

**MORAVIAN CHURCH IN AMERICA,
SOUTHERN PROVINCE**

Financial Statements

December 31, 2018 and 2017

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To the Provincial Support Services Board
Moravian Church in America, Southern Province
Winston-Salem, North Carolina

INDEPENDENT AUDITORS' REPORT

We have audited the accompanying financial statements of the Moravian Church in America, Southern Province (a nonprofit organization), which comprise the statements of financial position as of December 31, 2018 and 2017, and the related statements of activities, functional expenses, 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 U.S. generally accepted accounting principles; 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 U.S. generally accepted auditing standards. Those standards require that we plan and perform the audits 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 qualified audit opinion.

Basis for Qualified Opinion

As explained in Note B to the financial statements, the Moravian Church in America, Southern Province has excluded from the financial statements the real estate used by the individual congregations of the Moravian Church in America, Southern Province. In our opinion, U.S. generally accepted accounting principles require that such information be included in the accompanying financial statements and related notes.

Qualified Opinion

In our opinion, except for the effects of the matter described in the Basis for Qualified Opinion paragraph the financial statements referred to above present fairly, in all material respects, the financial position of the Moravian Church in America, Southern Province as of December 31, 2018 and 2017, and the changes in its net assets and its cash flows for the years then ended in accordance with U.S. generally accepted accounting principles.

Butler & Burke LLP

Winston-Salem, North Carolina
November 15, 2019

MORAVIAN CHURCH IN AMERICA, SOUTHERN PROVINCE
STATEMENTS OF FINANCIAL POSITION
December 31, 2018 and 2017

	<u>2018</u>	<u>2017</u>
ASSETS		
Cash and cash equivalents	\$ 1,226,806	\$ 1,447,245
Accounts receivable - trade	19,955	21,393
Accounts receivable - other	39,240	34,189
Contributions receivable	2,350	36,054
Prepaid expenses	93,464	52,765
Notes receivable	294,964	319,031
Property and equipment, net	3,620,409	3,829,969
Due from other Moravian Church entities, net	846,594	464,050
Cash surrender value of life insurance	106,568	102,254
Other investments	67,980	67,980
Assets held in charitable remainder trusts	74,478	289,684
Beneficial interest in perpetual trusts	717,506	820,152
Other assets	552,230	552,230
Endowment: Investments	10,525,573	11,765,146
Collections	-	-
	<u> </u>	<u> </u>
<u>TOTAL ASSETS</u>	<u>\$ 18,188,117</u>	<u>\$ 19,802,142</u>
LIABILITIES AND NET ASSETS		
Accounts payable	\$ 34,514	\$ 34,694
Accrued and other liabilities	40,664	188,178
Due to other Moravian Church supported entities	142,634	143,410
Notes payable	709,959	779,831
Charitable remainder trust liabilities:		
Liability under unitrust agreements	26,253	184,747
Remainder interests due to other Moravian Church entities	31,874	56,764
Agency funds	25,142	25,839
<u>Total Liabilities</u>	<u>1,011,040</u>	<u>1,413,463</u>
Net Assets Without Donor Restrictions		
Undesignated	4,569,569	4,557,709
Designated	<u>2,088,864</u>	<u>2,296,555</u>
	6,658,433	6,854,264
Net Assets With Donor Restrictions	<u>10,518,644</u>	<u>11,534,415</u>
<u>Total Net Assets</u>	<u>17,177,077</u>	<u>18,388,679</u>
	<u> </u>	<u> </u>
<u>TOTAL LIABILITIES AND NET ASSETS</u>	<u>\$ 18,188,117</u>	<u>\$ 19,802,142</u>

MORAVIAN CHURCH IN AMERICA, SOUTHERN PROVINCE
STATEMENT OF ACTIVITIES
For the Year Ended December 31, 2018

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
SUPPORT AND REVENUE			
Contributions			
Provincial churches support	\$ 1,085,553	\$ 256,263	\$ 1,341,816
Other contributions	1,026,996	368,291	1,395,287
Program fees	598,655	-	598,655
Gross profit on sales of literature	9,819	-	9,819
Treasurer's office - fees	74,002	-	74,002
Investment income, net	69,417	135,896	205,313
Net realized and unrealized losses on investments	(152,580)	(748,801)	(901,381)
Increase in cash surrender value of life insurance policies	-	4,314	4,314
Change in value of split-interest agreements	-	122	122
Change in value of perpetual trusts	-	(102,647)	(102,647)
Other revenue	<u>53,332</u>	<u>5,000</u>	<u>58,332</u>
	2,765,194	(81,562)	2,683,632
Net assets released from restrictions			
Satisfaction of purpose restrictions	<u>934,209</u>	<u>(934,209)</u>	<u>-</u>
Total Support and Revenue	<u>3,699,403</u>	<u>(1,015,771)</u>	<u>2,683,632</u>
EXPENSES			
Program Services			
Provincial Elders' Conference	520,300	-	520,300
Board of Cooperative Ministries	1,149,270	-	1,149,270
Laurel Ridge Camp, Conference and Retreat Center	1,073,011	-	1,073,011
Moravian Archives	284,386	-	284,386
Other programs and causes	<u>540,480</u>	<u>-</u>	<u>540,480</u>
Total Program Services	<u>3,567,447</u>	<u>-</u>	<u>3,567,447</u>
Supporting Services			
Management and general	<u>327,787</u>	<u>-</u>	<u>327,787</u>
Total Supporting Services	<u>327,787</u>	<u>-</u>	<u>327,787</u>
Total Expenses	<u>3,895,234</u>	<u>-</u>	<u>3,895,234</u>
CHANGE IN NET ASSETS	(195,831)	(1,015,771)	(1,211,602)
Net Assets, Beginning of Year	<u>6,854,264</u>	<u>11,534,415</u>	<u>18,388,679</u>
Net Assets, End of Year	<u>\$ 6,658,433</u>	<u>\$ 10,518,644</u>	<u>\$ 17,177,077</u>

MORAVIAN CHURCH IN AMERICA, SOUTHERN PROVINCE
STATEMENT OF ACTIVITIES
For the Year Ended December 31, 2017

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
SUPPORT AND REVENUE			
Contributions			
Provincial churches support	\$ 1,120,234	\$ 248,302	\$ 1,368,536
Other contributions	844,107	298,320	1,142,427
Program fees	723,577	-	723,577
Gross profit on sales of literature	70,083	-	70,083
Treasurer's office - fees	72,579	-	72,579
Investment income, net	63,072	134,881	197,953
Net realized and unrealized gains on investments	227,427	955,187	1,182,614
Increase in cash surrender value of life insurance policies	-	4,231	4,231
Change in value of split-interest agreements	-	7,808	7,808
Change in value of perpetual trusts	-	64,444	64,444
Other revenue	<u>555,978</u>	<u>-</u>	<u>555,978</u>
	3,677,057	1,713,173	5,390,230
Net assets released from restrictions			
Satisfaction of purpose restrictions	<u>838,627</u>	<u>(838,627)</u>	<u>-</u>
<u>Total Support and Revenue</u>	<u>4,515,684</u>	<u>874,546</u>	<u>5,390,230</u>
EXPENSES			
Program Services			
Provincial Elders' Conference	394,357	-	394,357
Board of Cooperative Ministries	1,211,016	-	1,211,016
Laurel Ridge Camp, Conference and Retreat Center	1,110,187	-	1,110,187
Moravian Archives	254,819	-	254,819
Other programs and causes	<u>625,395</u>	<u>-</u>	<u>625,395</u>
<u>Total Program Services</u>	<u>3,595,774</u>	<u>-</u>	<u>3,595,774</u>
Supporting Services			
Management and general	<u>384,121</u>	<u>-</u>	<u>384,121</u>
<u>Total Supporting Services</u>	<u>384,121</u>	<u>-</u>	<u>384,121</u>
<u>Total Expenses</u>	<u>3,979,895</u>	<u>-</u>	<u>3,979,895</u>
Change in Net Assets Before Transfers	535,789	874,546	1,410,335
Transfers	<u>2,386</u>	<u>(2,386)</u>	<u>-</u>
CHANGE IN NET ASSETS	538,175	872,160	1,410,335
Net Assets, Beginning of Year	<u>6,316,089</u>	<u>10,662,255</u>	<u>16,978,344</u>
Net Assets, End of Year	<u>\$ 6,854,264</u>	<u>\$ 11,534,415</u>	<u>\$ 18,388,679</u>

MORAVIAN CHURCH IN AMERICA, SOUTHERN PROVINCE
STATEMENT OF FUNCTIONAL EXPENSES
For the Year Ended December 31, 2018

	Program Services						Management and General	Total
	Provincial Elders' Conference	Board of Cooperative Ministries	Laurel Ridge Camp, Conference and Retreat Center	Moravian Archives	Other Programs and Causes	Total Program Services		
Salaries and related expenses	\$ 243,372	\$ 526,453	\$ 418,515	\$ 167,206	\$ -	\$ 1,355,546	\$ 181,649	\$ 1,537,195
Occupancy	15,827	17,301	102,300	68,787	-	204,215	22,454	226,669
Supplies	2,571	20,784	40,498	368	-	64,221	3,846	68,067
Printing	2,632	13,022	862	1,324	-	17,840	194	18,034
Computer expense	779	3,889	12,611	1,110	-	18,389	4,425	22,814
Transportation	10,685	4,508	13,422	2,327	-	30,942	2,103	33,045
Insurance	3,290	6,639	26,230	11,847	-	48,006	2,118	50,124
Property taxes	4,254	114	4,053	-	-	8,421	-	8,421
Repairs and maintenance	-	4,605	69,221	12,144	-	85,970	-	85,970
Interest expense	-	-	-	-	-	-	29,515	29,515
Telephone	1,829	-	11,106	2,357	-	15,292	1,518	16,810
Professional services	4,642	-	3,935	-	-	8,577	72,470	81,047
Program activities	221,447	495,147	148,484	13,434	91,709	970,221	-	970,221
Postage	1,152	2,401	646	4	-	4,203	2,393	6,596
Public relations	499	-	3,993	1,955	-	6,447	-	6,447
Continuing education	625	1,955	1,150	50	-	3,780	199	3,979
Miscellaneous	2,627	23,816	5,149	1,291	-	32,883	4,883	37,766
Services to ministers and congregations	-	-	-	-	378,700	378,700	-	378,700
Ministerial student aid	-	-	-	-	27,558	27,558	-	27,558
Unity Causes	-	-	-	-	42,513	42,513	-	42,513
	<u>516,231</u>	<u>1,120,634</u>	<u>862,175</u>	<u>284,204</u>	<u>540,480</u>	<u>3,323,724</u>	<u>327,767</u>	<u>3,651,491</u>
Depreciation	<u>4,069</u>	<u>28,636</u>	<u>210,836</u>	<u>182</u>	<u>-</u>	<u>243,723</u>	<u>20</u>	<u>243,743</u>
	<u>\$ 520,300</u>	<u>\$ 1,149,270</u>	<u>\$ 1,073,011</u>	<u>\$ 284,386</u>	<u>\$ 540,480</u>	<u>\$ 3,567,447</u>	<u>\$ 327,787</u>	<u>\$ 3,895,234</u>

MORAVIAN CHURCH IN AMERICA, SOUTHERN PROVINCE
STATEMENT OF FUNCTIONAL EXPENSES
For the Year Ended December 31, 2017

	Program Services						Management and General	Total
	Provincial Elders' Conference	Board of Cooperative Ministries	Laurel Ridge Camp, Conference and Retreat Center	Moravian Archives	Other Programs and Causes	Total Program Services		
Salaries and related expenses	\$ 176,489	\$ 570,161	\$ 406,548	\$ 146,184	\$ -	\$ 1,299,382	\$ 219,696	\$ 1,519,078
Occupancy	15,827	20,628	91,498	70,333	-	198,286	25,475	223,761
Supplies	2,451	17,659	41,197	741	-	62,048	1,588	63,636
Printing	2,868	10,124	2,155	192	-	15,339	440	15,779
Computer expense	2,672	7,299	2,583	1,013	-	13,567	12,783	26,350
Transportation	8,945	7,942	16,680	523	-	34,090	29	34,119
Insurance	2,597	4,406	30,415	11,707	-	49,125	2,465	51,590
Property taxes	4,199	-	-	-	-	4,199	16	4,215
Repairs and maintenance	-	15,084	91,317	13,422	-	119,823	-	119,823
Interest expense	-	-	-	-	-	-	32,214	32,214
Telephone	1,732	-	12,254	2,055	-	16,041	1,698	17,739
Professional services	228	-	6,493	-	-	6,721	62,618	69,339
Program activities	161,099	479,740	168,093	4,954	169,180	983,066	-	983,066
Postage	907	2,221	673	10	-	3,811	2,808	6,619
Public relations	259	-	6,193	-	-	6,452	-	6,452
Continuing education	-	2,574	290	-	-	2,864	-	2,864
Bad debt expense	-	-	-	-	-	-	15,517	15,517
Miscellaneous	10,824	44,183	11,142	3,307	-	69,456	5,336	74,792
Services to ministers and congregations	-	-	-	-	354,824	354,824	-	354,824
Ministerial student aid	-	-	-	-	41,206	41,206	-	41,206
Unity Causes	-	-	-	-	60,185	60,185	-	60,185
	<u>391,097</u>	<u>1,182,021</u>	<u>887,531</u>	<u>254,441</u>	<u>625,395</u>	<u>3,340,485</u>	<u>382,683</u>	<u>3,723,168</u>
Depreciation	<u>3,260</u>	<u>28,995</u>	<u>222,656</u>	<u>378</u>	<u>-</u>	<u>255,289</u>	<u>1,438</u>	<u>256,727</u>
	<u>\$ 394,357</u>	<u>\$ 1,211,016</u>	<u>\$ 1,110,187</u>	<u>\$ 254,819</u>	<u>\$ 625,395</u>	<u>\$ 3,595,774</u>	<u>\$ 384,121</u>	<u>\$ 3,979,895</u>

MORAVIAN CHURCH IN AMERICA, SOUTHERN PROVINCE
STATEMENTS OF CASH FLOWS
For the Years Ended December 31, 2018 and 2017

	<u>2018</u>	<u>2017</u>
OPERATING ACTIVITIES		
Change in net assets	\$ (1,211,602)	\$ 1,410,335
Adjustments to reconcile change in net assets to net cash used in operating activities:		
Depreciation	243,743	256,727
Gain on disposal of property and equipment	-	(2,300)
Bad debt expense	-	15,517
Non-cash contribution	35,719	-
Gain on sale of other assets	-	(510,590)
Net realized and unrealized gains (losses) on investments	900,684	(1,181,343)
Change in value of split-interest agreements	(122)	(7,808)
Change in value of perpetual trusts	102,647	(64,444)
Non-cash contribution of property and equipment	-	(9,920)
Contributions restricted for long-term purposes	(49,234)	(13,877)
Change in cash surrender value of life insurance policies	(4,314)	(4,231)
(Increase) decrease in operating assets:		
Receivables	26,316	(4,602)
Prepaid expenses	(40,699)	26,151
Notes receivable	24,067	26,583
Due from other Moravian Church entities, net	(382,545)	(464,050)
Increase (decrease) in operating liabilities:		
Accounts payable and accrued liabilities	(147,694)	(1,523)
Due to other Moravian Church entities, net	-	(526,130)
Due to Moravian Church supported entities	(776)	11,837
<u>Net Cash Used in Operating Activities</u>	<u>(503,810)</u>	<u>(1,043,668)</u>
INVESTING ACTIVITIES		
Sales of investments	590,703	531,083
Purchases of investments	(252,511)	(242,875)
Purchases of property and equipment	(34,183)	(43,904)
Proceeds from sale of other assets	-	1,111,949
Change in cash and cash equivalents restricted for investment in property and equipment	-	(3,910)
<u>Net Cash Provided by Investing Activities</u>	<u>304,009</u>	<u>1,352,343</u>
FINANCING ACTIVITIES		
Principal repayments on debt	(69,872)	(67,172)
Contributions restricted for long-term purposes	49,234	13,877
<u>Net Cash Used in Financing Activities</u>	<u>(20,638)</u>	<u>(53,295)</u>
Change in Cash and Cash Equivalents	(220,439)	255,380
Cash and Cash Equivalents at Beginning of Year	<u>1,447,245</u>	<u>1,191,865</u>
Cash and Cash Equivalents at End of Year	<u>\$ 1,226,806</u>	<u>\$ 1,447,245</u>
<u>SUPPLEMENTAL INFORMATION</u>		
Interest paid	<u>\$ 29,515</u>	<u>\$ 32,214</u>

MORAVIAN CHURCH IN AMERICA, SOUTHERN PROVINCE

NOTES TO FINANCIAL STATEMENTS

NOTE A: NATURE OF ORGANIZATION

The Moravian Church in America, Southern Province ("MCSP") is a North Carolina corporation formed by an action of the General Assembly of North Carolina in 1877. The corporation serves within the southeastern United States to administer and promote the purposes and activities of the worldwide Moravian Church, formally known as The Unitas Fratrum.

The Provincial Synod is the legislative body composed of representatives from congregations, boards, and agencies. It meets every four years to elect officers of the Province, adopt rules and regulations, and to oversee the affairs of the Province.

The activities of MCSP are carried out by the congregations of the Province located in North Carolina, Virginia, Georgia and Florida and by:

- The Provincial Elders' Conference which establishes and implements the goals and priorities of the Province; and plans and implements all phases of extension work.
- The Provincial Support Services Board which manages the funds of Provincial Boards and congregations.
- Laurel Ridge Camp, Conference and Retreat Center which operates under the direction of the Provincial Elder's Conference to further the purposes of that Board.
- The Board of Cooperative Ministries which serves to develop programs, strategies, and resources for local churches and the Province; plan and implement work undertaken by the Province to meet community and human need in areas served by the Province including the operations of Sunnyside Ministry; and make policy and implement programs in all matters pertaining to Christian education.
- The Archives of the Moravian Church in America, Southern Province which serves as custodian for the archives of the Province.

However, the assets, liabilities and operations of the congregations of the Province are not reflected in these financial statements.

NOTE B: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The financial statements of MCSP have been prepared on the accrual basis in accordance with U.S. generally accepted accounting principles (GAAP). MCSP reports information regarding its financial position and activities according to two classes of net assets: net assets without donor restrictions and net assets with donor restrictions.

Net assets without donor restrictions - net assets that are not restricted by donors or for which donor-imposed restrictions have expired. The Board has designated, from net assets without donor restrictions, net assets for special purposes.

MORAVIAN CHURCH IN AMERICA, SOUTHERN PROVINCE

NOTES TO FINANCIAL STATEMENTS

NOTE B: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Net assets with donor restrictions - net assets subject to donor-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.

Revenues are reported as increases in net assets without donor restrictions unless use of the related assets is limited by donor-imposed restrictions. Expenses are reported as decreases in net assets without donor restrictions. Gains and losses on investments and other assets or liabilities are reported as increases or decreases in net assets without donor restrictions unless their use is restricted by explicit donor stipulation or by law. Expirations of donor restrictions on the net assets (i.e. donor-stipulated purpose has been fulfilled and/or the stipulated time period has elapsed) are reported as reclassifications between the applicable classes of net assets.

The financial statements of MCSP include the activities of the following operating agencies:

- Provincial Administration
- Board of Cooperative Ministries
- Laurel Ridge Camp, Conference and Retreat Center
- Moravian Archives

Also, MCSP holds title to certain church property real estate used by various individual congregations of the Province. The exclusion of these assets is due to the fact that the original cost of the assets is not available or practical to attain. However, their exclusion from the accompanying financial statements is not in conformity with GAAP.

Cash and Cash Equivalents

MCSP considers all demand deposits at financial institutions and all highly liquid investments with an original maturity of three months or less to be cash equivalents. Those accounts may exceed federal insurance limits from time to time. MCSP has not experienced any losses on such deposits, and does not believe the organization is exposed to a significant risk of loss.

Promises to Give

Contributions and grants (promises to give) are recognized as revenues in the period the commitment is made. MCSP records unconditional promises to give that are expected to be collected within one year at net realizable value. Unconditional promises to give expected to be collected in future years are initially recorded at fair value using present value techniques incorporating risk-adjusted discount rates designed to reflect the assumptions market participants would use in pricing the asset. In subsequent years, amortization of the discounts is included in contributions and grants revenue in the statements of activities. MCSP determines an allowance for uncollectible promises to give based on historical experience, an assessment of the economic conditions, and a review of subsequent collections. Promises to give are written off when deemed uncollectible. An allowance for uncollectible promises to give was not considered necessary at December 31, 2018 or 2017. Conditional promises to give are not recognized until they become unconditional, that is, when the conditions upon which they depend are substantially met.

MORAVIAN CHURCH IN AMERICA, SOUTHERN PROVINCE

NOTES TO FINANCIAL STATEMENTS

NOTE B: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Investments

MCSP carries investments in marketable securities with readily determinable fair values and all investments in debt securities at their fair market values in the statement of financial position. Realized and unrealized gains and losses are included in the change in net assets in the accompanying statements of activities. Net unrealized gains and losses on investments, whose income is with or without donor restrictions to use, is reported as net assets without donor restrictions or net assets with donor restrictions.

MCSP maintains investment accounts for its invested funds, most of which have been pooled with other affiliated entities of the Moravian Church in a pooled investment fund account, the Common Fund, operated by the Moravian Ministries Foundation in America under the direction of a professional investment manager. Realized and unrealized gains and losses from securities in the investment accounts are allocated to the individual funds. This pooled investment portfolio is diversified among issuers in order to mitigate concentrations of credit and market risk.

Expenses relating to investment income, including custodial fees and investment advisory fees, have been netted against investment income in the financial statements.

Property and Equipment

Property and equipment additions are recorded at cost, or if donated, at fair value at the date of donation. Depreciation of property and equipment is computed using the straight-line method over the estimated useful lives of the respective assets. Expenditures for maintenance, repairs and minor renewals are charged to expense as incurred.

Assets Held and Liabilities Under Split Interest Agreements

MCSP acts as trustee for various irrevocable trusts. These trusts are governed by the respective trust agreements, which generally provide for either an income stream or a future distribution of cash or other assets to MCSP, in whole or in part, for a specified period or upon the occurrence of a specific event, respectively. The trust assets are recorded at fair value, and a related liability for future payments to be made to the specified beneficiaries is recorded at fair value using present value techniques and risk-adjusted discount rates designed to reflect the assumptions market participants would use in pricing the liability. The excess of contributed assets over the trust liability is recorded as a contribution with donor restrictions until such amount is received via trust distribution or is expended in satisfaction of the donor restricted purpose stipulated by the trust agreement, or both, if any. At that time, net assets with donor-imposed time or purpose restrictions are released to net assets without restrictions, and net assets with donor restrictions that are perpetual in nature are transferred to the endowment. In subsequent years, the liability for future trust payments to the donor is reduced by payments made to the donor and is adjusted to reflect changes in the fair value of the liability at the end of the year. Upon termination of the trust, the remaining liability is removed and recognized as income.

MORAVIAN CHURCH IN AMERICA, SOUTHERN PROVINCE

NOTES TO FINANCIAL STATEMENTS

NOTE B: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Beneficial Interests in Split-Interest Agreements

MCSP has been named as an irrevocable beneficiary of several charitable remainder trusts and gift annuity agreements held and administered by independent third parties. These trusts were created independently by donors and are administered by outside agents designated by the donors. Therefore, MCSP has neither possession nor control over the assets. At the date MCSP receives notice of a beneficial interest, a contribution with donor restrictions is recorded in the statements of activities, and a beneficial interest in split-interest agreements is recorded in the statements of financial position at fair value using present value techniques and risk-adjusted discount rates designed to reflect the assumptions market participants would use in pricing the expected distributions to be received under the agreement. Thereafter, beneficial interests in the split-interest agreements are reported at fair value in the statements of financial position, with changes in fair value recognized in the statements of activities.

Upon receipt of distributions or expenditures, or both, in satisfaction of the donor-restricted purpose, if any, net assets with donor-imposed time or purpose restrictions are released to net assets without donor restrictions. Distributions with donor-imposed restrictions that are perpetual in nature are transferred to the endowment, in which case, net assets with donor-restrictions are not released.

Beneficial Interest in Perpetual Trusts

MCSP has been named as an irrevocable beneficiary of several perpetual trusts held and administered by independent trustees. Perpetual trusts provide for the distribution of the net income of the trusts to MCSP, however, MCSP will never receive the assets of the trusts. At the date MCSP receives notice of a beneficial interest, a contribution with donor restrictions of a perpetual nature is recorded in the statements of activities, and a beneficial interest in perpetual trust is recorded in the statements of financial position at the fair value of the underlying trust assets. Thereafter, beneficial interests in the trusts are reported at the fair value of the trusts' assets in the statements of financial position, with trust distributions and changes in fair value recognized in the statements of activities.

Collections

MCSP owns significant collections of historical books, materials, manuscripts, and records. In addition, MCSP also serves as custodian for significant collections of historical books, materials, manuscripts and records owned by various other Moravian entities.

The collections, which were acquired since MCSP's inception, are not recognized as assets on the statement of financial position. Purchases of collection items are recorded as decreases in net assets in the year acquired. In accordance with GAAP, MCSP does not capitalize donated collection items or recognize them as revenues or gains. GAAP provides that such donations need not be recognized if they are added to collections that are held for public exhibition, education, or research in furtherance of public service rather than financial gain, are protected, kept unencumbered, cared for, and preserved, and are subject to a policy that requires the proceeds from sales of collection items to be used to acquire other items for collections.

MORAVIAN CHURCH IN AMERICA, SOUTHERN PROVINCE

NOTES TO FINANCIAL STATEMENTS

Revenue Recognition

Revenue is recognized when earned. Contributions are recognized when cash, securities, or other assets, an unconditional promise to give, or notification of a beneficial interest is received.

Donated Services and In-Kind Contributions

Contributions of assets other than cash are recorded at their estimated fair value. MCSP reports revenue for the fair value of contributed services received where the services require specialized skills, are provided by individuals possessing these skills, and represent services that would have been purchased had they not been donated. During the years ended December 31, 2018 and 2017, MCSP did not recognize any donated services. However, many individuals volunteer their time and perform a variety of tasks that assist with various aspects of MCSP's operations.

Functional Allocation of Expenses

The costs of program and supporting services activities have been summarized on a functional basis in the statements of activities. The statements of functional expenses present the natural classification detail of expenses by function. The financial statements report certain categories of expenses that are attributed to more than one program or supporting function. Therefore, expenses require allocation on a reasonable basis that is consistently applied. The expenses that are allocated include salaries and personnel related expenses, which are allocated on the basis of time and effort.

Tax-Exempt Status

MCSP is a not-for-profit organization and is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code. In addition, the organization qualifies for the charitable contribution deduction under Section 170 and is classified as an organization that is not a private foundation under Section 509(a) of the code. Accordingly, income tax expense is limited to activities that are deemed by the Internal Revenue Service to be unrelated to their exempt purpose.

MCSP's primary tax positions relate to its status as a not-for-profit entity exempt from income taxes and classification of activities related to its exempt purpose. It is the opinion of management that MCSP has no uncertain tax positions that would be subject to change upon examination.

MCSP is not required to file a federal exempt organization tax return (Form 990) annually to retain its exempt status. However, MCSP is required to file an exempt organization business income tax return (Form 990-T) for any year gross unrelated business income exceeds \$1,000. MCSP's Form 990 filings are generally subject to examination by the Internal Revenue Service for three years after they are filed.

Use of Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

MORAVIAN CHURCH IN AMERICA, SOUTHERN PROVINCE
NOTES TO FINANCIAL STATEMENTS

Subsequent Events

MCSP has evaluated its subsequent events (events occurring after December 31, 2018) through the date of this report, which represents the date the financial statements were available to be issued and determined that all significant events and disclosures are included in the financial statements.

Change in Accounting Principle

On August 18, 2016, the Financial Accounting Standards Board (“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, deficiencies in information about liquidity and availability of resources, and the lack of consistency in the type of information provided about expenses and investment return. MCSP has implemented ASU 2016-14 and has adjusted the presentation in these financial statements accordingly. The ASU has been applied retrospectively to all periods presented.

NOTE C: LIQUIDITY AND AVAILABILITY

Financial assets include all assets of MCSP excluding prepaid expenses, property and equipment, and other assets. Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use within one year of the balance sheet date, comprise the following:

	<u>2018</u>	<u>2017</u>
Total financial assets	\$ 13,815,446	\$ 15,264,924
Less those unavailable for general expenditure within one year due to:		
Purpose or passage of time restrictions	(2,621,765)	(2,833,377)
Beneficial interests in split-interest agreements and perpetual trusts	(750,258)	(884,345)
Perpetual endowments	(7,146,621)	(7,816,693)
Board designations	<u>(2,088,864)</u>	<u>(2,296,555)</u>
Financial assets available to meet cash needs for general expenditure within one year	<u>\$ 1,207,938</u>	<u>\$ 1,433,954</u>

MCSP has a goal to structure its financial assets to be available as its general expenditures, liabilities and other obligations come due. MCSP has reserves designated by the Board which it could draw upon in the event of an unanticipated liquidity need.

MORAVIAN CHURCH IN AMERICA, SOUTHERN PROVINCE

NOTES TO FINANCIAL STATEMENTS

NOTE D: FAIR VALUE MEASUREMENTS

Financial assets and liabilities required to be measured on a recurring basis (at least annually) are classified under a three-tier hierarchy. Fair value is the amount that would be received to sell an asset, or paid to settle a liability, in an orderly transaction between market participants at the measurement date.

Assets and liabilities measured at fair value are categorized depending on the observability of the inputs employed in their measurement. Level 1 inputs are quoted prices in active markets for identical assets or liabilities. Level 2 inputs are observable inputs other than quoted prices included within Level 1 for the asset or liability, such as quoted prices for similar assets or liabilities, quoted prices in inactive markets, or other inputs that can be corroborated by observable data for substantially the full term of the assets or liabilities. Level 3 inputs are unobservable for the asset or liability, including MCSP's own assumptions in determining the fair value of assets or liabilities.

Valuation techniques used in the fair value measurements need to maximize the use of observable inputs and minimize the use of unobservable inputs. A valuation method may produce a fair value measurement that may not be indicative of net realizable value or reflective of future fair values. Furthermore, although MCSP believes its valuation methods are appropriate and consistent with those used by other market participants, the use of different methodologies or assumptions could result in different fair value measurements at the reporting date.

The following is a description of the valuation methodologies used by MCSP for assets measured at fair value:

- *Investments:* Valued at the closing price reported on the active markets on which the individual securities and mutual funds are traded (Level 1).
- *Assets held in Charitable Remainder Trust:* Mutual funds within the pooled investment fund account (Common Fund) are valued at the closing price reported on the active markets on which the funds are traded (Level 1).
- *Beneficial Interest In Perpetual Trusts:* Valued at the fair value of the trust investments, determined by the closing price reported on the active or observable market on which the individual securities that are held in trust are traded, as reported to MCSP by the Moravian Ministries Foundation (Level 3).
- *Charitable Remainder Trust Liabilities:* Valued by calculating the present value of payments expected to be made, using published life expectancy tables and discount rates ranging from 8.2% to 13.7% (Level 3).

MORAVIAN CHURCH IN AMERICA, SOUTHERN PROVINCE
NOTES TO FINANCIAL STATEMENTS

NOTE D: FAIR VALUE MEASUREMENTS (CONTINUED)

The following table sets forth by level, within the fair value hierarchy, MCSP's assets measured at fair value on a recurring basis as of December 31, 2018 and 2017:

Assets:	2018				2017			
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
Investments								
Money market and short-term reserve funds	\$ 253,831	\$ -	\$ -	\$ 253,831	\$ 239,065	\$ -	\$ -	\$ 239,065
Mutual funds								
Bond funds								
High quality	8,324	-	-	8,324	1,516,971	-	-	1,516,971
Investment grade	3,866,345	-	-	3,866,345	3,071,567	-	-	3,071,567
International bond	297,457	-	-	297,457	580,835	-	-	580,835
High yield	236,912	-	-	236,912	425,306	-	-	425,306
	<u>4,409,038</u>	<u>-</u>	<u>-</u>	<u>4,409,038</u>	<u>5,594,679</u>	<u>-</u>	<u>-</u>	<u>5,594,679</u>
Equity funds								
Small company	250,272	-	-	250,272	644,039	-	-	644,039
Mid cap	481,169	-	-	481,169	-	-	-	-
International small company	84,784	-	-	84,784	188,536	-	-	188,536
Emerging markets	341,251	-	-	341,251	323,995	-	-	323,995
Large company	1,524,344	-	-	1,524,344	2,208,457	-	-	2,208,457
International large company	1,116,351	-	-	1,116,351	1,103,793	-	-	1,103,793
	<u>3,798,171</u>	<u>-</u>	<u>-</u>	<u>3,798,171</u>	<u>4,468,820</u>	<u>-</u>	<u>-</u>	<u>4,468,820</u>
Alternative funds	1,197,320	-	-	1,197,320	-	-	-	-
Real estate funds	867,213	-	-	867,213	1,373,834	-	-	1,373,834
	<u>10,271,742</u>	<u>-</u>	<u>-</u>	<u>10,271,742</u>	<u>11,437,333</u>	<u>-</u>	<u>-</u>	<u>11,437,333</u>
Common stocks								
Financial	-	-	-	-	32,519	-	-	32,519
Healthcare	-	-	-	-	48,203	-	-	48,203
Industrials	-	-	-	-	8,026	-	-	8,026
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>88,748</u>	<u>-</u>	<u>-</u>	<u>88,748</u>
Total investments at fair value	<u>10,525,573</u>	<u>-</u>	<u>-</u>	<u>10,525,573</u>	<u>11,765,146</u>	<u>-</u>	<u>-</u>	<u>11,765,146</u>
Assets held in charitable remainder trusts	74,478	-	-	74,478	289,684	-	-	289,684
Beneficial interest in perpetual trusts	-	-	717,506	717,506	-	-	820,152	820,152
Total assets at fair value	<u>\$ 10,600,051</u>	<u>\$ -</u>	<u>\$ 717,506</u>	<u>\$ 11,317,557</u>	<u>\$ 12,054,830</u>	<u>\$ -</u>	<u>\$ 820,152</u>	<u>\$ 12,874,982</u>
Liabilities:								
Charitable remainder trust liabilities	\$ -	\$ -	\$ 58,127	\$ 58,127	\$ -	\$ -	\$ 241,511	\$ 241,511
Total liabilities at fair value	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 58,127</u>	<u>\$ 58,127</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 241,511</u>	<u>\$ 241,511</u>

MORAVIAN CHURCH IN AMERICA, SOUTHERN PROVINCE
NOTES TO FINANCIAL STATEMENTS

NOTE D: FAIR VALUE MEASUREMENTS (CONTINUED)

The tables below sets forth a summary of changes in the fair value of MCSP's level 3 assets and liabilities for the years ended December 31, 2018 and 2017.

	<u>Assets</u>		<u>Liabilities</u>	
	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>
Balance, beginning of year	\$ 820,152	\$ 755,708	\$ 241,511	\$ 240,253
Payments	-	-	(184,496)	(4,182)
Change in value	<u>(102,646)</u>	<u>64,444</u>	<u>1,112</u>	<u>5,440</u>
Balance, end of year	<u>\$ 717,506</u>	<u>\$ 820,152</u>	<u>\$ 58,127</u>	<u>\$ 241,511</u>

NOTE E: NOTES RECEIVABLE

Notes receivable at December 31, 2018 and 2017 consisted of the following:

	<u>2018</u>	<u>2017</u>
MCSP churches	\$ 26,345	\$ 33,855
Other churches	<u>268,619</u>	<u>285,176</u>
	<u>\$ 294,964</u>	<u>\$ 319,031</u>

Notes receivable represent loans made to churches, primarily for the purchase, construction and/or development of church facilities. Requests for loans are evaluated by MCSP to ensure that churches pose little risk. These have varying repayment terms and interest rates ranging from 5% to 7%. Interest on loans is recognized over the term of the loan and is calculated using the simple-interest method on principal amounts outstanding. Accrued interest on loans is discontinued when the loans enter into default. MCSP closely monitors outstanding balances and evaluates the adequacy of an allowance for doubtful accounts based on past payment history and discussions with debtor churches. Receivables are charged off if it is determined that the churches are no longer viable or financially able to make payments on the loans. Based on payment history and discussions with debtor churches, MCSP has determined that no allowance is necessary at December 31, 2018 or 2017.

MORAVIAN CHURCH IN AMERICA, SOUTHERN PROVINCE
NOTES TO FINANCIAL STATEMENTS

NOTE F: PROPERTY AND EQUIPMENT

A summary of property and equipment at December 31, 2018 and 2017 is as follows:

	<u>2018</u>	<u>2017</u>
Land	\$ 177,811	\$ 177,811
Buildings and improvements	6,780,744	6,777,619
Computer equipment	98,300	96,571
Furniture and equipment	751,797	735,638
Vehicles	<u>165,309</u>	<u>152,138</u>
	7,973,961	7,939,777
Less: accumulated depreciation	<u>(4,353,552)</u>	<u>(4,109,808)</u>
	<u>\$ 3,620,409</u>	<u>\$ 3,829,969</u>

Depreciation expense for the years ended December 31, 2018 and 2017 was \$243,743 and \$256,727, respectively.

NOTE G: INVESTMENTS

Investments, stated at fair value, consisted of the following at December 31, 2018 and 2017:

	<u>2018</u>	<u>2017</u>
Assets held by Moravian Ministries		
Foundation in America, as agent,		
in the Moravian Common Fund:		
Mutual funds	\$ 8,170,280	\$ 9,124,208
Money market and short-term reserves	<u>253,831</u>	<u>239,065</u>
	<u>8,424,111</u>	<u>9,363,273</u>
Other investments:		
Equity securities	-	88,748
Fixed income securities	<u>2,101,462</u>	<u>2,313,125</u>
	<u>2,101,462</u>	<u>2,401,873</u>
	<u>\$ 10,525,573</u>	<u>\$ 11,765,146</u>

MORAVIAN CHURCH IN AMERICA, SOUTHERN PROVINCE
NOTES TO FINANCIAL STATEMENTS

NOTE H: OTHER ASSETS

In 2011, MCSP received approximately 70 acres of land in Davie County, North Carolina as part of an estate gift. At December 31, 2018 and 2017 the land was valued at \$547,430, respectively, and is included in other assets on the statements of financial position.

NOTE I: DUE TO MORAVIAN CHURCH SUPPORTED ENTITIES

Amounts due to Moravian Church supported entities at December 31, 2018 and 2017 are as follows:

	<u>December 31, 2017</u>	<u>Allocated to Congregations</u>	<u>Remittances</u>	<u>December 31, 2018</u>
Moravian Theological Seminary	\$ 41,749	\$ 104,296	\$ 104,496	\$ 41,549
Salem College Dept of Religion	12,862	36,293	36,362	12,793
Department of Publications and Communication	17,802	53,646	53,749	17,699
Board of World Missions	<u>70,997</u>	<u>213,132</u>	<u>213,536</u>	<u>70,593</u>
	<u>\$ 143,410</u>	<u>\$ 407,367</u>	<u>\$ 408,143</u>	<u>\$ 142,634</u>

MORAVIAN CHURCH IN AMERICA, SOUTHERN PROVINCE
NOTES TO FINANCIAL STATEMENTS

NOTE J: NOTES PAYABLE

Notes payable at December 31, 2018 and 2017 consisted of the following:

	<u>2018</u>	<u>2017</u>
Promissory note, with monthly payments of \$8,397, including interest at 4.00%, through June 2028, secured by assets.	\$ <u>709,959</u>	\$ <u>779,831</u>

Future maturities of notes payable at December 31, 2018 are as follows:

2019	\$ 72,297
2020	75,242
2021	78,308
2022	81,498
2023	84,818
Thereafter	<u>317,796</u>
	<u>\$ 709,959</u>

Also, MCSP is primarily liable for mortgage loans on various church properties. Since these loans are to be repaid from the resources of the individual congregations, the debt is not considered a liability of MCSP.

NOTE K: AGENCY FUNDS

MCSP acts as an agent, or custodian, for certain assets owned by churches of the Province and other Moravian church-related entities by receiving, investing, and disbursing funds on their behalf. Changes in agency funds for the years ended December 31, 2018 and 2017 were as follows:

	<u>2018</u>	<u>2017</u>
Beginning balance	\$ 25,839	\$ 24,568
Investment income	125	133
Gains (losses) on investments	<u>(822)</u>	<u>1,138</u>
	<u>\$ 25,142</u>	<u>\$ 25,839</u>

MORAVIAN CHURCH IN AMERICA, SOUTHERN PROVINCE
NOTES TO FINANCIAL STATEMENTS

NOTE L: ENDOWMENT FUNDS

The Endowment consists of funds established by donors to provide annual funding for specific activities and general operations. The Endowment also includes certain net assets without donor restrictions that have been designated for endowment by the Board.

The Board of MCSP has interpreted the Uniform Prudent Management of Institutional Funds Act (UPMIFA) as requiring the preservation of the fair value of the original gifts as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, MCSP retains in perpetuity (a) the original value of gifts donated to the endowment, (b) the original value of subsequent gifts to the endowment, and (c) accumulations to the endowment made in accordance with the direction of the applicable donor gift instrument at the time accumulations are added to the fund. Donor-restricted amounts not retained in perpetuity are subject to appropriation for expenditure by MCSP in a manner consistent with the standard of prudence prescribed by UPMIFA.

In accordance with UPMIFA, MCSP considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds: (1) the duration and preservation of the funds, (2) the purpose 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 MCSP, and (7) MCSP's investment policies.

Endowment net assets composition by type as of December 31, 2018 and 2017 is as follows:

	With Donor Restrictions			Total With Donor Restrictions
	Without Donor Restrictions	Original Gift Amount	Accumulated Gains (Losses) and Other	
<u>2018</u>				
Board-designated endowment funds	\$ 2,088,864	\$ -	\$ -	\$ -
Donor-restricted endowment funds	-	4,478,677	2,667,944	7,146,621
	<u>\$ 2,088,864</u>	<u>\$ 4,478,677</u>	<u>\$ 2,667,944</u>	<u>\$ 7,146,621</u>
<u>2017</u>				
Board-designated endowment funds	\$ 2,296,555	\$ -	\$ -	\$ -
Donor-restricted endowment funds	-	4,896,168	2,920,525	7,816,693
	<u>\$ 2,296,555</u>	<u>\$ 4,896,168</u>	<u>\$ 2,920,525</u>	<u>\$ 7,816,693</u>

Funds with Deficiencies. From time to time, the fair value of the assets associated with the donor restricted endowment fund may fall below the level that the donor or UPMIFA requires MCSP to retain as a fund of perpetual duration (underwater endowments). MCSP has interpreted UPMIFA to permit spending from underwater endowments in accordance with prudent measures required under law. There were no endowment fund deficiencies at December 31, 2018 or 2017.

MORAVIAN CHURCH IN AMERICA, SOUTHERN PROVINCE
NOTES TO FINANCIAL STATEMENTS

NOTE L: ENDOWMENT FUNDS (CONTINUED)

Investment Return Objectives, Risk Parameters, and Strategies. Based on the nature of the endowment, the investment of the funds are determined by MMFA rather than MCSP. Endowment assets are invested in a well-diversified asset mix that is intended to result in a consistent rate of return that has sufficient liquidity to provide MCSP income while growing the funds, if possible. Investment risk is measured in terms of the total endowment fund; investment assets and allocation between asset classes and strategies are managed by MMFA.

Spending Policy. MMFA policy is to distribute 5% of the average total value of the Fund for the preceding 12 quarters. The decision to take the distributions within the endowment is determined by MCSP's management consistent with the previously discussed standards of prudence prescribed by UPMIFA.

Changes in endowment net assets during the years ended December 31, 2018 and 2017 are as follows:

	With Donor Restrictions			
	Without Donor Restrictions	Original Gift Amount	Accumulated Gains (Losses) and Other	Total With Donor Restrictions
2018				
Endowment net assets, beginning	\$ 2,296,555	\$ 4,896,168	\$ 2,920,525	\$ 7,816,693
Contributions	240,995	8,724	40,510	\$ 49,234
Investment return, net	(99,713)	(423,644)	(60,333)	(483,977)
Appropriated for expenditure	(348,973)	(2,571)	(232,758)	(235,329)
Endowment net assets, ending	<u>\$ 2,088,864</u>	<u>\$ 4,478,677</u>	<u>\$ 2,667,944</u>	<u>\$ 7,146,621</u>
2017				
Endowment net assets, beginning	\$ 2,722,551	\$ 4,317,031	\$ 2,776,932	\$ 7,093,963
Contributions	262,260	13,877	27,576	\$ 41,453
Investment return, net	270,097	565,260	305,671	870,931
Appropriated for expenditure	(958,353)	-	(189,654)	(189,654)
Endowment net assets, ending	<u>\$ 2,296,555</u>	<u>\$ 4,896,168</u>	<u>\$ 2,920,525</u>	<u>\$ 7,816,693</u>

NOTE M: NET ASSETS WITHOUT DONOR RESTRICTIONS DESIGNATED FOR SPECIAL PURPOSES

Net assets without donor restrictions include funds designated by the governing boards within MCSP for certain special purposes. The amounts of such designated net assets at December 31, 2018 and 2017 were as follows:

	2018	2017
Provincial Administration	\$ 1,212,940	\$ 1,375,771
Board of Cooperative Ministries	505,284	601,193
Laurel Ridge Camp, Conference and Retreat Center	198,550	131,327
Moravian Archives	<u>172,090</u>	<u>188,264</u>
	<u>\$ 2,088,864</u>	<u>\$ 2,296,555</u>

MORAVIAN CHURCH IN AMERICA, SOUTHERN PROVINCE
NOTES TO FINANCIAL STATEMENTS

NOTE N: NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions are available for the following purposes or periods at December 31:

	<u>2018</u>	<u>2017</u>
Subject to expenditure for specified purposes:		
Moravian Archives	\$ 24,001	\$ 37,405
Laurel Ridge Camp, Conference and Retreat Center	225,601	238,462
Board of Cooperative Ministries	98,204	100,142
Provincial Administration	<u>2,273,959</u>	<u>2,457,368</u>
	<u>2,621,765</u>	<u>2,833,377</u>
Subject to passage of time:		
Beneficial interests in split-interest agreements	<u>32,752</u>	<u>64,193</u>
Endowments:		
Subject to endowment spending policy and appropriation:		
Original gifts (corpus) for:		
Moravian Archives	532,987	589,322
Laurel Ridge Camp, Conference and Retreat Center	174,123	192,167
Board of Cooperative Ministries	204,628	210,672
Provincial Administration:		
Specific funds	1,095,449	1,210,397
Other provincial funds	457,949	502,353
Agency funds	295,056	328,952
Church funds	1,718,485	1,862,305
Unappropriated endowment earnings for:		
Laurel Ridge Camp, Conference and Retreat Center	2,184	3,326
Provincial Administration:		
Specific funds	681,480	769,784
Other provincial funds	150,427	158,463
Agency funds	72,221	72,419
Church funds	<u>1,761,632</u>	<u>1,916,533</u>
	<u>7,146,621</u>	<u>7,816,693</u>
Beneficial interests in perpetual trusts	<u>717,506</u>	<u>820,152</u>
	<u>\$ 10,518,644</u>	<u>\$ 11,534,415</u>

MORAVIAN CHURCH IN AMERICA, SOUTHERN PROVINCE
NOTES TO FINANCIAL STATEMENTS

NOTE O: RETIREMENT BENEFITS

Defined Benefit Pension Plan

MCSP has a defined benefit pension plan covering all ministers and their surviving spouses. MCSP is required to provide these pension benefits as a result of Synod action. The same Synod action allows MCSP to assess congregations and church agencies for the cost of the benefits. Therefore, no liability for an underfunded status is recorded. The following is for informational purposes only.

	<u>2018</u>	<u>2017</u>
Fair value of plan assets at December 31	\$ 7,334,083	\$ 7,876,266
Benefit obligation at December 31	<u>12,577,367</u>	<u>13,729,285</u>
Funded status	<u>\$ (5,243,284)</u>	<u>\$ (5,853,019)</u>
Weighted-average assumptions as of December 31:		
Discount rate	4.35%	3.68%
Expected return on plan assets	7.50%	7.50%
Benefit costs		
Service cost	<u>\$ 144,772</u>	<u>\$ 161,127</u>
Interest cost	<u>\$ 529,291</u>	<u>\$ 490,641</u>
Employer contributions	<u>\$ 504,396</u>	<u>\$ 510,311</u>
Benefits paid	<u>\$ 733,897</u>	<u>\$ 744,494</u>

Housing Equity Plan

MCSP maintains a housing equity plan for those ministers who live in church-owned parsonages. Churches and agencies of the Province fund this plan. Amounts paid into this plan by MCSP churches and agencies for the years ended December 31, 2018 and 2017 were \$41,667 and \$34,456, respectively.

Health Insurance

MCSP also maintains a plan to provide health insurance for retired and disabled clergy. The Province is required to provide these health insurance benefits to retired and disabled clergy as a result of Synod action. The same Synod action allows MCSP to assess congregations for the cost of the benefits.

MORAVIAN CHURCH IN AMERICA, SOUTHERN PROVINCE
NOTES TO FINANCIAL STATEMENTS

NOTE P: RELATED PARTY TRANSACTIONS

MCSP received grants from Salem Congregation of \$249,574 in 2018 and \$243,068 in 2017.

The Treasurer's office of MCSP provides general accounting services to Salem Congregation, the Mission Society of the Moravian Church, South, Inc., the Moravian Music Foundation, Inc., and the Moravian Widows Society. General accounting service charges were \$ 59,249 and \$58,745 for 2018 and 2017, respectively.

MCSP rents various office and retail properties from MCSP on an annual basis. It is expected that the office rental arrangements will continue to be renewed, with reasonable annual increases. Rental payments to MCSP (including amounts for maintenance and utilities) were \$102,006 and \$105,042 for the years ended December 31, 2018 and 2017, respectively.