



Audited Financial Statements

December 31, 2017 and 2016

**THE OUTREACH FOUNDATION OF THE PRESBYTERIAN CHURCH, INC.**

**AUDITED FINANCIAL STATEMENTS**

**December 31, 2017 and 2016**

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# BLANKENSHIP CPA GROUP, PLLC

CERTIFIED PUBLIC ACCOUNTANTS AND CONSULTANTS

## INDEPENDENT AUDITOR'S REPORT

To the Board of Trustees  
The Outreach Foundation of the  
Presbyterian Church, Inc.

### **Report on the Financial Statements**

We have audited the accompanying financial statements of The Outreach Foundation of the Presbyterian Church, Inc., which comprise the statements of financial position as of December 31, 2017 and 2016, and the related statements of activities and cash flows for the years 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.

### **Auditor's Responsibility**

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits 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 from 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.

### **Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of The Outreach Foundation of the Presbyterian Church, Inc. as of December 31, 2017 and 2016, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

April 2, 2018

*Blankenship CPA Group, PLLC*

**THE OUTREACH FOUNDATION OF THE PRESBYTERIAN CHURCH, INC.**

**STATEMENTS OF FINANCIAL POSITION**

**DECEMBER 31, 2017 AND 2016**

<u>ASSETS</u>	<u>2017</u>	<u>2016</u>
Cash and cash equivalents	\$ 1,024,995	\$ 1,873,215
Accounts receivable	408	-
Unconditional promises to give	216,538	69,824
Prepaid expenses	33,198	62,645
Investments	6,006,113	6,937,198
Property and equipment, net	<u>9,052</u>	<u>10,911</u>
Total assets	<u>\$ 7,290,304</u>	<u>\$ 8,953,793</u>
<u>LIABILITIES AND NET ASSETS</u>		
Liabilities:		
Accounts payable	\$ <u>3,045</u>	\$ <u>9,967</u>
Total liabilities	<u>3,045</u>	<u>9,967</u>
Net assets:		
Unrestricted	1,691,146	1,356,800
Temporarily restricted	3,591,979	5,743,532
Permanently restricted	<u>2,004,134</u>	<u>1,843,494</u>
Total net assets	<u>7,287,259</u>	<u>8,943,826</u>
Total liabilities and net assets	<u>\$ 7,290,304</u>	<u>\$ 8,953,793</u>

See accompanying notes to financial statements.

**THE OUTREACH FOUNDATION OF THE PRESBYTERIAN CHURCH, INC.**

**STATEMENTS OF ACTIVITIES**

**FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016**

	2017				2016			
	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Revenues, gains and other support:								
Received directly - contributions	\$ 394,998	\$ 5,166,574	\$ -	\$ 5,561,572	\$ 458,088	\$ 7,170,421	\$ 1,715	\$ 7,630,224
Interest and dividends	126,742	28,131	44,586	199,459	153,612	42,458	53,795	249,865
Realized and unrealized gains on investments, net	<u>529,447</u>	<u>84,184</u>	<u>116,054</u>	<u>729,685</u>	<u>201,912</u>	<u>161,217</u>	<u>23,296</u>	<u>386,425</u>
Total revenues and gains	1,051,187	5,278,889	160,640	6,490,716	813,612	7,374,096	78,806	8,266,514
Net assets released from restrictions	<u>7,430,442</u>	<u>(7,430,442)</u>	<u>-</u>	<u>-</u>	<u>7,135,300</u>	<u>(7,135,300)</u>	<u>-</u>	<u>-</u>
Total revenues, gains and other support	<u>8,481,629</u>	<u>(2,151,553)</u>	<u>160,640</u>	<u>6,490,716</u>	<u>7,948,912</u>	<u>238,796</u>	<u>78,806</u>	<u>8,266,514</u>
Expenses:								
Projects	7,389,355	-	-	7,389,355	7,053,612	-	-	7,053,612
Management and general	466,712	-	-	466,712	448,610	-	-	448,610
Fundraising	<u>291,216</u>	<u>-</u>	<u>-</u>	<u>291,216</u>	<u>306,798</u>	<u>-</u>	<u>-</u>	<u>306,798</u>
Total expenses	<u>8,147,283</u>	<u>-</u>	<u>-</u>	<u>8,147,283</u>	<u>7,809,020</u>	<u>-</u>	<u>-</u>	<u>7,809,020</u>
Change in net assets	334,346	(2,151,553)	160,640	(1,656,567)	139,892	238,796	78,806	457,494
Net assets, beginning of year	<u>1,356,800</u>	<u>5,743,532</u>	<u>1,843,494</u>	<u>8,943,826</u>	<u>1,216,908</u>	<u>5,504,736</u>	<u>1,764,688</u>	<u>8,486,332</u>
Net assets, end of year	<u>\$ 1,691,146</u>	<u>\$ 3,591,979</u>	<u>\$ 2,004,134</u>	<u>\$ 7,287,259</u>	<u>\$ 1,356,800</u>	<u>\$ 5,743,532</u>	<u>\$ 1,843,494</u>	<u>\$ 8,943,826</u>

See accompanying notes to financial statements.

**THE OUTREACH FOUNDATION OF THE PRESBYTERIAN CHURCH, INC.**

**STATEMENTS OF CASH FLOWS**

**FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016**

	<u>2017</u>	<u>2016</u>
Cash flows from operating activities:		
(Decrease) increase in net assets	\$ (1,656,567)	\$ 457,494
Adjustments to reconcile (decrease) increase in net assets to net cash (used) provided by operating activities:		
Depreciation and amortization	4,297	5,472
Net realized and unrealized (gains) on investments	(729,685)	(386,425)
(Increase) in accounts receivable	(408)	-
(Increase) decrease in unconditional promises to give	(146,714)	27,728
Decrease (increase) in prepaid expenses	29,447	(54,256)
(Decrease) in accounts payable	<u>(6,922)</u>	<u>(8,789)</u>
Net cash (used) provided by operating activities	<u>(2,506,552)</u>	<u>41,224</u>
Cash flows from investing activities:		
Proceeds from sales of investments	2,013,218	1,270,806
Purchase of investments	(352,448)	(602,655)
Purchase of property and equipment	<u>(2,438)</u>	<u>(13,225)</u>
Net cash provided by investing activities	<u>1,658,332</u>	<u>654,926</u>
Net (decrease) increase in cash and cash equivalents	(848,220)	696,150
Cash and cash equivalents, beginning of year	<u>1,873,215</u>	<u>1,177,065</u>
Cash and cash equivalents, end of year	<u>\$ 1,024,995</u>	<u>\$ 1,873,215</u>

See accompanying notes to financial statements.

**THE OUTREACH FOUNDATION OF THE PRESBYTERIAN CHURCH, INC.**

**NOTES TO FINANCIAL STATEMENTS**

**DECEMBER 31, 2017 AND 2016**

**NOTE 1 - NATURE OF ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Nature of Organization

The Outreach Foundation of the Presbyterian Church, Inc. (the Foundation) provides resources for the development and promotion of evangelism, missionary support, care of vulnerable children, and domestic and overseas church development. The Foundation seeks projects to support which are consistent with the charter and are approved at the semi-annual meetings of the Board of Trustees. Funding of the Foundation is entirely through contributions by churches, individuals, and organizations. No one donor accounts for more than 16% of contributions.

Summary of Significant Accounting Policies

Basis of Presentation

Financial statement presentation follows the requirements of the Financial Accounting Standards Board (FASB) Accounting Standard Codification (ASC) 958. Under FASB ASC 958, the Foundation is required to report information regarding its financial position and activities according to three classes of net assets (unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets) based upon the existence or absence of donor-imposed restrictions.

Revenue Recognition

Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support, depending on the existence and/or nature of any donor restrictions.

All donor-restricted contributions are reported as an increase in temporarily or permanently restricted net assets, depending on the nature of the restriction. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statements of activities as net assets released from restrictions.

Basis of Accounting

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America.

Cash Equivalents

Cash equivalents consist of short-term highly liquid investments which are readily convertible into cash within ninety days of purchase.

**THE OUTREACH FOUNDATION OF THE PRESBYTERIAN CHURCH, INC.**

**NOTES TO FINANCIAL STATEMENTS, (Continued)**

**DECEMBER 31, 2017 AND 2016**

**NOTE 1 - NATURE OF ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, (Continued)**

Summary of Significant Accounting Policies, (Continued)

Investments

Investments are accounted for under the provisions of FASB ASC 958-320. This statement requires that investments in equity securities with readily determinable fair values and all investments in debt securities be reported at fair value with gains and losses (realized and unrealized) included in the statements of activities. If quoted market values are not available then fair values are estimated by using pricing models, quoted prices of securities with similar characteristics or discounted cash flow.

Property and Equipment

Property and equipment is stated at cost. It is the Foundation's policy to capitalize property and equipment over \$300. Lesser amounts are expensed. Depreciation of office equipment, furniture and fixtures, and computer software is computed by using the straight-line method over the estimated useful lives of the assets. Depreciation of leasehold improvements is computed by using the straight-line method over the lesser of the life of the leased asset or the term of the lease. The general range of useful lives estimated for the principal classifications of assets are:

Office equipment	3 to 5 years
Furniture and fixtures	5 to 7 years
Leasehold improvements	5 years
Computer software	3 to 5 years

Income Taxes

Income taxes are not provided in the financial statements since the Foundation is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code.

With few exceptions, the Foundation is no longer subject to U.S. Federal, state, or local income tax examinations by authorities for years before December 31, 2014.

Advertising

Advertising and marketing costs are expensed as incurred.

Use of Estimates

The preparation of 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 financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from these estimates.

**THE OUTREACH FOUNDATION OF THE PRESBYTERIAN CHURCH, INC.**

**NOTES TO FINANCIAL STATEMENTS, (Continued)**

**DECEMBER 31, 2017 AND 2016**

**NOTE 1 - NATURE OF ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, (Continued)**

Summary of Significant Accounting Policies, (Continued)

Fair Values

The Foundation has an established process for determining fair values. Fair value is based upon quoted market prices, where available. If listed prices or quotes are not available, fair value is based upon processes that use primarily market-based or independently-sourced market data, including interest rate yield curves, option volatilities and third party information. Valuation adjustments may be made to ensure that assets and liabilities are recorded at fair value. Furthermore, while the Foundation 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 assets and liabilities could result in a different estimate of fair value at the reporting date. Accounting principles generally accepted in the United States of America have a three-level valuation hierarchy for fair value measurements. Assets and liabilities are categorized within the valuation hierarchy based upon the lowest level of input that is significant to the fair value measurement. The three levels are explained as follows:

- Level 1 – inputs to the valuation methodology are quoted prices (unadjusted) for identical assets or liabilities in active markets.
- Level 2 – inputs to the valuation methodology include quoted prices for similar assets and liabilities in active markets, and inputs that are observable for the asset or liability, either directly or indirectly, for substantially the full term of the financial instrument.
- Level 3 – inputs to the valuation methodology are unobservable and significant to the fair value measurement.

During the year ended December 31, 2017, there were no changes to the Foundation's valuation techniques that had, or are expected to have, a material impact on its financial position or results of operation.

**NOTE 2 - CASH AND CASH EQUIVALENTS**

At December 31, 2017 and 2016, cash maintained in a local financial institution was in excess of Federal Deposit Insurance Corporation (FDIC) limits of \$250,000 in the amount of \$313,859 and \$707,206, respectively. The Foundation also maintained a non-depository account with an affiliated organization of \$10,052 and \$5,050 at December 31, 2017 and 2016, respectively. Also, at December 31, 2017 and 2016, the Foundation maintained cash and cash equivalents with brokerage firms totaling \$269,871 and \$410,292, respectively.

**THE OUTREACH FOUNDATION OF THE PRESBYTERIAN CHURCH, INC.**

**NOTES TO FINANCIAL STATEMENTS, (Continued)**

**DECEMBER 31, 2017 AND 2016**

**NOTE 3 - INVESTMENTS**

Investments are carried at quoted market prices and following are the aggregate carrying values by investment type at December 31, 2017 and 2016, respectively:

	2017		2016
	<u>Fair Value</u>		<u>Fair Value</u>
Unrestricted:			
Equities	\$ 2,288,788	\$	2,383,161
Government bonds	50,724		104,951
Corporate bonds	802,462		804,385
Convertible bonds	74,474		72,984
	<u>3,216,448</u>		<u>3,365,481</u>
Temporarily restricted:			
Equities	450,964		1,135,425
Government bonds	-		52,476
Corporate bonds	375,350		550,169
Other funds	92,700		95,325
	<u>919,014</u>		<u>1,833,395</u>
Permanently restricted:			
Equities	1,265,504		1,190,741
Mutual funds - equities	93,486		79,006
Mutual funds - bonds	121,695		118,556
Government bonds	57,898		57,528
Corporate bonds	292,272		253,566
Convertible bonds	39,796		38,925
	<u>1,870,651</u>		<u>1,738,322</u>
	<u>\$ 6,006,113</u>	\$	<u>6,937,198</u>

A summary of return on investments consists of the following for the years ended December 31, 2017 and 2016, respectively:

	<u>2017</u>		<u>2016</u>
Interest and dividends	\$ 199,459	\$	249,865
Realized and unrealized gains, net	729,685		386,425
Fees and commissions	(32,865)		(33,967)
Total investment return	<u>\$ 896,279</u>	\$	<u>602,323</u>

**THE OUTREACH FOUNDATION OF THE PRESBYTERIAN CHURCH, INC.**

**NOTES TO FINANCIAL STATEMENTS, (Continued)**

**DECEMBER 31, 2017 AND 2016**

**NOTE 4 - UNCONDITIONAL PROMISES TO GIVE**

Unconditional promises to give at December 31, 2017 and 2016 are as follows:

	<u>2017</u>	<u>2016</u>
Receivable in less than one year	\$ 213,602	\$ 66,888
Receivable related to split interest	<u>2,936</u>	<u>2,936</u>
	<u>\$ 216,538</u>	<u>\$ 69,824</u>

No allowance for uncollectible promises was deemed necessary at December 31, 2017 and 2016.

**NOTE 5 - PROPERTY AND EQUIPMENT**

A summary of property and equipment at December 31, 2017 and 2016 follows:

	<u>2017</u>	<u>2016</u>
Office equipment	\$ 27,752	\$ 27,901
Furniture and fixtures	13,849	13,849
Leasehold improvements	2,315	2,315
Computer software	<u>36,075</u>	<u>36,075</u>
	79,991	80,140
Less accumulated depreciation and amortization	<u>(70,939)</u>	<u>(69,229)</u>
	<u>\$ 9,052</u>	<u>\$ 10,911</u>

**THE OUTREACH FOUNDATION OF THE PRESBYTERIAN CHURCH, INC.**

**NOTES TO FINANCIAL STATEMENTS, (Continued)**

**DECEMBER 31, 2017 AND 2016**

**NOTE 6 - FAIR VALUE MEASUREMENTS**

The following table presents the assets carried at fair value as of December 31, 2017 and 2016, by caption on the statements of financial position and by FASB ASC 820-10 hierarchy and subject to measurement on a recurring basis:

		<u>2017</u>		
	Total Value	Value Level 1	Value Level 2	Value Level 3
Equities	\$ 4,005,256	\$ 4,005,256	\$ -	\$ -
Mutual funds - equities	93,486	93,486	-	-
Mutual funds - bonds	121,695	121,695	-	-
Government bonds	108,622	108,622	-	-
Other funds	92,700	92,700	-	-
Convertible bonds	114,270	-	114,270	-
Corporate bonds	<u>1,470,084</u>	<u>-</u>	<u>1,470,084</u>	<u>-</u>
Total assets at fair value	<u>\$ 6,006,113</u>	<u>\$ 4,421,759</u>	<u>\$ 1,584,354</u>	<u>\$ -</u>

  

		<u>2016</u>		
	Total Value	Value Level 1	Value Level 2	Value Level 3
Equities	\$ 4,709,327	\$ 4,709,327	\$ -	\$ -
Mutual funds - equities	79,006	79,006	-	-
Mutual funds - bonds	118,556	118,556	-	-
Government bonds	214,955	214,955	-	-
Other funds	95,325	95,325	-	-
Convertible bonds	111,909	-	111,909	-
Corporate bonds	<u>1,608,120</u>	<u>-</u>	<u>1,608,120</u>	<u>-</u>
Total assets at fair value	<u>\$ 6,937,198</u>	<u>\$ 5,217,169</u>	<u>\$ 1,720,029</u>	<u>\$ -</u>

The valuation methodologies used for assets measured at fair value, including their general classification based on the fair value hierarchy, include the following:

- Equities, mutual funds, and government bonds – valuation is based on a quoted market price in a market that is active, and is classified within Level 1 of the valuation hierarchy.
- Corporate bonds and convertible bonds – valuation is based on quoted prices for similar assets in a market that is active, and is classified within Level 2 of the valuation hierarchy.

**THE OUTREACH FOUNDATION OF THE PRESBYTERIAN CHURCH, INC.**

**NOTES TO FINANCIAL STATEMENTS, (Continued)**

**DECEMBER 31, 2017 AND 2016**

**NOTE 7 - TEMPORARILY RESTRICTED NET ASSETS**

Contributions designated by donors for specific Foundation supported missionary projects, fundraising, or administrative costs of the Foundation are recorded as temporarily restricted when received. Such amounts, classified as temporarily restricted net assets were \$3,591,979 and \$5,743,532 at December 31, 2017 and 2016, respectively.

**NOTE 8 - PERMANENTLY RESTRICTED NET ASSETS**

Permanently restricted net assets are held in perpetuity with the income from assets expendable to support certain programs. Permanently restricted net assets were \$2,004,134 and \$1,843,494 at December 31, 2017 and 2016, respectively.

**NOTE 9 - NET ASSETS RELEASED FROM RESTRICTIONS**

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purpose or by occurrence of other events specified by donors during the years ended December 31, 2017 and 2016:

	<u>2017</u>	<u>2016</u>
Purpose restrictions accomplished:		
Projects	\$ 7,026,467	\$ 6,682,981
Administrative	<u>403,975</u>	<u>452,319</u>
Total restrictions released	<u>\$ 7,430,442</u>	<u>\$ 7,135,300</u>

**NOTE 10 - OPERATING LEASES**

The Foundation entered into an operating lease agreement for office space in an office building in Franklin, Tennessee. The lease commenced on April 1, 2011 and was amended on April 12, 2016 to extend an additional 36 months with rent ranging from \$3,149 to \$3,341 per month over the life of the lease.

Rent expense applicable to the office facility lease in 2017 and 2016 was \$38,164 and \$37,466, respectively.

**THE OUTREACH FOUNDATION OF THE PRESBYTERIAN CHURCH, INC.**

**NOTES TO FINANCIAL STATEMENTS, (Continued)**

**DECEMBER 31, 2017 AND 2016**

**NOTE 10 - OPERATING LEASES, (Continued)**

The Foundation entered into a 63 month operating agreement in December, 2012 for a postage meter. The Foundation entered into an operating agreement for a copier in April, 2012 with a lease term of 60 months. In February, 2011 the Foundation entered into a 60 month operating agreement for phone equipment. The lease commenced on April 1, 2011. Total lease expense for office equipment was \$12,981 in 2017 and \$11,989 in 2016.

Future minimum lease commitments at December 31, 2017 are as follows:

Year ending <u>December 31,</u>	Lease <u>Rentals</u>
2018	\$ 45,370
2019	34,697
2020	3,144
2021	524
	<u>\$ 83,735</u>

**NOTE 11 - RETIREMENT PLANS**

The Foundation participates in a 403(b) plan sponsored by the Presbyterian Church for all full-time, non-ordained employees. The Foundation matches employee contributions up to 3%. The Foundation also participates in a defined contribution pension plan sponsored by the Presbyterian Church for all full-time, ordained ministers.

Employer contributions to the plans were \$71,834 and \$75,703 in 2017 and 2016, respectively.

**NOTE 12 - ADVERTISING COSTS**

Advertising costs were \$2,763 and \$12,130 in 2017 and 2016, respectively.

**NOTE 13 - ENDOWMENT ASSETS**

The Board of Trustees approved the establishment of an endowment fund on September 28, 2004. These funds are restricted for six mission projects as directed by donors. Accounts are established only after signed agreements with the Foundation are executed to insure that the application of the investment earnings for each donation is in compliance with the rules established by the Foundation.

**THE OUTREACH FOUNDATION OF THE PRESBYTERIAN CHURCH, INC.**

**NOTES TO FINANCIAL STATEMENTS, (Continued)**

**DECEMBER 31, 2017 AND 2016**

**NOTE 13 - ENDOWMENT ASSETS, (Continued)**

The Foundation has adopted investment return objectives and risk parameters for endowment assets. Under this policy, as approved by the Board of Trustees on April 24, 2006, the endowment assets, regardless of purpose or beneficiary, are pooled together for investment purposes and managed in one fund. Earnings are allocated to individual donor accounts on a quarterly basis. Preservation of capital is primary, with income production secondary. The approved asset allocation is as follows:

Cash and other liquid investments	5%
Fixed income (investment grade – Baa or better)	45% – 65%
Equities (inflation protection)	30% – 50%

In accordance with the Foundation’s policy, the payout on endowment funds is 5% based on a rolling 20-quarter average of returns. The Board of Trustees may approve a lower rate of disbursement if investment returns do not justify the 5%.

The changes in endowment assets are comprised of the following at December 31, 2017 and 2016:

	<u>2017</u>	<u>2016</u>
Endowment assets, beginning of year	\$ <u>1,843,494</u>	\$ <u>1,764,688</u>
Interest and dividends	44,586	53,795
Net realized and unrealized appreciation (depreciation) on investments	<u>210,163</u>	<u>104,758</u>
Total investment return	<u>254,749</u>	<u>158,553</u>
Contributions	-	1,715
Amounts appropriated for expenditure	<u>(94,109)</u>	<u>(81,462)</u>
Endowment assets, end of year	\$ <u><u>2,004,134</u></u>	\$ <u><u>1,843,494</u></u>

The Board of Trustees of the Foundation has interpreted the Uniform Prudent Management of Institutional Funds Act (UPMIFA) as requiring that the Foundation classify as permanently restricted net assets (a) the original value of donor-restricted gifts to the permanent endowment, (b) the original value of subsequent donor-restricted gifts to the permanent endowment, and (c) accumulations (interest, dividends, capital gain/loss) to the permanent endowment until such time as amounts are appropriated for expenditure by the Foundation in a manner consistent with the standard of prudence prescribed by UPMIFA.

**THE OUTREACH FOUNDATION OF THE PRESBYTERIAN CHURCH, INC.**

**NOTES TO FINANCIAL STATEMENTS, (Continued)**

**DECEMBER 31, 2017 AND 2016**

**NOTE 13 - ENDOWMENT ASSETS, (Continued)**

In accordance with UPMIFA, the Foundation considers the following factors in making a determination to appropriate donor-restricted endowment funds:

- The purposes of the Foundation and the donor-restricted endowment fund
- The general economic conditions
- The possible effect of inflation and deflation
- The expected total return from income and the appreciation of investments
- The investment policies of the Foundation
- The needs of the beneficiaries of the donor-restricted funds
- The spending rules adopted by the Board of Trustees

**NOTE 14 - SPLIT INTEREST AGREEMENT**

The Foundation has a remainder interest in trusts that are required, upon the death of the last recipient, to distribute the remaining balance as either a gift to benefit the particular Foundation mission cause or to establish a permanent fund from which income will be distributed to the Foundation. The Foundation is not the trustee of these trusts. The value of each interest by restriction type is comprised of the following at December 31, 2017 and 2016, respectively:

	<u>2017</u>	<u>2016</u>
Temporarily restricted	\$ <u>2,936</u>	\$ <u>2,936</u>

The discount rate used to arrive at the value of this interest was 4.0% at December 31, 2017 and 2016. As the Foundation is not the trustee of the irrevocable remainder trusts, the Foundation recorded the remainder interest as a contribution with a corresponding unconditional promise to give receivable.

**NOTE 15 - RECENT ACCOUNTING PRONOUNCEMENTS**

In August 2016, the FASB issued new accounting guidance that amends the requirements for financial statements and notes of a not-for-profit entity. The new guidance is effective for periods beginning after December 15, 2017, on a retrospective basis, with early adoption permitted. This new accounting guidance will result in changes to financial statement presentation and additional disclosures and the Organization is still evaluating its impact.

In February 2016, the FASB issued new accounting guidance to increase transparency and comparability among organizations by recognizing lease assets and lease liabilities on the balance sheet and disclosing key information about leasing arrangements. The new accounting guidance is effective for nonpublic entities for annual reporting periods beginning after December 15, 2019. The Organization is currently evaluating the effect of this pronouncement on its policies, procedures, and financial statements.

**THE OUTREACH FOUNDATION OF THE PRESBYTERIAN CHURCH, INC.**

**NOTES TO FINANCIAL STATEMENTS, (Continued)**

**DECEMBER 31, 2017 AND 2016**

**NOTE 15 - RECENT ACCOUNTING PRONOUNCEMENTS, (Continued)**

In May 2014, the FASB issued new accounting guidance to clarify the principles for recognizing revenue from contracts with customers. The new accounting guidance, which does not apply to financial instruments, is effective retrospectively for nonpublic entities for annual reporting periods beginning after December 15, 2018. The Organization is in the process of evaluating the impact of the provisions of this new accounting guidance but does not expect it to have a material impact on its financial position or results of operations.

**NOTE 16 - SUBSEQUENT EVENTS**

Management has evaluated subsequent events through April 2, 2018, the date on which the financial statements were available to be issued.