

**MORAVIAN CHURCH IN AMERICA,
SOUTHERN PROVINCE**

Financial Statements

December 31, 2020 and 2019

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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, 2020 and 2019, 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, 2020 and 2019, 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, 2021

MORAVIAN CHURCH IN AMERICA, SOUTHERN PROVINCE
STATEMENTS OF FINANCIAL POSITION
December 31, 2020 and 2019

| | <u>2020</u> | <u>2019</u> |
|---|-----------------------------|-----------------------------|
| ASSETS | | |
| Cash and cash equivalents | \$ 2,530,984 | \$ 2,079,120 |
| Accounts receivable - trade | 4,253 | 15,800 |
| Accounts receivable - other | 51,623 | 38,607 |
| Contributions receivable | 95,381 | 83,816 |
| Prepaid expenses | 157,604 | 125,875 |
| Notes receivable | 255,438 | 274,485 |
| Property and equipment, net | 3,284,415 | 3,454,036 |
| Due from other Moravian Church entities, net | 754,571 | 576,045 |
| Cash surrender value of life insurance | 114,903 | 110,894 |
| Other investments | 67,980 | 67,980 |
| Assets held in charitable remainder trusts | 76,456 | 84,064 |
| Beneficial interest in perpetual trusts | 831,867 | 794,655 |
| Other assets | 4,800 | 4,800 |
| Endowment: Investments | 12,782,344 | 12,035,329 |
| Collections | - | - |
| | <u>-</u> | <u>-</u> |
| <u>TOTAL ASSETS</u> | <u>\$ 21,012,619</u> | <u>\$ 19,745,506</u> |
| LIABILITIES AND NET ASSETS | | |
| Accounts payable | \$ 59,858 | \$ 27,695 |
| Accrued and other liabilities | 255,652 | 108,147 |
| Due to other Moravian Church supported entities | 208,387 | 179,556 |
| Notes payable | 561,685 | 637,282 |
| Loan payable | 306,326 | - |
| Charitable remainder trust liabilities: | | |
| Liability under unitrust agreements | 18,264 | 25,939 |
| Remainder interests due to other Moravian Church entities | 33,808 | 35,301 |
| Agency funds | 27,314 | 26,479 |
| <u>Total Liabilities</u> | <u>1,471,294</u> | <u>1,040,399</u> |
| Net Assets Without Donor Restrictions | | |
| Undesignated | 4,428,941 | 4,217,133 |
| Designated | <u>3,041,752</u> | <u>2,927,971</u> |
| | 7,470,693 | 7,145,104 |
| Net Assets With Donor Restrictions | <u>12,070,632</u> | <u>11,560,003</u> |
| <u>Total Net Assets</u> | <u>19,541,325</u> | <u>18,705,107</u> |
| <u>TOTAL LIABILITIES AND NET ASSETS</u> | <u>\$ 21,012,619</u> | <u>\$ 19,745,506</u> |

MORAVIAN CHURCH IN AMERICA, SOUTHERN PROVINCE
STATEMENT OF ACTIVITIES
For the Year Ended December 31, 2020

| | <u>Without Donor Restrictions</u> | <u>With Donor Restrictions</u> | <u>Total</u> |
|---|---------------------------------------|------------------------------------|-------------------------|
| SUPPORT AND REVENUE | | | |
| Contributions | | | |
| Provincial churches support | \$ 1,016,087 | \$ 227,900 | \$ 1,243,987 |
| Other contributions | 1,509,280 | 430,508 | 1,939,788 |
| Program fees | 120,416 | - | 120,416 |
| Gross profit on sales of literature | 14,302 | - | 14,302 |
| Treasurer's office - fees | 41,098 | - | 41,098 |
| Investment income, net | 59,030 | 132,333 | 191,363 |
| Net realized and unrealized gains on investments | 159,911 | 749,328 | 909,239 |
| Increase in cash surrender value of life insurance policies | - | 4,008 | 4,008 |
| Change in value of split-interest agreements | - | 810 | 810 |
| Change in value of perpetual trusts | - | 37,212 | 37,212 |
| Other revenue | 73,397 | - | 73,397 |
| | <u>2,993,521</u> | <u>1,582,099</u> | <u>4,575,620</u> |
| Net assets released from restrictions | | | |
| Satisfaction of purpose restrictions | <u>1,071,470</u> | <u>(1,071,470)</u> | <u>-</u> |
| <u>Total Support and Revenue</u> | <u>4,064,991</u> | <u>510,629</u> | <u>4,575,620</u> |
| EXPENSES | | | |
| Program Services | | | |
| Provincial Elders' Conference | 604,852 | - | 604,852 |
| Board of Cooperative Ministries | 1,121,129 | - | 1,121,129 |
| Laurel Ridge Camp, Conference and Retreat Center | 814,881 | - | 814,881 |
| Moravian Archives | 268,419 | - | 268,419 |
| Other programs and causes | 579,269 | - | 579,269 |
| <u>Total Program Services</u> | <u>3,388,550</u> | <u>-</u> | <u>3,388,550</u> |
| Supporting Services | | | |
| Management and general | 350,852 | - | 350,852 |
| <u>Total Supporting Services</u> | <u>350,852</u> | <u>-</u> | <u>350,852</u> |
| <u>Total Expenses</u> | <u>3,739,402</u> | <u>-</u> | <u>3,739,402</u> |
| CHANGE IN NET ASSETS | 325,589 | 510,629 | 836,218 |
| Net Assets, Beginning of Year | <u>7,145,104</u> | <u>11,560,003</u> | <u>18,705,107</u> |
| Net Assets, End of Year | <u>\$ 7,470,693</u> | <u>\$ 12,070,632</u> | <u>\$ 19,541,325</u> |

MORAVIAN CHURCH IN AMERICA, SOUTHERN PROVINCE
STATEMENT OF ACTIVITIES
For the Year Ended December 31, 2019

| | <u>Without Donor Restrictions</u> | <u>With Donor Restrictions</u> | <u>Total</u> |
|---|---------------------------------------|------------------------------------|-------------------------|
| SUPPORT AND REVENUE | | | |
| Contributions | | | |
| Provincial churches support | \$ 1,046,691 | \$ 283,963 | \$ 1,330,654 |
| Other contributions | 1,448,943 | 301,973 | 1,750,916 |
| Program fees | 676,910 | - | 676,910 |
| Gross profit on sales of literature | 12,112 | - | 12,112 |
| Treasurer's office - fees | 73,961 | - | 73,961 |
| Investment income, net | 69,203 | 193,073 | 262,276 |
| Net realized and unrealized gains on investments | 232,588 | 1,055,213 | 1,287,801 |
| Increase in cash surrender value of life insurance policies | - | 4,326 | 4,326 |
| Change in value of split-interest agreements | - | 2,692 | 2,692 |
| Change in value of perpetual trusts | - | 77,149 | 77,149 |
| Other revenue | 8,980 | - | 8,980 |
| | <u>3,569,388</u> | <u>1,918,389</u> | <u>5,487,777</u> |
| Net assets released from restrictions | | | |
| Satisfaction of purpose restrictions | <u>877,030</u> | <u>(877,030)</u> | <u>-</u> |
| <u>Total Support and Revenue</u> | <u>4,446,418</u> | <u>1,041,359</u> | <u>5,487,777</u> |
| EXPENSES | | | |
| Program Services | | | |
| Provincial Elders' Conference | 633,761 | - | 633,761 |
| Board of Cooperative Ministries | 1,159,754 | - | 1,159,754 |
| Laurel Ridge Camp, Conference and Retreat Center | 1,074,730 | - | 1,074,730 |
| Moravian Archives | 280,428 | - | 280,428 |
| Other programs and causes | 493,618 | - | 493,618 |
| <u>Total Program Services</u> | <u>3,642,291</u> | <u>-</u> | <u>3,642,291</u> |
| Supporting Services | | | |
| Management and general | <u>317,456</u> | <u>-</u> | <u>317,456</u> |
| <u>Total Supporting Services</u> | <u>317,456</u> | <u>-</u> | <u>317,456</u> |
| <u>Total Expenses</u> | <u>3,959,747</u> | <u>-</u> | <u>3,959,747</u> |
| CHANGE IN NET ASSETS | 486,671 | 1,041,359 | 1,528,030 |
| Net Assets, Beginning of Year | <u>6,658,433</u> | <u>10,518,644</u> | <u>17,177,077</u> |
| Net Assets, End of Year | <u>\$ 7,145,104</u> | <u>\$ 11,560,003</u> | <u>\$ 18,705,107</u> |

MORAVIAN CHURCH IN AMERICA, SOUTHERN PROVINCE
STATEMENT OF FUNCTIONAL EXPENSES
For the Year Ended December 31, 2020

| | 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 | \$ 311,626 | \$ 419,662 | \$ 350,194 | \$ 171,842 | \$ - | \$ 1,253,324 | \$ 178,178 | \$ 1,431,502 |
| Occupancy | 11,568 | 17,606 | 70,734 | 68,834 | - | 168,742 | 12,373 | 181,115 |
| Supplies | 2,796 | 4,068 | 12,176 | 1,509 | - | 20,549 | 1,130 | 21,679 |
| Printing | 862 | 3,703 | 1,960 | 2,164 | - | 8,689 | 359 | 9,048 |
| Computer expense | 1,306 | 9,052 | 9,279 | 751 | - | 20,388 | 4,091 | 24,479 |
| Transportation | 5,618 | 1,386 | 8,153 | - | - | 15,157 | 249 | 15,406 |
| Insurance | 3,913 | 6,208 | 29,461 | 3,684 | - | 43,266 | 2,440 | 45,706 |
| Property taxes | - | 119 | - | - | - | 119 | - | 119 |
| Repairs and maintenance | - | 1,365 | 41,512 | 10,000 | - | 52,877 | - | 52,877 |
| Interest expense | - | - | - | - | - | - | 23,790 | 23,790 |
| Telephone | 2,764 | - | 10,732 | 2,240 | - | 15,736 | 2,668 | 18,404 |
| Professional services | 1,772 | 4,500 | 10,432 | - | - | 16,704 | 76,128 | 92,832 |
| Program activities | 228,148 | 595,531 | 61,593 | 4,666 | 162,505 | 1,052,443 | - | 1,052,443 |
| Postage | 783 | 1,855 | 3,670 | - | - | 6,308 | 1,617 | 7,925 |
| Public relations | 499 | - | - | 1,221 | - | 1,720 | - | 1,720 |
| Continuing education | 2,116 | 1,365 | 725 | 285 | - | 4,491 | 275 | 4,766 |
| Miscellaneous | 25,724 | 25,108 | 5,530 | 1,041 | 1,118 | 58,521 | 47,554 | 106,075 |
| Services to ministers and congregations | - | - | - | - | 308,037 | 308,037 | - | 308,037 |
| Ministerial student aid | - | - | - | - | 51,177 | 51,177 | - | 51,177 |
| Unity Causes | - | - | - | - | 56,432 | 56,432 | - | 56,432 |
| | <u>599,495</u> | <u>1,091,528</u> | <u>616,151</u> | <u>268,237</u> | <u>579,269</u> | <u>3,154,680</u> | <u>350,852</u> | <u>3,505,532</u> |
| Depreciation | <u>5,357</u> | <u>29,601</u> | <u>198,730</u> | <u>182</u> | <u>-</u> | <u>233,870</u> | <u>-</u> | <u>233,870</u> |
| | <u>\$ 604,852</u> | <u>\$ 1,121,129</u> | <u>\$ 814,881</u> | <u>\$ 268,419</u> | <u>\$ 579,269</u> | <u>\$ 3,388,550</u> | <u>\$ 350,852</u> | <u>\$ 3,739,402</u> |

MORAVIAN CHURCH IN AMERICA, SOUTHERN PROVINCE
STATEMENT OF FUNCTIONAL EXPENSES
For the Year Ended December 31, 2019

| | 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 | \$ 302,431 | \$ 581,047 | \$ 401,953 | \$ 166,632 | \$ - | \$ 1,452,063 | \$ 185,315 | \$ 1,637,378 |
| Occupancy | 14,244 | 15,571 | 89,137 | 68,913 | - | 187,865 | 20,177 | 208,042 |
| Supplies | 1,767 | 13,973 | 33,873 | 613 | - | 50,226 | 2,178 | 52,404 |
| Printing | 1,605 | 7,827 | 1,900 | 3,572 | - | 14,904 | 484 | 15,388 |
| Computer expense | 1,188 | 5,461 | 13,865 | 982 | - | 21,496 | 6,125 | 27,621 |
| Transportation | 13,196 | 6,735 | 12,019 | - | - | 31,950 | 1,367 | 33,317 |
| Insurance | 2,717 | 2,249 | 30,111 | 13,638 | - | 48,715 | 2,144 | 50,859 |
| Property taxes | 3,228 | - | - | - | - | 3,228 | - | 3,228 |
| Repairs and maintenance | - | 17,812 | 62,821 | 11,686 | - | 92,319 | - | 92,319 |
| Interest expense | - | - | - | - | - | - | 26,709 | 26,709 |
| Telephone | 2,016 | - | 11,352 | 2,053 | - | 15,421 | 1,514 | 16,935 |
| Professional services | 14,753 | - | 22,312 | - | - | 37,065 | 66,637 | 103,702 |
| Program activities | 264,693 | 456,200 | 182,908 | 8,336 | 129,861 | 1,041,998 | - | 1,041,998 |
| Postage | 801 | 1,387 | 971 | - | - | 3,159 | 1,571 | 4,730 |
| Public relations | 499 | - | - | 1,230 | - | 1,729 | - | 1,729 |
| Continuing education | 1,420 | 4,206 | 1,735 | 80 | - | 7,441 | 275 | 7,716 |
| Miscellaneous | 4,135 | 18,568 | 5,451 | 2,511 | - | 30,665 | 2,960 | 33,625 |
| Services to ministers and congregations | - | - | - | - | 286,328 | 286,328 | - | 286,328 |
| Ministerial student aid | - | - | - | - | 10,065 | 10,065 | - | 10,065 |
| Unity Causes | - | - | - | - | 67,364 | 67,364 | - | 67,364 |
| | <u>628,693</u> | <u>1,131,036</u> | <u>870,408</u> | <u>280,246</u> | <u>493,618</u> | <u>3,404,001</u> | <u>317,456</u> | <u>3,721,457</u> |
| Depreciation | 5,068 | 28,718 | 204,322 | 182 | - | 238,290 | - | 238,290 |
| | <u>\$ 633,761</u> | <u>\$ 1,159,754</u> | <u>\$ 1,074,730</u> | <u>\$ 280,428</u> | <u>\$ 493,618</u> | <u>\$ 3,642,291</u> | <u>\$ 317,456</u> | <u>\$ 3,959,747</u> |

MORAVIAN CHURCH IN AMERICA, SOUTHERN PROVINCE
STATEMENTS OF CASH FLOWS
For the Years Ended December 31, 2020 and 2019

| | <u>2020</u> | <u>2019</u> |
|--|---------------------|---------------------|
| OPERATING ACTIVITIES | | |
| Change in net assets | \$ 836,218 | \$ 1,528,030 |
| Adjustments to reconcile change in net assets to net cash provided by operating activities: | | |
| Depreciation | 233,870 | 238,290 |
| Gain on disposal of property and equipment | (300) | (1,153) |
| Non-cash contribution | - | (4,156) |
| Loss on sale of other assets | - | 47,760 |
| Net realized and unrealized gains on investments | (908,404) | (1,286,464) |
| Change in value of split-interest agreements | (810) | (2,692) |
| Change in value of perpetual trusts | (37,212) | (77,149) |
| Contributions restricted for long-term purposes | (31,561) | (41,257) |
| Change in cash surrender value of life insurance policies | (4,009) | (4,326) |
| (Increase) decrease in operating assets: | | |
| Receivables | (13,784) | (76,303) |
| Prepaid expenses | (31,729) | (32,411) |
| Notes receivable | 19,047 | 20,479 |
| Due from other Moravian Church entities, net | (178,526) | 270,550 |
| Increase (decrease) in operating liabilities: | | |
| Accounts payable and accrued liabilities | 179,668 | 60,663 |
| Due to Moravian Church supported entities | <u>28,831</u> | <u>36,922</u> |
| <u>Net Cash Provided by Operating Activities</u> | <u>91,299</u> | <u>676,783</u> |
| INVESTING ACTIVITIES | | |
| Sales of investments | 517,399 | 657,184 |
| Purchases of investments | (355,175) | (879,139) |
| Purchases of property and equipment | (64,249) | (72,764) |
| Proceeds from sale of property and equipment | 300 | 2,000 |
| Proceeds from sale of other assets | - | <u>499,670</u> |
| <u>Net Cash Provided by Investing Activities</u> | <u>98,275</u> | <u>206,951</u> |
| FINANCING ACTIVITIES | | |
| Principal repayments on debt | (75,597) | (72,677) |
| Proceeds from loan payable | 306,326 | - |
| Contributions restricted for long-term purposes | <u>31,561</u> | <u>41,257</u> |
| <u>Net Cash Provided by (Used in) Financing Activities</u> | <u>262,290</u> | <u>(31,420)</u> |
| Change in Cash and Cash Equivalents | 451,864 | 852,314 |
| Cash and Cash Equivalents at Beginning of Year | <u>2,079,120</u> | <u>1,226,806</u> |
| Cash and Cash Equivalents at End of Year | <u>\$ 2,530,984</u> | <u>\$ 2,079,120</u> |
| SUPPLEMENTAL INFORMATION | | |
| Interest paid | <u>\$ 23,790</u> | <u>\$ 26,709</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, 2020 or 2019. 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 statements 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. During the years ended December 31, 2020 and 2019, these fees totaled \$94,135 and \$74,911, respectively.

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

NOTE B: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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, 2020 and 2019, 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 primary 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

NOTE B: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Subsequent Events

MCSP has evaluated its subsequent events (events occurring after December 31, 2020) 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.

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>2020</u> | <u>2019</u> |
|--|----------------------------|----------------------------|
| Total financial assets | \$ 17,565,800 | \$ 16,160,795 |
| Less those unavailable for general expenditure within one year due to: | | |
| Purpose restrictions | (3,062,430) | (2,865,075) |
| Beneficial interests in split-interest agreements and perpetual trusts | (868,119) | (830,099) |
| Perpetual endowments | (8,140,083) | (7,864,829) |
| Board designations | <u>(3,041,752)</u> | <u>(2,927,971)</u> |
| Financial assets available to meet cash needs for general expenditure within one year | <u>\$ 2,453,416</u> | <u>\$ 1,672,821</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 and liabilities 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 8.5% (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 and liabilities measured at fair value on a recurring basis as of December 31, 2020 and 2019:

| Assets: | 2020 | | | | 2019 | | | |
|--|----------------------|-------------|-------------------|----------------------|----------------------|-------------|-------------------|----------------------|
| | Level 1 | Level 2 | Level 3 | Total | Level 1 | Level 2 | Level 3 | Total |
| Investments | | | | | | | | |
| Money market and short-term reserve funds | \$ 504,130 | \$ - | \$ - | \$ 504,130 | \$ 307,573 | \$ - | \$ - | \$ 307,573 |
| Mutual funds | | | | | | | | |
| Bond funds | | | | | | | | |
| Investment grade | 4,803,965 | - | - | 4,803,965 | 3,670,121 | - | - | 3,670,121 |
| International bond | 756,081 | - | - | 756,081 | 307,678 | - | - | 307,678 |
| High yield | 425,491 | - | - | 425,491 | 316,525 | - | - | 316,525 |
| | <u>5,985,537</u> | <u>-</u> | <u>-</u> | <u>5,985,537</u> | <u>4,294,324</u> | <u>-</u> | <u>-</u> | <u>4,294,324</u> |
| Equity funds | | | | | | | | |
| Small company | 209,617 | - | - | 209,617 | 197,583 | - | - | 197,583 |
| Mid cap | 756,081 | - | - | 756,081 | 712,674 | - | - | 712,674 |
| Emerging markets | 335,804 | - | - | 335,804 | 316,525 | - | - | 316,525 |
| Large company | 2,569,631 | - | - | 2,569,631 | 2,399,498 | - | - | 2,399,498 |
| International large company | 1,176,357 | - | - | 1,176,357 | 1,108,822 | - | - | 1,108,822 |
| | <u>5,047,490</u> | <u>-</u> | <u>-</u> | <u>5,047,490</u> | <u>4,735,102</u> | <u>-</u> | <u>-</u> | <u>4,735,102</u> |
| Alternative funds | 679,951 | - | - | 679,951 | 1,603,270 | - | - | 1,603,270 |
| Real estate funds | 565,236 | - | - | 565,236 | 1,095,060 | - | - | 1,095,060 |
| | <u>12,278,214</u> | <u>-</u> | <u>-</u> | <u>12,278,214</u> | <u>11,727,756</u> | <u>-</u> | <u>-</u> | <u>11,727,756</u> |
| Total investments at fair value | <u>12,782,344</u> | <u>-</u> | <u>-</u> | <u>12,782,344</u> | <u>12,035,329</u> | <u>-</u> | <u>-</u> | <u>12,035,329</u> |
| Assets held in charitable remainder trusts | 76,456 | - | - | 76,456 | 84,064 | - | - | 84,064 |
| Beneficial interest in perpetual trusts | - | - | 831,867 | 831,867 | - | - | 794,655 | 794,655 |
| Total assets at fair value | <u>\$ 12,858,800</u> | <u>\$ -</u> | <u>\$ 831,867</u> | <u>\$ 13,690,667</u> | <u>\$ 12,119,393</u> | <u>\$ -</u> | <u>\$ 794,655</u> | <u>\$ 12,914,048</u> |
| Liabilities: | | | | | | | | |
| Charitable remainder trust liabilities | \$ - | \$ - | \$ 52,072 | \$ 52,072 | \$ - | \$ - | \$ 61,240 | \$ 61,240 |
| Total liabilities at fair value | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 52,072</u> | <u>\$ 52,072</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 61,240</u> | <u>\$ 61,240</u> |

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, 2020 and 2019.

| | Assets | | Liabilities | |
|----------------------------|-------------------|-------------------|------------------|------------------|
| | 2020 | 2019 | 2020 | 2019 |
| Balance, beginning of year | \$ 794,655 | \$ 717,506 | \$ 61,240 | \$ 58,127 |
| Change in value | <u>37,212</u> | <u>77,149</u> | <u>(9,168)</u> | <u>3,113</u> |
| Balance, end of year | <u>\$ 831,867</u> | <u>\$ 794,655</u> | <u>\$ 52,072</u> | <u>\$ 61,240</u> |

MORAVIAN CHURCH IN AMERICA, SOUTHERN PROVINCE
NOTES TO FINANCIAL STATEMENTS

NOTE E: NOTES RECEIVABLE

Notes receivable at December 31, 2020 and 2019 consisted of the following:

| | <u>2020</u> | <u>2019</u> |
|-----------------------|--------------------------|--------------------------|
| MCSP churches | \$ 25,924 | \$ 26,524 |
| Other churches | <u>229,514</u> | <u>247,961</u> |
| | <u>\$ 255,438</u> | <u>\$ 274,485</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, 2020 or 2019.

NOTE F: PROPERTY AND EQUIPMENT

A summary of property and equipment at December 31, 2020 and 2019 is as follows:

| | <u>2020</u> | <u>2019</u> |
|---------------------------------------|----------------------------|----------------------------|
| Land | \$ 177,811 | \$ 177,811 |
| Buildings and improvements | 6,808,672 | 6,781,672 |
| Computer equipment | 101,655 | 105,013 |
| Furniture and equipment | 761,967 | 755,906 |
| Vehicles | 162,913 | 169,984 |
| Construction in progress | <u>25,552</u> | <u>-</u> |
| | 8,038,570 | 7,990,386 |
| Less: accumulated depreciation | <u>(4,754,155)</u> | <u>(4,536,350)</u> |
| | <u>\$ 3,284,415</u> | <u>\$ 3,454,036</u> |

Depreciation expense for the years ended December 31, 2020 and 2019 was \$233,870 and \$238,290, respectively.

MORAVIAN CHURCH IN AMERICA, SOUTHERN PROVINCE
NOTES TO FINANCIAL STATEMENTS

NOTE G: INVESTMENTS

Investments, stated at fair value, consisted of the following at December 31, 2020 and 2019:

| | <u>2020</u> | <u>2019</u> |
|---|----------------------|----------------------|
| Assets held by Moravian Ministries Foundation in America, as agent, in the Moravian Common Fund: | | |
| Mutual funds | \$ 10,055,352 | \$ 9,524,268 |
| Money market and short-term reserves | <u>373,347</u> | <u>305,712</u> |
| | <u>10,428,699</u> | <u>9,829,980</u> |
| Other investments: | | |
| Mutual funds | 2,222,862 | 2,203,488 |
| Money market and short-term reserves | <u>130,783</u> | <u>1,861</u> |
| | <u>2,353,645</u> | <u>2,205,349</u> |
| | <u>\$ 12,782,344</u> | <u>\$ 12,035,329</u> |

NOTE H: DUE TO MORAVIAN CHURCH SUPPORTED ENTITIES

Amounts due to Moravian Church supported entities at December 31, 2020 and 2019 are as follows:

| | <u>December 31, 2019</u> | <u>Allocated to Congregations</u> | <u>Remittances</u> | <u>December 31, 2020</u> |
|---|------------------------------|---|--------------------|------------------------------|
| Moravian Theological Seminary | \$ 51,003 | \$ 99,081 | \$ 94,138 | \$ 55,946 |
| Salem College Dept of Religion | 16,083 | 36,293 | 33,929 | 18,447 |
| Department of Publications and Communication | 22,560 | 50,965 | 48,433 | 25,092 |
| Board of World Missions | <u>89,910</u> | <u>202,475</u> | <u>183,483</u> | <u>108,902</u> |
| | <u>\$ 179,556</u> | <u>\$ 388,814</u> | <u>\$ 359,983</u> | <u>\$ 208,387</u> |

MORAVIAN CHURCH IN AMERICA, SOUTHERN PROVINCE
NOTES TO FINANCIAL STATEMENTS

NOTE I: NOTES PAYABLE

Notes payable at December 31, 2020 and 2019 consisted of the following:

| | <u>2020</u> | <u>2019</u> |
|--|--------------------------|--------------------------|
| Promissory note, with monthly payments of \$8,397, including interest at 4.00%, through June 2028, secured by assets. | \$ <u>561,685</u> | \$ <u>637,282</u> |

Future maturities of notes payable at December 31, 2020 are as follows:

| | |
|-------------------|--------------------------|
| 2021 | \$ 78,308 |
| 2022 | 81,498 |
| 2023 | 84,818 |
| 2024 | 88,274 |
| 2025 | 91,870 |
| Thereafter | <u>136,917</u> |
| | <u>\$ 561,685</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 J: LOAN PAYABLE

On June 11, 2020, MCSP received loan proceeds in the amount of \$306,326 under the Paycheck Protection Program (“PPP”). Established as part of the Coronavirus Aid, Relief and Economic Security Act (“CARES Act”), the PPP provides for loans to qualifying businesses in amounts up to 2.5 times the business’s average monthly payroll expenses. PPP loans and accrued interest are forgivable after a “covered period” (24 weeks) as long as the borrower maintains its payroll levels and uses the loan proceeds for eligible purposes, including payroll, benefits, rent and utilities. The forgiveness amount will be reduced if the borrower terminates employees or reduces salaries during the covered period. Any unforgiven portion of a PPP loan is payable over two years at an interest rate of 1%, with a deferral of payments for 10 months after the end of the covered period. MCSP believes it used the PPP loan proceeds for purposes consistent with the PPP and obtained full forgiveness in May 2021 from the Small Business Administration.

MCSP accounted for the PPP loan in accordance with ASC 470, *Debt*, and subsequently derecognized the debt when the debt was forgiven in accordance with ASC 405-20, *Liabilities: Extinguishments of Liabilities*. The amount forgiven will be presented in the statement of activities for the year ended December 31, 2021 as a gain upon debt extinguishment.

MORAVIAN CHURCH IN AMERICA, SOUTHERN PROVINCE

NOTES TO FINANCIAL STATEMENTS

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, 2020 and 2019 were as follows:

| | <u>2020</u> | <u>2019</u> |
|----------------------|------------------|------------------|
| Beginning balance | \$ 26,479 | \$ 25,142 |
| Investment income | 119 | 132 |
| Gains on investments | <u>716</u> | <u>1,205</u> |
| | <u>\$ 27,314</u> | <u>\$ 26,479</u> |

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.

MORAVIAN CHURCH IN AMERICA, SOUTHERN PROVINCE
NOTES TO FINANCIAL STATEMENTS

NOTE L: ENDOWMENT FUNDS (CONTINUED)

Endowment net assets composition by type as of December 31, 2020 and 2019 is as follows:

| | Without Donor Restrictions | With Donor Restrictions | | Total With Donor Restrictions |
|----------------------------------|-------------------------------|-------------------------|--|-------------------------------------|
| | | Original Gift Amount | Accumulated Gains (Losses) and Other | |
| 2020 | | | | |
| Board-designated endowment funds | \$ 3,041,752 | \$ - | \$ - | \$ - |
| Donor-restricted endowment funds | - | 5,485,603 | 2,654,480 | 8,140,083 |
| | <u>\$ 3,041,752</u> | <u>\$ 5,485,603</u> | <u>\$ 2,654,480</u> | <u>\$ 8,140,083</u> |
| 2019 | | | | |
| Board-designated endowment funds | \$ 2,927,971 | \$ - | \$ - | \$ - |
| Donor-restricted endowment funds | - | 5,116,556 | 2,748,273 | 7,864,829 |
| | <u>\$ 2,927,971</u> | <u>\$ 5,116,556</u> | <u>\$ 2,748,273</u> | <u>\$ 7,864,829</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 significant endowment fund deficiencies at December 31, 2020 or 2019.

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.

MORAVIAN CHURCH IN AMERICA, SOUTHERN PROVINCE
NOTES TO FINANCIAL STATEMENTS

NOTE L: ENDOWMENT FUNDS (CONTINUED)

Changes in endowment net assets during the years ended December 31, 2020 and 2019 are as follows:

| | With Donor Restrictions | | | |
|---------------------------------|-------------------------------|-------------------------|--|-------------------------------------|
| | Without Donor Restrictions | Original Gift Amount | Accumulated Gains (Losses) and Other | Total With Donor Restrictions |
| 2020 | | | | |
| Endowment net assets, beginning | \$ 2,927,971 | \$ 5,116,556 | \$ 2,748,273 | \$ 7,864,829 |
| Contributions | 483,064 | 100 | 31,461 | 31,561 |
| Investment return, net | 204,262 | 368,947 | 231,169 | 600,116 |
| Appropriated for expenditure | (573,545) | - | (356,423) | (356,423) |
| Endowment net assets, ending | <u>\$ 3,041,752</u> | <u>\$ 5,485,603</u> | <u>\$ 2,654,480</u> | <u>\$ 8,140,083</u> |
| 2019 | | | | |
| Endowment net assets, beginning | \$ 2,088,864 | \$ 4,478,677 | \$ 2,667,944 | \$ 7,146,621 |
| Contributions | 610,084 | 15,884 | 25,373 | 41,257 |
| Investment return, net | 283,980 | 621,995 | 330,213 | 952,208 |
| Appropriated for expenditure | (54,957) | - | (275,257) | (275,257) |
| Endowment net assets, ending | <u>\$ 2,927,971</u> | <u>\$ 5,116,556</u> | <u>\$ 2,748,273</u> | <u>\$ 7,864,829</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, 2020 and 2019 were as follows:

| | <u>2020</u> | <u>2019</u> |
|--|---------------------|---------------------|
| Provincial Administration | \$ 1,777,078 | \$ 1,744,731 |
| Board of Cooperative Ministries | 602,327 | 528,882 |
| Laurel Ridge Camp, Conference and Retreat Center | 506,234 | 485,602 |
| Moravian Archives | <u>156,113</u> | <u>168,756</u> |
| | <u>\$ 3,041,752</u> | <u>\$ 2,927,971</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>2020</u> | <u>2019</u> |
|--|----------------------|----------------------|
| Subject to expenditure for specified purposes: | | |
| Moravian Archives | \$ 45,739 | \$ 13,931 |
| Laurel Ridge Camp, Conference and Retreat Center | 248,668 | 251,849 |
| Board of Cooperative Ministries | 131,326 | 134,907 |
| Provincial Administration | <u>2,636,697</u> | <u>2,464,388</u> |
| | <u>3,062,430</u> | <u>2,865,075</u> |
| Endowments: | | |
| Subject to endowment spending policy and appropriation: | | |
| Original gifts (corpus) for: | | |
| Moravian Archives | 664,775 | 613,323 |
| Laurel Ridge Camp, Conference and Retreat Center | 209,758 | 196,951 |
| Board of Cooperative Ministries | 217,487 | 213,299 |
| Provincial Administration: | | |
| Specific funds | 1,357,971 | 1,262,274 |
| Other provincial funds | 564,112 | 524,111 |
| Agency funds | 371,493 | 344,153 |
| Church funds | 2,100,007 | 1,962,445 |
| Unappropriated endowment earnings for: | | |
| Laurel Ridge Camp, Conference and Retreat Center | (123) | 1,503 |
| Provincial Administration: | | |
| Specific funds | 575,784 | 662,794 |
| Other provincial funds | 155,903 | 147,726 |
| Agency funds | 59,689 | 71,872 |
| Church funds | <u>1,863,227</u> | <u>1,864,378</u> |
| | <u>8,140,083</u> | <u>7,864,829</u> |
| Not subject to MCSP's spending policy or appropriation: | | |
| Beneficial interests in split-interest agreements | 36,252 | 35,444 |
| Beneficial interests in perpetual trusts | <u>831,867</u> | <u>794,655</u> |
| | <u>\$ 12,070,632</u> | <u>\$ 11,560,003</u> |

MORAVIAN CHURCH IN AMERICA, SOUTHERN PROVINCE
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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>2020</u> | <u>2019</u> |
|--|------------------------------|------------------------------|
| Fair value of plan assets at December 31 | \$ 8,895,302 | \$ 8,348,660 |
| Benefit obligation at December 31 | <u>14,941,006</u> | <u>13,690,577</u> |
| Funded status | <u>\$ (6,045,704)</u> | <u>\$ (5,341,917)</u> |
| Weighted-average assumptions as of December 31: | | |
| Discount rate | 2.50% | 3.25% |
| Expected return on plan assets | 7.00% | 7.50% |
| Benefit costs | | |
| Service cost | <u>\$ 172,930</u> | <u>\$ 177,475</u> |
| Interest cost | <u>\$ 362,665</u> | <u>\$ 431,370</u> |
| Employer contributions | <u>\$ 441,222</u> | <u>\$ 409,106</u> |
| Benefits paid | <u>\$ 754,016</u> | <u>\$ 794,360</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, 2020 and 2019 were \$15,417 and \$27,920, 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.

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NOTE P: RELATED PARTY TRANSACTIONS

MCSP received grants from Salem Congregation of \$160,310 in 2020 and \$259,577 in 2019.

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 \$30,960 and \$59,249 for 2020 and 2019, respectively.

MCSP rents various office properties from Salem Congregation on an annual basis. It is expected that the office rental arrangements will continue to be renewed, with reasonable annual increases. Rental payments to Salem Congregation (including amounts for maintenance and utilities) were \$84,238 and \$96,900 for the years ended December 31, 2020 and 2019, respectively.