

## **Audited Financial Statements for the 2018 Fiscal Year First Presbyterian Church, Durham, North Carolina: Highlights of the Auditor's Report**

Independent auditors engaged by FPC recently completed their audit of FPC's financial statements for the year ended December 31, 2018. Their report included a statement of assets, liabilities, and net assets (balance sheet), a statement of revenues, expenses, and changes in net assets (income statement), and notes and supplementary information. Highlights from the report follow, usually looking down the columns of the balance sheet and income statement (pages 3 and 4, respectively) according to the auditor's three-way grouping of FPC's funds.

- The **Operations Fund** relates to FPC's primary programs, benevolences, and support services; it includes pledges, special offerings, and other incomes in the revenue portion and budgeted spending in the expense portion. In 2018 this fund was in deficit by \$6,232 as total expenses, at \$995,091, exceeded total revenues, at \$988,859. This deficit served to reduce the accumulated reserves, identified on the Operation Fund's balance sheet as net assets, to \$241,062. Actual revenues and expenses of the Operations Fund were both slightly higher than budgeted for 2018.
- The **Endowment Fund** includes four funds resulting from past benevolence: the Building and Grounds Fund, the Human Needs Fund, the McPherson Fund, and the Meyer Fund. The funds are invested with Bank of America Private Wealth Management, FPC's investment manager. The balance sheet shows combined net assets of \$3,467,658 at year end 2018, down \$347,303 from the beginning of the year. A substantial part of the decrease reflected realized and unrealized losses on investments. The notes to the audited financial statements show the distributions to support the purposes specified for the funds. These distributions, which are made annually according to the Session's spending policy, totaled \$189,001 in 2018.
- The **Other Fund** is made up of two kinds of accounts: those for specific activities as designated by the Session and those restricted by the donor as to purpose or time. In FPC's internal reports these accounts are called, respectively, designated accounts and temporarily restricted accounts. The line items represent nonprofit accounting's goal of accountability, especially to donors, with respect to the timing and purpose of spending. As a result, some of the line items are unique to the Other Fund. The line item Releases from donor restrictions on the income statement is an example. At \$296,282, this line item, the

single largest revenue or expense, has two parts: releases for spending by the satisfaction of the restrictions on purpose, which totaled \$74,849, and releases of pledges for 2018 made prior to that year, which totaled \$221,433.

**Total Funds**, as the title suggests, is the sum of the Operations, Other, and Endowment Funds. On the balance sheet, it is worth noting that all of the assets are financial; the value of Church land and buildings is not included. Assets totaled \$4,315,593. The amount available within one year for general expenditures—an indicator of liquidity—was \$480,266. This information about liquidity is a new feature of the revised accounting guidelines followed this year. Net assets of the Total Funds at year end 2018 were \$4,289,500, down \$428,965 from the beginning of the year. The decline in net assets was primarily driven by unrealized and realized losses on the managed investment portfolio, which affected both the Other Fund and the Endowment Fund (as mentioned earlier).

Bernard Robinson & Company, L.L.P. prepared the report. The auditors found that the financial statements prepared by FPC management, on a modified cash basis, presented fairly, in all material aspects, the assets, liabilities, and net assets of FPC as of year end 2018 and its revenues, expenses, and changes in net assets for the year except for the possible effects of one qualification—that of not reporting expenses by their functional classification. This qualification was not a cause for alarm. Copies of the report are available from the Business Administrator.

Approved by the Finance Committee  
September 17, 2019

**FIRST PRESBYTERIAN CHURCH OF DURHAM**  
**Statement of Assets, Liabilities, and Net Assets - Modified Cash Basis**  
**December 31, 2018**

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|                             | Operations<br>Fund | Other<br>Fund     | Endowment<br>Fund   | Total<br>Funds      |
|-----------------------------|--------------------|-------------------|---------------------|---------------------|
| <b>Assets:</b>              |                    |                   |                     |                     |
| Cash and cash equivalents   | \$ 232,156         | \$ 72,871         | \$ -                | \$ 305,027          |
| Investments                 | 30,017             | 513,955           | 3,461,612           | 4,005,584           |
| Sales tax refund receivable | 4,982              | -                 | -                   | 4,982               |
| Due from (to) other funds   | -                  | (6,046)           | 6,046               | -                   |
| <b>Total assets</b>         | <b>\$ 267,155</b>  | <b>\$ 580,780</b> | <b>\$ 3,467,658</b> | <b>\$ 4,315,593</b> |

**Liabilities and Net Assets:**

Liabilities:

|                   |               |          |          |               |
|-------------------|---------------|----------|----------|---------------|
| Accounts payable  | \$ 26,093     | \$ -     | \$ -     | \$ 26,093     |
| Total liabilities | <u>26,093</u> | <u>-</u> | <u>-</u> | <u>26,093</u> |

Net assets:

Without donor restrictions:

|                         |                |                |                  |                  |
|-------------------------|----------------|----------------|------------------|------------------|
| Unrestricted            | 241,062        | -              | -                | 241,062          |
| Session designated      | -              | 188,733        | 2,817,057        | 3,005,790        |
| With donor restrictions | -              | 392,047        | 650,601          | 1,042,648        |
| <b>Total net assets</b> | <b>241,062</b> | <b>580,780</b> | <b>3,467,658</b> | <b>4,289,500</b> |

Total liabilities and  
net assets

\$ 267,155    \$ 580,780    \$ 3,467,658    \$ 4,315,593

*See Notes to Financial Statements*

**FIRST PRESBYTERIAN CHURCH OF DURHAM**  
**Statement of Revenues, Expenses, and Changes in Net Assets - Modified Cash Basis**  
**Year Ended December 31, 2018**

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|   | Operations<br>Fund | Other<br>Fund     | Endowment<br>Fund   | Total<br>Funds      |
|---|--------------------|-------------------|---------------------|---------------------|
| <b>Revenues:</b>                        |                    |                   |                     |                     |
| Pledges and special offerings           | \$ 718,587         | \$ 2,116          | \$ 11,003           | \$ 731,706          |
| Restricted offerings                    | -                  | 304,902           | -                   | 304,902             |
| Parking lot rental income               | 9,575              | -                 | -                   | 9,575               |
| Building use                            | 10,600             | -                 | -                   | 10,600              |
| Investment income (loss), net           | 6,615              | (41,622)          | (272,114)           | (307,121)           |
| Other income                            | 22,049             | 11,404            | -                   | 33,453              |
| Total revenues before releases          | <u>767,426</u>     | <u>276,800</u>    | <u>(261,111)</u>    | <u>783,115</u>      |
| Releases from donor restrictions        | <u>221,433</u>     | <u>(296,282)</u>  | <u>-</u>            | <u>(74,849)</u>     |
| Total revenues after releases           | <u>988,859</u>     | <u>(19,482)</u>   | <u>(261,111)</u>    | <u>708,266</u>      |
| <b>Expenses:</b>                        |                    |                   |                     |                     |
| Personnel                               | 600,500            | -                 | -                   | 600,500             |
| Service and mission committee           | 170,304            | 41,392            | -                   | 211,696             |
| Plant and property committee            | 129,371            | 204               | -                   | 129,575             |
| Repairs and improvements                | -                  | -                 | 86,192              | 86,192              |
| Office administration                   | 49,895             | -                 | -                   | 49,895              |
| Worship, music and<br>lecture committee | 11,565             | 8,072             | -                   | 19,637              |
| Christian education committee           | 18,723             | -                 | -                   | 18,723              |
| Administrative committee                | 4,970              | -                 | -                   | 4,970               |
| Membership committee                    | 4,035              | -                 | -                   | 4,035               |
| Memorials                               | -                  | 3,736             | -                   | 3,736               |
| Fellowship committee                    | 2,747              | -                 | -                   | 2,747               |
| Stewardship committee                   | 2,556              | -                 | -                   | 2,556               |
| Youth                                   | -                  | 2,544             | -                   | 2,544               |
| Pastoral care                           | 425                | -                 | -                   | 425                 |
| Total expenses                          | <u>995,091</u>     | <u>55,948</u>     | <u>86,192</u>       | <u>1,137,231</u>    |
| Changes in net assets                   | (6,232)            | (75,430)          | (347,303)           | (428,965)           |
| Net assets - beginning of year          | 247,294            | 553,401           | 3,917,770           | 4,718,465           |
| Transfer between funds                  | -                  | 102,809           | (102,809)           | -                   |
| Net assets - end of year                | <u>\$ 241,062</u>  | <u>\$ 580,780</u> | <u>\$ 3,467,658</u> | <u>\$ 4,289,500</u> |

*See Notes to Financial Statements*