
SALEM PRESBYTERY

*Financial Statements
and
Supplementary Information*

Year Ended December 31, 2019

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JEFFREY K. JONES, CPA
MICHAEL G. CALLISON, CPA
BRADLEY O. GRAY, CPA
ERNEST V. LOGEMANN, CPA
WILLIAM D. RENDLEMAN, CPA, CMA
MARGARET L. WEEGAR, CPA



3813 FORRESTGATE DRIVE
WINSTON-SALEM, NORTH CAROLINA 27103
TELEPHONE (336) 760-3210 • FAX (336) 765-1049
www.graycallison.com

MEMBER
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OF CERTIFIED PUBLIC
ACCOUNTANTS

INDEPENDENT AUDITORS' REPORT

To the Members of the Council
Salem Presbytery
Clemmons, North Carolina

We have audited the accompanying financial statements of Salem Presbytery (a nonprofit organization), which comprise the statement of financial position as of December 31, 2019, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

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.

Auditors' Responsibility

Our responsibility is to express an opinion on these 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 financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the 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 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 financial statements.

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

Emphasis of Matters

As discussed in Note L to the financial statements, Salem Presbytery serves as the guarantor for bank loans to certain Presbyterian churches that totaled approximately \$1,254,000 at December 31, 2019. One or more loan defaults by any of the Presbyterian churches could result in a significant adverse effect on Salem Presbytery's financial position. Our opinion is not modified with respect to this matter.

Report on Supplemental Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The information included in the accompanying supplementary information as listed in the table of contents, is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Gray, Callison & Jones CPA, PC
Winston Salem, NC
August 11, 2020

SALEM PRESBYTERY
STATEMENT OF FINANCIAL POSITION
December 31, 2019
ASSETS

Cash and cash equivalents	\$ 207,095
Contributions receivable:	
Current year, net of allowance for doubtful accounts of \$5,000	13,005
Next year	43,200
Accounts receivable - other	353
Investments, at fair value	1,389,439
Note Receivable	26,356
Prepays	2,055
Property and equipment, net	<u>835,888</u>
	<u><u>\$ 2,517,391</u></u>

LIABILITIES AND NET ASSETS

LIABILITIES	
Accounts payable and accrued expenses	\$ <u>76,963</u>
	<u>76,963</u>
NET ASSETS	
Without donor restrictions:	
Budget fund:	
Unappropriated	296,151
Net investment in property and equipment	<u>835,888</u>
	1,132,039
Board designated:	
Time or purpose	649,101
Endowments	<u>33,992</u>
	<u>1,815,132</u>
With donor restrictions:	
Temporary restrictions:	
Time or purpose	197,266
Endowments	<u>274,875</u>
	472,141
Perpetual restrictions:	
Endowments	<u>153,155</u>
	<u>625,296</u>
	<u>2,440,428</u>
	<u><u>\$ 2,517,391</u></u>

See the accompanying notes and independent auditors' report

SALEM PRESBYTERY
STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS
Year ended December 31, 2019

	Without Donor Restrictions	With Donor Restrictions	Total
SUPPORT AND REVENUE			
Contribution, gifts, and grants	\$ 474,288	\$ 138,909	\$ 613,197
Dividends and interest	31,030	13,699	44,729
Realized and unrealized depreciation in fair value of investments	96,328	39,629	135,957
Program income	6,175	-	6,175
Other income	8,607	-	8,607
Net assets released from restrictions	104,554	(104,554)	-
	<u>720,982</u>	<u>87,683</u>	<u>808,665</u>
EXPENSES			
Program Expenses:			
Campus Ministry	139,000	-	139,000
GA & Synold Support	1,000	-	1,000
Clergy & Congregational Support	84,395	-	84,395
Presbytery Committee Ministry	203,564	-	203,564
Hispanic Ministry	73,031	-	73,031
Youth Ministry	20,838	-	20,838
Hunger Ministry	105,406	-	105,406
Other Programs & Ministries	15,979	-	15,979
	<u>643,213</u>	<u>-</u>	<u>643,213</u>
General and administrative	249,971	-	249,971
Fundraising	43,524	-	43,524
	<u>936,708</u>	<u>-</u>	<u>936,708</u>
CHANGE IN NET ASSETS	(215,726)	87,683	(128,043)
NET ASSETS, at beginning of year	<u>2,030,858</u>	<u>537,613</u>	<u>2,568,471</u>
NET ASSETS AT END OF YEAR	<u>\$ 1,815,132</u>	<u>\$ 625,296</u>	<u>\$ 2,440,428</u>

See the accompanying notes and independent auditors' report

SALEM PRESBYTERY
STATEMENT OF FUNCTIONAL EXPENSES
Year ended December 31, 2019

	Program Services								Supporting Services		Total Expenses	
	Campus Ministry	GA & Synod Support	Clergy & Congregational Support	Presbytery Committee Ministry	Hispanic Ministry	Youth Ministry	Hunger Ministry	Other Programs	Total Program Services	Management and General		Fundraising
Personnel expense	\$ -	\$ -	\$ 52,593	\$ 119,264	\$ 41,081	\$ 6,633	\$ 12,923	\$ -	\$ 232,494	\$ 165,652	\$ 29,784	\$ 427,930
Campus ministry	139,000	-	-	-	-	-	-	-	139,000	-	-	139,000
Closed Church expense	-	-	1,516	3,439	1,185	191	373	-	6,704	4,776	859	12,339
SEND	-	1,000	-	105	13,119	-	-	-	14,224	-	-	14,224
Church growth	-	-	-	18,264	-	-	-	-	18,264	-	-	18,264
Equipment & conferences	-	-	-	1,224	-	-	-	-	1,224	-	-	1,224
Missions	-	-	13,631	17,758	6,117	988	1,924	13,854	54,272	24,665	4,435	83,372
Hunger	-	-	-	-	-	-	86,900	-	86,900	-	-	86,900
Resource center	-	-	-	1,222	-	-	-	-	1,222	-	-	1,222
Youth ministry	-	-	-	-	-	10,274	-	-	10,274	-	-	10,274
Council/committees	-	-	987	11,143	-	-	-	2,125	14,255	-	-	14,255
Continuing education	-	-	1,026	1,876	1,184	737	-	-	4,823	2,021	810	7,654
Travel & professional	-	-	2,801	4,931	1,961	661	648	-	11,002	4,811	1,557	17,370
Communications	-	-	2,876	6,522	2,247	363	707	-	12,715	9,059	1,629	23,403
Temporary/outside services	-	-	1,246	309	107	17	34	-	1,713	430	77	2,220
Office supplies	-	-	1,103	2,501	862	139	271	-	4,876	5,711	625	11,212
Occupancy	-	-	1,623	3,681	1,268	205	399	-	7,176	5,112	919	13,207
Professional fees	-	-	-	-	-	-	-	-	-	11,950	-	11,950
Dues and subscriptions	-	-	1	3	1	-	-	-	5	4	1	10
Insurance	-	-	2,105	4,774	1,644	266	517	-	9,306	6,631	1,192	17,129
Interest	-	-	-	-	-	-	-	-	-	53	-	53
Depreciation	-	-	2,586	5,865	2,020	326	636	-	11,433	8,147	1,465	21,045
Miscellaneous	-	-	301	683	235	38	74	-	1,331	949	171	2,451
	<u>\$ 139,000</u>	<u>\$ 1,000</u>	<u>\$ 84,395</u>	<u>\$ 203,564</u>	<u>\$ 73,031</u>	<u>\$ 20,838</u>	<u>\$ 105,406</u>	<u>\$ 15,979</u>	<u>\$ 643,213</u>	<u>\$ 249,971</u>	<u>\$ 43,524</u>	<u>\$ 936,708</u>

See the accompanying notes and independent auditors' report

SALEM PRESBYTERY
STATEMENT OF CASH FLOWS
Year ended December 31, 2019

CASH FLOWS FROM OPERATING ACTIVITIES

Decrease in net assets	\$ (128,043)
Adjustments to reconcile increase in net assets to net cash provided by (used in) operating activities:	
Depreciation expense	21,045
Loss on sale of property and equipment	2,904
(Appreciation) depreciation	
fair value of investments	(135,957)
(Increase) decrease in:	
Contributions receivable - current year	25,866
Contributions receivable - next year	(17,388)
Contributions receivable - in-house funds	20,973
Accounts receivable - Other	22,347
Note receivable	3,981
Prepaid expenses	(2,055)
Accounts payable	12,283
NET CASH USED BY OPERATING ACTIVITIES	(174,044)

CASH FLOWS FROM INVESTING ACTIVITIES:

Purchase of investments	(584,344)
Redemptions of investments	794,881
Purchase of property and equipment	(3,072)
NET CASH PROVIDED BY INVESTING ACTIVITIES	207,465

CASH FLOWS FROM FINANCING ACTIVITIES:

Payments on capital lease obligations	(1,441)
NET CASH USED BY FINANCING ACTIVITIES	(1,441)

NET INCREASE IN CASH AND CASH EQUIVALENTS

31,980

Cash and cash equivalents, beginning of year

175,115

CASH AND CASH EQUIVALENTS, END OF YEAR

\$ 207,095

Supplemental Schedule of Cash Flow Information: Interest paid

\$ 53

See the accompanying notes and independent auditors' report

SALEM PRESBYTERY
NOTES TO FINANCIAL STATEMENTS

NOTE A: NATURE OF ACTIVITIES

Salem Presbytery (the "Presbytery") is a not-for-profit organization established under the laws of the State of North Carolina and operates as a religious organization. Salem Presbytery is called to fulfill the mission and governing responsibilities given by Christ, as interpreted by the Constitution of the Presbyterian Church (U.S.A.). The Presbytery is a non-profit corporation consisting of Presbyterian churches and ministers in northwestern North Carolina.

NOTE B: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of accounting

The Presbytery's financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America. Support and revenue is recorded in the period earned and expenses are recorded in the period incurred.

Financial statement presentation

The accompanying financial statements are intended to present only financial position and activities for Salem Presbytery.

The Presbytery has adopted certain elements of FASB ASC 958 *"Not-for-Profit Entities"*. In August 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2016-14, *Presentation of Financial Statements of Not-for-Profit Entities*. ASU 2016-14 requires significant changes to the financial reporting model of organizations who follow the not-for-profit reporting model. The changes include reducing the classes of net assets from three classes to two - net assets with donor restrictions and net assets without donor restrictions. The ASU also requires changes in the way certain information is aggregated and reported by the Presbytery, including required disclosures about liquidity and availability of resources and increased disclosures of functional expenses. The new standard is effective for the Presbytery's year ended December 31, 2018 and thereafter. The Presbytery adopted the ASU effective January 1, 2018. Adoption of the ASU did not result in any reclassifications or restatements to net assets or changes in net assets.

Net assets of the Presbytery consist of the following:

Without Donor Restrictions:

Budget Fund - These net assets are unrestricted and available for general budget activities of the Presbytery.

Board Designated - these net assets are to be used for specific purposes as determined by the Council of the Presbytery. These also include Council designated, quasi-endowment type funds where the Council designated resources are available for any uses the Council deems appropriate, along with any related income derived from the investment of such funds.

With Donor Restrictions:

These net assets are restricted by donors to be used for some specified purpose. These also include donor mandated, quasi-endowment type funds where donor-restricted resources are available for use for specified purposes, along with any related income derived from the investment of these net resource assets, donor-restricted resources to be held by the Presbytery in perpetuity (as endowment funds) with any related income derived from these net assets being available without donor restrictions for donor-specific purposes.

SALEM PRESBYTERY
NOTES TO FINANCIAL STATEMENTS

Cash and cash equivalents

The Presbytery considers all cash accounts and all highly liquid investments with a maturity of three months or less to be cash and cash equivalents.

Contributions and contributions receivable

Contributions, unconditional promise to give, gifts, and grants collected are recorded as either without donor restrictions or with donor restrictions depending on the existence or nature of any donor restrictions.

Contributions and unconditional promises to give are recorded as contributions receivable and support when made or the promise is conveyed, whichever is earlier. Contributions of assets other than cash are recorded at estimated fair value on the donation date. Support that is restricted by the donor is reported as increases in either net assets with temporary restrictions or net assets with perpetual restrictions depending on the nature of the restrictions. When a donor restriction is met, donor restricted net assets are reclassified to net assets without donor restrictions.

Endowment contributions are maintained in perpetuity by the Presbytery. Income earned on these contributions is used by the Presbytery based on the donor-imposed stipulations and/or may be used for unrestricted purposes absent donor-imposed stipulations.

Investments

Investments consist primarily of assets invested in marketable equity and fixed income securities, and certificate of deposit accounts. Investments in marketable equity securities with readily determinable fair values and all investments in debt securities are measured at fair value in the statements of financial position. Fair value of marketable equity and debt securities is based on quoted market prices. Investment income or loss, including realized or unrealized gains and losses on investments and interest and dividends, is included in the change in unrestricted net assets unless the donor restricts the income or loss.

Investments are exposed to various risks such as significant world events, interest rate, credit, and overall market volatility risks. Due to the level of risk associated with certain investment securities, it is reasonably possible that changes in the fair value of investments will occur in the near term and that such changes could materially affect the amounts reported in the financial statements.

Investment policy

Given the Presbytery's fiduciary responsibility for the funds entrusted to it by the member churches and other sources, the primary investment objective of the Presbytery is and will be the preservation of principal. At least 80% of investment portfolio should at all times be based on conservative risk tolerance and emphasize principal preservation over return on investment. Up to 20 % of the total portfolio may at any given time be invested in moderate risk instruments in order to generate a greater rate of return. Of this 20%, nothing shall be invested in anything lower than BBB-grade instruments, with no more than 10% of the total portfolio in real estate-backed securities at any given time.

SALEM PRESBYTERY
NOTES TO FINANCIAL STATEMENTS

Fair value measurements

Cash and cash equivalents, receivables, accounts payable and accrued expenses, and capital lease obligations are financial instruments with carrying amounts that approximate fair value because of the short maturity of those instruments.

Property and equipment, net

Property and equipment are carried at cost. Donated property and equipment items are recorded at fair market value on the date received. Depreciation is provided over the estimated useful lives of the respective assets on a straight-line basis.

Income taxes

The Presbytery is exempt from income taxes under Section 501(c)(3) of the Internal revenue Code (the "Code"). Accordingly, no provision for income taxes is reflected in the accompanying financial statements. Qualifying contributions to the Presbytery are tax deductible.

The Presbytery evaluates all tax positions to identify any that may be considered uncertain. All identified material tax positions are assessed and measured by a "more-likely-than-not" threshold to determine if the tax position is uncertain and what, if any, the effect of the uncertain tax position may have on the financial statements. No material uncertain tax positions were identified during 2019.

Agency transactions

The Presbytery acts as an agent or intermediary between churches within its jurisdiction and the Synod of the Mid-Atlantic and General Assembly. Agency transactions receipted and disbursed during the current period have been netted for financial statement presentation purposes.

Estimates and assumptions

The preparation of financial statements in accordance 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 the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

NOTE C: CASH AND CASH EQUIVALENTS

The Presbytery maintains its cash in financial institutions insured by the National Credit Union Administration (the "NCUA") and the Federal Deposit Insurance Corporation (the "FDIC"), as applicable. At various times, cash and cash equivalents on deposit in certain financial institutions may exceed the NCUA and FDIC limits. The Presbytery does not believe it is exposed to any significant risk.

SALEM PRESBYTERY
NOTES TO FINANCIAL STATEMENTS

Cash and cash equivalents at December 31, 2019 are represented as follows:

Allegacy Federal Credit Union	
General Checking	\$ 23,179
Restricted Account Checking	90,173
Savings	5
	113,357
Merrill Lynch	
General Account	8,579
Synod/Duke Building	2,756
	11,335
Presbyterian Foundation	
Fidelity Institutional Government	
Money Market Accounts	8,639
Cash Accounts	634
	9,273
Presbyterian Church (U.S.A)	
Investment and Loan Program	
Mission Market Account	73,030
	73,030
Petty Cash	100
	\$ 207,095

At December 31, 2019, the Presbytery had \$73,030 investment cash at Presbyterian Church (U.S.A.) Investment and Loan Program, Inc. (the "PILP") designated to help congregations within the Presbytery to obtain favorable loan rates with the PILP. The Presbytery's designated cash amounts may be withdrawn at any time; however, withdrawals of the designated cash may result in increased loan rates for affected churches.

SALEM PRESBYTERY
NOTES TO FINANCIAL STATEMENTS

NOTE D: INVESTMENTS

Investments consist of marketable and fixed income securities, including mutual funds, and certificates of deposit, and at December 31, 2019, are as follows:

	At Fair Value
Equities:	
Common Stock	\$ 208,526
Mutual Funds	188,280
	396,806
Fixed Income	
Mutual Funds	59,038
Corporate bonds	794,837
	853,875
Other	138,758
	\$ 1,389,439

During the year ended December 31, 2019, Salem Presbytery recorded the following investment income from deposited cash and invested marketable securities:

Dividends and interest	\$ 44,729
Realized/Unrealized depreciation in the fair value of investments	135,957
	\$ 180,686

NOTE E: FAIR VALUE MEASUREMENTS

The Presbytery has adopted the provisions of FASB ASC 820 "Fair Value Measurements". Under ASC 820, fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

SALEM PRESBYTERY
NOTES TO FINANCIAL STATEMENTS

The Financial Accounting Standards Board issued ASC 820, Fair Value Measurements. FASB ASC 820 defines fair value, establishes a framework for measuring fair value, and expands disclosure about fair value. This statement does not require any new fair value measurements; rather it applies under other accounting pronouncements that require or permit fair value measurements. Assets recorded at fair value are categorized upon the level of judgment associated with the inputs used to measure their fair value. Level inputs, as defined by FASB ASC 820, are as follows:

<u>Level Input:</u>	<u>Input Definition:</u>
Level I	Inputs are unadjusted, quoted prices for identical assets or liabilities in active markets at the measurement date.
Level II	Inputs, other than quoted prices included in Level I, that are observable for the asset or liability through corroboration with market data at the measurement date.
Level III	Unobservable inputs that reflect management's best estimate of what market participants would use in pricing the asset or liability at the measurement date.

The asset's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

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

Interest in registered investment companies (mutual funds): Value at the net asset value of shares held by Salem Presbytery at year end.

Corporate debt securities: Certain debt securities are valued at the closing price reported in the active market in which the bond is traded.

Other investments: Valued based on Market Approach including dealer quotes, trade data, two-sided markets institutional bids, comparable trades and other news media.

The preceding methods described may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Although Salem Presbytery believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

SALEM PRESBYTERY
NOTES TO FINANCIAL STATEMENTS

The following table summarizes fair value measurements by level at December 31, 2019 for assets measured at fair value on a recurring basis:

	Fair Value Measurements Using			Total
	Quoted Prices in Active Markets for Identical Assets (Level I)	Significant Other Observable Inputs (Level II)	Significant Unobservable Inputs (Level III)	
Equities:				
Common Stock	\$ 208,526	\$ -	\$ -	\$ 208,526
Mutual Funds:				-
Growth	46,826	-	-	46,826
Balance	<u>141,454</u>	<u>-</u>	<u>-</u>	<u>141,454</u>
	<u>396,806</u>	<u>-</u>	<u>-</u>	<u>396,806</u>
Fixed Income:				
Mutual Funds:				
Income	59,038	-	-	59,038
Corporate bonds	<u>794,837</u>	<u>-</u>	<u>-</u>	<u>794,837</u>
	<u>853,875</u>	<u>-</u>	<u>-</u>	<u>853,875</u>
Other	<u>138,758</u>	<u>-</u>	<u>-</u>	<u>138,758</u>
Total	<u>\$ 1,389,439</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,389,439</u>

Investments maintained at brokerage firms are protected up to \$500,000 and cash and cash equivalents are protected up to \$250,000 by the Securities Investor Protection Corporation ("SIPC"). The SIPC insures against the loss or theft of securities as well as the failure or insolvency of a brokerage firm. The insurance does not apply to losses related to market risk.

NOTE F: PROPERTY AND EQUIPMENT, NET

Property and equipment, net are comprised of the following at December 31, 2019:

Land and improvements	\$ 504,156
Buildings and improvements	613,508
Furniture, equipment, and vehicles	<u>72,807</u>
	1,190,471
Less accumulated depreciation	<u>(354,583)</u>
	<u>\$ 835,888</u>

Depreciation expense included in other supporting expenses was \$21,045 for the year ended December 31, 2019.

SALEM PRESBYTERY
NOTES TO FINANCIAL STATEMENTS

NOTE G: NET ASSETS WITHOUT DONOR RESTRICTIONS

Net assets without donor restrictions, including designated and restricted net assets appropriated by the Presbytery's Council, are available for the following purposes as of December 31, 2019:

Unappropriated:

Budget Fund:

Unappropriated	\$ 296,151
Net Investment in Property and Equipment	835,888
	1,132,039

Board Appropriated:

Time or Purpose Restrictions:

Designated Funds:

Church Growth (New Church Development):

Church Growth and Transformation Fund	139,772
Whispering Pines Fund	50,438
Edward Webb African America Church Fund	10,014
Designated Year End Fund	16,774
	216,998

Capital Improvements:

General Loan Fund	150,000
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Operation:

Designated Reserve Fund	86,283
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Campus Ministry:

Campus Co-op Ministries Fund	6,935
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Other Works:

Camp New Hope Fund	116,683
Assistance Ministry Fund	683
Youth Triennium	5,000
Tzeltal Fund	967
Hispanic Ministry	65,552
	188,885
	649,101

Endowments:

Church Growth (New Church Development):

Synod/Duke Building Presbytery Fund	33,992
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TOTAL NET ASSETS WITHOUT DONOR RESTRICTIONS	\$ 1,815,132
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SALEM PRESBYTERY
NOTES TO FINANCIAL STATEMENTS

NOTE H: NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions available for the following purposes at December 31, 2019 are as follows:

EXPENDABLE DONOR RESTRICTED

Time or Purpose Restriction:

Next Year's Pledge support	<u>\$ 25,812</u>
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Designated Funds:

Hunger Funds:

International	89,257
Domestic	22,294
	<u>111,551</u>

Other Works:

Implementation	7,000
Black Caucus Fund	2,130
Camp Scholarships Fund	12,522
Peace and Justice Fund	10,192
Self-Development of Peoples Fund	14,023
Hispanic Ministry Fund	8,103
Professionals & Pastors Fund	5,933
	<u>59,903</u>
	<u>197,266</u>

Endowments:

Missions and Evangelism:

DP Foust Home Mission Fund	82,959
Byron Wolfe Mission Challenge Fund	33,182
Stone Estate Fund	111,946
Maryland Hickerson Fund	1,289
Cora Harrison Fund	3,399
Virgil Ashbough Fund	10,958
	<u>243,733</u>

Other Works:

Seminary Education Scholarship Fund	23,881
Ruby T. Robertson Fund	1,726
Latta Family Scholarship Fund	5,535
	<u>31,142</u>
	<u>274,875</u>

TOTAL EXPENDABLE DONOR RESTRICTED

472,141

SALEM PRESBYTERY
NOTES TO FINANCIAL STATEMENTS

NOTE H: NET ASSETS WITH DONOR RESTRICTIONS (Continued)

NONEXPENDABLE DONOR RESTRICTED

Perpetual Restrictions:

Endowment Funds:

Missions and Evangelism:

Maryland Hickerson Fund	600
Cora Harrison Fund	260
Byron Wolfe Mission Challenge fund	10,000
Virgil Ashbaugh Fund	520
Ruby T. Robertson Fund	6,958
Stone Estate Fund	12,482
Mission Challenge Fund	60,565
	91,385

Other Works:

James & Roxana Atwood Fund	27,805
Charles & Bonnie Simms Fund	12,237
Latta Family Scholarship Fund	21,728
	61,770

TOTAL NONEXPENDABLE DONOR RESTRICTED	153,155
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TOTAL NET ASSETS WITH DONOR RESTRICTIONS	\$ 625,296
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SALEM PRESBYTERY
NOTES TO FINANCIAL STATEMENTS

NOTE I: ENDOWMENT FUNDS

Salem Presbytery maintains several donor-mandated and Council designated endowment funds. Salem Presbytery has, to the extent practical, segregated the cash and investments supporting the underlying principal (or corpus) and related unexpended income of these funds from other assets and classified and reported them based on the existence or absence of donor-imposed restrictions.

Salem Presbytery has interpreted the Uniform Prudent Management of Institutional Funds Act (UPMIFA) 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, Salem Presbytery classifies as perpetual restricted net assets (1) the original value of gifts donated to the permanent endowment, (2) the original value of subsequent gifts to the perpetual endowment, and (3) 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. All other endowment investment returns, typically dividends and interest income, are available for appropriation and, therefore, are classified as net assets without donor restrictions of net assets with donor restrictions that are temporarily restricted, as applicable, until appropriated for expenditure. In accordance with the Act, Salem Presbytery considers the following factors in making a final determination to appropriate or accumulate donor-restricted endowment funds:

1. The duration and preservation of the fund
2. The purposes of Salem Presbytery and the donor-restricted endowment fund
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 Salem Presbytery
7. The investment policies of Salem Presbytery

The Salem Presbytery has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment funds while seeking to maintain the fair value of the endowment assets. Endowment assets include those assets of donor-restricted funds that Salem Presbytery must hold in perpetuity or for a donor-specified period as well as Council-designated funds. The policies provide Salem Presbytery a framework for governing its investment practices in manner that maximizes investment returns while also preserving and protecting its invested assets. For those funds of a long-term nature, the Salem Presbytery policies allow for a growth and income strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (dividends and interest), and allow for investment in equity and fixed income securities. For funds with a short-term horizon (less than five years), capital preservation is important, and investment in money market funds, CDs, mutual funds and short-term government securities is allowed.

SALEM PRESBYTERY
NOTES TO FINANCIAL STATEMENTS

The Presbytery has a policy governing the appropriation and expenditure of its endowment funds. Generally, for substantially all permanently restricted funds, annual appropriations are limited to the current yield of these funds. For all other funds (unrestricted and temporarily restricted), appropriations are either limited to the current yield of the fund or that amount deemed appropriate by Salem Presbytery management.

Information about the Presbytery's endowment fund net assets for the year ended December 31, 2019 are as follows:

	Without Donor Restriction	With Donor Restriction	Total
Endowment as of December 31, 2019:			
Donor-restricted endowment funds	\$ -	\$ 428,030	\$ 428,030
Board-designated endowment funds	33,992	-	33,992
Total	<u>\$ 33,992</u>	<u>\$ 428,030</u>	<u>\$ 462,022</u>
Changes in endowment:			
Endowment, beginning of year	\$ 28,423	\$ 379,637	\$ 408,060
Investment returns, net	5,569	53,328	58,897
Support and revenue	-	5,240	5,240
Transfers	-	-	-
Appropriation of expenditure	-	(10,175)	(10,175)
Endowment, end of year	<u>\$ 33,992</u>	<u>\$ 428,030</u>	<u>\$ 462,022</u>

A donor-restricted endowment fund is considered to be underwater if the fair value of the fund is less than either the original gift amount or the amount required to be maintained by the donor or by law. Presbytery management is not aware that any of its perpetual endowment funds are underwater. Presbytery policies do not permit spending of the perpetual endowment fund corpus, unless specifically allowed by the donor or relevant laws and regulations.

NOTE J: LIQUIDITY AND AVAILABILITY OF RESOURCES

The Presbytery regularly monitors the availability of resources required to meet its operating needs and other contractual commitments, while also striving to maximize the investment of its available funds. For purposes of analyzing resources available to meet general expenditures over a 12-month period, the Presbytery considers all expenditures related to its ongoing mission-related activities as well as the conduct of services undertaken to support those activities to be general expenditures.

SALEM PRESBYTERY
NOTES TO FINANCIAL STATEMENTS

NOTE J: LIQUIDITY AND AVAILABILITY OF RESOURCES (Continued)

The Presbytery's financial assets available to meet its general operating needs within one year are as follows:

Financial assets at December 31, 2019:

Cash and cash equivalents	\$ 207,095
Contributions Receivable	56,205
Accounts Receivable - Other	353
Investments, at fair value	1,389,439
Current portion of note receivable	3,892
Prepaid expenses	2,055
Accounts payable and accrued expenses	(76,963)
	<u>1,582,076</u>

Less financial resources unavailable for general operating needs
due to:

Future Expendable Resources

Board Designated:

Time or purpose restrictions	649,101
Endowment funds	33,992
	<u>683,093</u>

Donor Restricted:

Time or purpose restrictions	197,266
Endowment funds	274,875
	<u>472,141</u>

Total Future Expendable Resources	<u>1,155,234</u>
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Nonexpendable Resources

Donor Restricted:

Endowment funds	153,155
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Total Nonexpendable Resources	<u>153,155</u>
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Total Financial resources unavailable for general operating needs	<u>1,308,389</u>
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Financial assets available to meet general operating needs within one year	<u>\$ 273,687</u>
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In addition to financial assets available to meet general expenditures over the next 12 months, the Presbytery operates with a balanced budget and anticipates collecting sufficient support and revenue to cover general expenditures not covered by donor-restricted resources. Included in restricted resources are approximately \$26,000 in donor gifts designated for general use in 2020.

The Presbytery's governing council has designated a portion of its unrestricted resources for endowment and other purposes. Those amounts are identified as board-designated in the table above. These funds are invested for long-term appreciation and current income but remain available and may be spent at the discretion of the Council.

SALEM PRESBYTERY
NOTES TO FINANCIAL STATEMENTS

NOTE K: FUNCTIONAL EXPENSES

The financial statements report certain categories of expenses that are attributable to more than one program or supporting function. Therefore, these expenses have been allocated on a reasonable basis that is consistently applied. Direct expenses are recorded by category, by function determined to be benefited. Indirect costs, including certain capital outlays, are allocated to the function estimated to be benefited, principally based on direct costs incurred.

The table below summarizes 2019 direct and indirect expenses by function:

	Program Services	General and Administrative	Fundraising	Total
Direct expenses	\$ 589,064	\$ 221,035	\$ 38,667	\$ 848,766
Indirect expenses	54,149	28,936	4,857	87,942
	<u>\$ 643,213</u>	<u>\$ 249,971</u>	<u>\$ 43,524</u>	<u>\$ 936,708</u>

NOTE L: LOAN GUARANTEES

As of December 31, 2019, The Presbytery has guaranteed four Presbyterian Church Investment and Loan Program, Inc. ("PCILP") loans and one loan from financial institutions for certain Presbyterian churches with principal balances that totaled approximately \$1,254,000 at December 31, 2019. The bank loan, with an estimated outstanding balance of approximately \$388,000, was to a church that was a member church of the Presbytery at the time the loan was obtained, but the church has since renounced the Presbytery's jurisdiction and is no longer a member church in good standing. The Church renegotiated the loan on November 17, 2016, and again on February 13, 2017, and continues to make payments on the loan. It is the Presbytery's view the matter of its guarantee of this loan remains unresolved.

The Presbytery could potentially become liable for the unpaid principal balance, accrued interest, and costs, if any, for each instance in which a Presbyterian church defaults on its loan obligation. Except for the aforementioned financial institution loans, none of the loans the Presbytery has guaranteed were in default through August 11, 2020, the date the financial statements were available to be issued.

NOTE M: RETIREMENT PLAN

The employees of The Presbytery participate in a defined contribution retirement plan administered by the Board of Pensions of the Presbyterian Church (U.S.A.). The Presbytery's contributions are equal to 11% of the annual salary of participating employees. During the year ended December 31, 2019, Salem Presbytery's contributions to the plan totaled \$38,792.

NOTE N: SUBSEQUENT EVENT

The Presbytery evaluated the effects subsequent events would have on the financial statements through August 11, 2020, which is the date the financial statements were available for issuance.

The Presbytery's office building was sold on July 31, 2020.

On May 7, 2020, the Presbytery received funds from the SBA Paycheck Protection Program totaling approximately \$78,000. Expenditures to date total \$66,000. The Presbytery will ask for forgiveness once the total loan has been expended.

SUPPLEMENTARY INFORMATION

SALEM PRESBYTERY
SCHEDULE OF CHANGES IN NET ASSETS
Year Ended December 31, 2019

	Net Assets at January 1, 2019	Support and Revenue	Dividends and Interest	Realized and Unrealized Appreciation (Depreciation)	Expenses	Transfers/ Net Assets Released	Net Assets at December 31, 2019
NET ASSETS WITHOUT DONOR RESTRICTIONS							
Unappropriated:							
Budget Fund	\$ 1,267,295	\$ 486,023	\$ 29,603	\$ 90,008	\$ (735,054)	\$ (5,836)	\$ 1,132,039
Board Designated Funds:							
Other Works:							
Camp New Hope Fund	116,683	-	-	-	-	-	116,683
Assistance Ministries Fund	683	-	-	-	-	-	683
Youth Triennium	5,000	-	-	-	-	-	5,000
Hispanic Ministry	72,835	-	-	-	(13,119)	5,836	65,552
Tzeltal Fund	967	-	-	-	-	-	967
Church Growth (New Church Development):							
Church Growth and Transformation Fund	154,989	3,047	-	-	(18,264)	-	139,772
Designated Year End Fund	16,774	-	-	-	-	-	16,774
Whispering Pines Funds	52,438	-	-	-	(2,000)	-	50,438
Edward Webb African American Church Fund	10,014	-	-	-	-	-	10,014
Campus Ministries:							
Campus Co-op Ministries Fund	4,757	-	515	1,663	-	-	6,935
Operations:							
Designated Reserve Fund - Operations	150,000	-	-	-	(63,717)	-	86,283
Capital Improvements:							
General Loan Fund	150,000	-	-	-	-	-	150,000
Synod/Duke Building Fund	28,423	-	912	4,657	-	-	33,992
	<u>763,563</u>	<u>3,047</u>	<u>1,427</u>	<u>6,320</u>	<u>(97,100)</u>	<u>5,836</u>	<u>683,093</u>
	<u>2,030,858</u>	<u>489,070</u>	<u>31,030</u>	<u>96,328</u>	<u>(832,154)</u>	<u>-</u>	<u>1,815,132</u>

See independent auditors' report

SALEM PRESBYTERY
SCHEDULE OF CHANGES IN NET ASSETS
Year Ended December 31, 2019

	Net Assets at January 1, 2019	Support and Revenue	Dividends and Interest	Realized and Unrealized Appreciation (Depreciation)	Expenses	Transfers/ Net Assets Released	Net Assets at December 31, 2019
NET ASSETS WITH DONOR RESTRICTIONS:							
Temporary Restrictions:							
Next Year's Undesignated Giving:							
Undesignated Support Designated for Next Year	25,812	-	-	-	-	-	25,812
Other Works:							
Implementation	5,000	2,000	-	-	-	-	7,000
Black Caucus Fund	1,880	450	-	-	(200)	-	2,130
Camp Scholarships Fund	11,589	933	-	-	-	-	12,522
Seminary Education Scholarships Fund	26,021	2,435	-	-	(4,575)	-	23,881
Peace and Justice Fund	11,447	5,824	-	-	(7,079)	-	10,192
Self-Development of Peoples Fund	14,023	-	-	-	-	-	14,023
Ruby T. Robertson Fund	691	-	-	1,035	-	-	1,726
Hispanic Ministry Fund	8,103	-	-	-	-	-	8,103
Professionals & Pastors Fund	6,133	-	-	-	(200)	-	5,933
Latta Family Scholarship Fund	3,499	-	955	3,081	(2,000)	-	5,535
Missions & Evangelism:							
DP Foust Home Mission Fund	73,958	-	1,556	7,445	-	-	82,959
Byron Wolfe Mission Challenge Fund	21,497	-	3,618	11,667	(3,600)	-	33,182
Stone Estate Fund	90,882	-	6,659	14,405	-	-	111,946
Maryland Hickerson Fund	944	-	102	243	-	-	1,289
Cora Harrison Fund	2,780	-	195	424	-	-	3,399
Virgil Ashbaugh Fund	9,015	-	614	1,329	-	-	10,958
Hunger Programs:							
Hunger Program Funds:							
International	47,026	62,231	-	-	(20,000)	-	89,257
Domestic	26,963	62,231	-	-	(66,900)	-	22,294
	<u>387,263</u>	<u>136,104</u>	<u>13,699</u>	<u>39,629</u>	<u>(104,554)</u>	<u>-</u>	<u>472,141</u>

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SALEM PRESBYTERY
SCHEDULE OF CHANGES IN NET ASSETS
Year Ended December 31, 2019

	Net Assets at January 1, 2019	Support and Revenue	Dividends and Interest	Realized and Unrealized Appreciation (Depreciation)	Expenses	Transfers/ Net Assets Released	Net Assets at December 31, 2019
PERPETUAL RESTRICTIONS:							
Missions & Evangelism:							
Maryland Hickerson Fund	600	-	-	-	-	-	600
Cora Harrison Fund	260	-	-	-	-	-	260
Byron Wolfe Mission Challenge Fund	10,000	-	-	-	-	-	10,000
Virgil Ashbaugh Fund	520	-	-	-	-	-	520
Ruby T. Robertson Fund	6,958	-	-	-	-	-	6,958
Stone Estate Fund	12,482	-	-	-	-	-	12,482
Mission Challenge Fund	60,565	-	-	-	-	-	60,565
Other Works:							
James & Roxana Atwood Fund	25,000	2,805	-	-	-	-	27,805
Charles & Bonnie Simms Fund	12,237	-	-	-	-	-	12,237
Latta Family Scholarship Fund	21,728	-	-	-	-	-	21,728
	<u>150,350</u>	<u>2,805</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>153,155</u>
	<u>537,613</u>	<u>138,909</u>	<u>13,699</u>	<u>39,629</u>	<u>(104,554)</u>	<u>-</u>	<u>625,296</u>
GRAND TOTAL	<u>\$ 2,568,471</u>	<u>\$ 627,979</u>	<u>\$ 44,729</u>	<u>\$ 135,957</u>	<u>\$ (936,708)</u>	<u>\$ -</u>	<u>\$ 2,440,428</u>

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SALEM PRESBYTERY
SCHEDULE OF AGENCY TRANSACTIONS
Year Ended December 31, 2019

	Liability Balance at January 1, 2019	Receipts	Disbursements	Liability Balance at December 31, 2019
PCUSA Passtrough Funds:				
Christmas Joy	\$ -	\$ 25,212	\$ (25,212)	\$ -
One Great Hour of Sharing	-	35,824	(35,824)	-
Peacemaking	-	6,549	(6,549)	-
Pentecost	-	9,617	(9,617)	-
Least Coin	-	26	(26)	-
Mother's Day	-	455	(455)	-
Thank Offering	-	445	(445)	-
General Relief	-	505	(505)	-
Blanket Fund	-	150	(150)	-
Atlantic Regional Hurricanes	-	1,244	(1,244)	-
International Disasters & Emergencies	-	136	(136)	-
USA Hurricane	-	2,202	(2,202)	-
Missionaries	-	27,695	(27,695)	-
Local Validated Causes:				
Children's Hope Alliance		3,456	(3,456)	-
Winston-Salem Campus Ministry		2,350	(2,350)	-
Grants		25,000	(25,000)	-
Theological Education		16,525	(16,525)	-
Other Local Causes		6,290	(6,290)	-
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total Agency Fund Liability	<u>\$ -</u>	<u>\$ 163,681</u>	<u>\$ (163,681)</u>	<u>\$ -</u>

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