ 2,027,867</u>
	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Endowment Net Assets</u>
Endowment Net Assets, Beginning of Year	\$ 697,171	\$ 1,231,775	\$ 1,928,946
Contributions	5,279	---	5,279
Investment Income	53,849	39,793	93,642
Amounts Appropriated For Expenditure	<u>---</u>	<u>---</u>	<u>---</u>
Endowment Net Assets, End of Year	<u>\$ 756,299</u>	<u>\$ 1,271,568</u>	<u>\$ 2,027,867</u>

Endowment net asset composition by type of fund as of June 30, 2018 is as follows:

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Endowment Net Assets</u>
Donor-Restricted Endowment Funds	\$ ---	\$ 1,231,775	\$ 1,231,775
Session-Designated Endowment Funds	<u>697,171</u>	<u>---</u>	<u>697,171</u>
Total	<u>\$ 697,171</u>	<u>\$ 1,231,775</u>	<u>\$ 1,928,946</u>

WOODS MEMORIAL PRESBYTERIAN CHURCH
NOTES TO COMBINING FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2019 AND 2018

NOTE 8 - ENDOWMENT (CONTINUED)

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Endowment Net Assets</u>
Endowment Net Assets, Beginning of Year	\$ 627,989	\$ 1,137,849	\$ 1,765,838
Contributions	15,883	---	15,883
Investment Income	20,439	154,433	174,872
Net Appreciation (Depreciation)	32,860	(60,507)	(27,647)
Amounts Appropriated For Expenditure	---	---	---
	<hr/>	<hr/>	<hr/>
Endowment Net Assets, End of Year	<u>\$ 697,171</u>	<u>\$ 1,231,775</u>	<u>\$ 1,928,946</u>

NOTE 9 - PENSION

The Church is a member of a group defined contribution pension plan which covers all of its employees. Pension plan expense for the years ended June 30, 2019 and 2018 was \$124,320 and \$119,435, respectively.

NOTE 10 - DONOR RESTRICTED NET ASSETS

The Church occasionally receives funds that are restricted by the donor for use in certain Church programs. The Church records these funds as donor restricted until the restriction has been satisfied. The Session has also designated certain funds without donor restriction for various Church programs.

During the year ended June 30, 2019, the changes in net assets with donor restriction are restricted were as follows:

WOODS MEMORIAL PRESBYTERIAN CHURCH
NOTES TO COMBINING FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2019 AND 2018

NOTE 10 - DONOR RESTRICTED NET ASSETS (CONTINUED)

	<u>2018</u>	<u>Contributions</u>	<u>Satisfaction</u>	<u>Net Appreciation/ (Depreciation)</u>	<u>2019</u>
Choir Fund	\$ 78,058	\$ ---	\$ (9,395)	\$ 6,013	\$ 74,706
Sunday School Fund	71,706	---	---	5,291	76,997
Columbarium Fund	25,550	---	---	2,472	28,022
Christian Education	40,792	---	---	3,010	43,802
Adult Ed Endowment	27,549	---	---	2,033	29,582
Playground Fund	---	---	---	(587)	(587)
Adult Ed					
Programming	9,014	---	---	(223)	8,791
Wilson Fund	10,316	---	---	761	11,077
Saarlus Endowment	10,634	---	---	1,007	11,641
Other Purpose					
Restricted	285,261	406,278	(379,605)	---	311,934
Endowment	93,926	---	---	39,793	133,719
Capital Campaign	511,068	---	(66,024)	13,372	458,416
Perpetual Restriction	1,137,849	---	---	---	1,137,849
Total	<u>\$ 2,301,753</u>	<u>\$ 406,256</u>	<u>\$ (455,002)</u>	<u>\$ 72,972</u>	<u>\$ 2,325,949</u>

WOODS MEMORIAL PRESBYTERIAN CHURCH
NOTES TO COMBINING FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2019 AND 2018

NOTE 10 - DONOR RESTRICTED NET ASSETS (CONTINUED)

During the year ended June 30, 2018, the changes in net assets with donor restrictions are restricted were as follows:

	2017	Contributions	Satisfaction	Net Appreciation/ (Depreciation)	2018
Choir Fund	\$ 68,074	\$ 6,058	\$ ---	\$ 3,956	\$ 78,058
Sunday School Fund	63,141	3,028	---	5,536	71,706
Columbarium Fund	23,555	---	---	1,995	25,550
Christian Education	37,607	---	---	3,185	40,792
Adult Ed Endowment	26,570	---	---	979	27,549
Playground Fund	28,015	6,058	34,073	---	---
Adult Ed					
Programming	8,310	---	---	704	9,014
Wilson Fund	9,511	---	---	805	10,316
Mary Hubbard Fund	14,879	---	15,145	266	
Saaras Endowment	9,757	50	---	827	10,634
Other Purpose					
Restricted	310,345	339,154	364,238	---	285,261
Endowment	---	---	---	93,926	93,926
Capital Campaign	760,741	---	260,897	11,224	511,068
Perpetual Restriction	<u>1,137,849</u>	<u>---</u>	<u>---</u>	<u>---</u>	<u>1,137,849</u>
Total	<u>\$ 2,498,354</u>	<u>\$ 354,349</u>	<u>\$ 674,353</u>	<u>\$ 123,403</u>	<u>\$ 2,301,753</u>

Perpetually restricted net assets consist of the Woods Church Lasting Legacy Endowment Fund, the balance of which was \$1,137,849 on June 30, 2019 and 2018. At December 31st of each year, 4.5% of the balance of the endowment fund may be transferred to net assets without donor restriction. The spending from the endowment fund may be increased in any given year if: (1) an extraordinary need arises which relates to the furtherance of the mission and goals of the Church, (2) there is no other source of funds available to the Church to meet the need, and (3) a majority of the quorum of the Session approves the increase in the spending from the endowment fund for that year and extraordinary purpose.

WOODS MEMORIAL PRESBYTERIAN CHURCH
 NOTES TO COMBINING FINANCIAL STATEMENTS
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NOTE 11 - SESSION DESIGNATED NET ASSETS

The Session has designated unrestricted net assets for the following purposes:

	<u>2019</u>	<u>2018</u>
Endowment	\$ 756,299	\$ 697,171
Maintenance Reserve	202,421	132,662
Promissory Notes Fund	<u>66,485</u>	<u>53,238</u>
Total	\$ <u>1,025,205</u>	\$ <u>882,071</u>

NOTE 12 - OTHER INCOME

Other income for the Church is comprised of the following:

	<u>2019</u>	<u>2018</u>
Musical Performance	\$ ---	\$ 12,949
CCW Lease Payments	64,000	54,000
Building Use	57,060	74,244
Apportionment	23,414	23,114
T-Mobile Antenna	24,954	24,227
Support of Maintenance	---	3,500
Church School	155	176
CDC Income	<u>21,475</u>	<u>16,944</u>
Total	\$ <u>191,058</u>	\$ <u>209,154</u>

NOTE 13 – FUNCTIONAL EXPENSES

Expenses are allocated between program services, management and general support, and fundraising. In accordance with generally accepted accounting principles, and have been summarized on a functional basis below. Certain costs have been allocated among the programs and supporting services benefited.

Expenses directly attributable to a specific functional area of the Church are reported as expenses of those functional areas. Expenses which benefit more than one function are allocated on a reasonable basis that is consistently applied; the basis of allocation proportion salary and related costs in each functional category. Allocated costs include employee benefits.

WOODS MEMORIAL PRESBYTERIAN CHURCH
NOTES TO COMBINING FINANCIAL STATEMENTS
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NOTE 13 – FUNCTIONAL EXPENSES (CONTINUED)

	2019					
	Church			CDC		Total
	Program	Admin	Fund Raising	Program	Admin	
Salaries and Related Cost	\$ 871,726	\$ 206,313	\$ ---	\$ 891,503	\$ 177,572	\$ 2,147,114
Community and Ministry	653,297	---	---	---	---	653,297
Occupancy	514,466	5,687	---	35,612	---	555,765
Supplies and Office Expense	106,654	179,645	5,290	72,702	42,635	407,926
Worship	59,933	---	---	---	---	59,933
Total Expenses	<u>\$ 2,206,076</u>	<u>\$ 391,645</u>	<u>\$ 5,290</u>	<u>\$ 1,000,817</u>	<u>\$ 220,207</u>	<u>\$ 3,824,035</u>
	2018					
	Church			CDC		
	Program	Admin	Fund Raising	Program	Admin	Total
Salaries and Related Cost	\$ 792,237	\$ 192,522	\$ ---	\$ 867,266	\$ 168,199	\$ 2,020,224
Community and Ministry	771,688	---	---	---	---	771,688
Occupancy	510,252	4,987	---	57,657	---	572,896
Supplies and Office Expense	104,902	196,614	4,835	79,966	25,967	412,284
Worship	64,891	---	---	---	---	64,891
Total Expenses	<u>\$ 2,243,970</u>	<u>\$ 394,123</u>	<u>\$ 4,835</u>	<u>\$ 1,004,889</u>	<u>\$ 194,166</u>	<u>\$ 3,841,983</u>