

**MORAVIAN CHURCH IN AMERICA,
SOUTHERN PROVINCE**

Financial Statements

December 31, 2021 and 2020

TABLE OF CONTENTS

Independent Auditors' Report.....	2 - 3
Statements of Financial Position	4
Statements of Activities.....	5 - 6
Statements of Functional Expenses.....	7 - 8
Statements of Cash Flows.....	9
Notes to Financial Statements.....	10 - 26

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

INDEPENDENT AUDITORS' REPORT

Qualified Opinion

We have audited the accompanying financial statements of Moravian Church in America, Southern Province (a nonprofit organization), which comprise the statements of financial position as of December 31, 2021 and 2020, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, except for the omission of certain real estate described in the Basis for Qualified Opinion paragraph, the financial statements referred to above presented fairly, in all material respects, the financial position of Moravian Church in America, Southern Province as of December 31, 2021 and 2020, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Qualified Opinion

The Moravian Church in America, Southern Province has excluded from the financial statements the real estate used by its individual congregations. Accounting principles generally accepted in the United States of America requires that these assets be included in the financial statements and related notes.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Moravian Church in America, Southern Province and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Moravian Church in America, Southern Province's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements, including omissions, are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Moravian Church in America, Southern Province's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Moravian Church in America, Southern Province's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Butler & Burke LLP

Winston-Salem, North Carolina
January 23, 2023

MORAVIAN CHURCH IN AMERICA, SOUTHERN PROVINCE
STATEMENT OF ACTIVITIES
For the Year Ended December 31, 2021

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
SUPPORT AND REVENUE			
Contributions			
Provincial churches support	\$ 1,071,719	\$ 292,026	\$ 1,363,745
Other contributions	1,384,038	1,050,722	2,434,760
Program fees	371,653	-	371,653
Gross profit on sales of literature	9,319	-	9,319
Treasurer's office - fees	44,092	-	44,092
Investment income, net	121,786	381,989	503,775
Net realized and unrealized gains on investments	162,001	941,267	1,103,268
Increase in cash surrender value of life insurance policies	-	33,414	33,414
Change in value of split-interest agreements	-	1,344	1,344
Change in value of perpetual trusts	-	53,897	53,897
Gain upon debt extinguishment	306,326	-	306,326
Other revenue	<u>96,418</u>	<u>-</u>	<u>96,418</u>
	3,567,352	2,754,659	6,322,011
Net assets released from restrictions			
Satisfaction of purpose restrictions	<u>1,564,040</u>	<u>(1,564,040)</u>	<u>-</u>
<u>Total Support and Revenue</u>	<u>5,131,392</u>	<u>1,190,619</u>	<u>6,322,011</u>
EXPENSES			
Program Services			
Provincial Elders' Conference	582,949	-	582,949
Board of Cooperative Ministries	1,582,616	-	1,582,616
Laurel Ridge Camp, Conference and Retreat Center	903,673	-	903,673
Moravian Archives	149,228	-	149,228
Other programs and causes	<u>837,825</u>	<u>-</u>	<u>837,825</u>
<u>Total Program Services</u>	<u>4,056,291</u>	<u>-</u>	<u>4,056,291</u>
Supporting Services			
Management and general	<u>321,212</u>	<u>-</u>	<u>321,212</u>
<u>Total Supporting Services</u>	<u>321,212</u>	<u>-</u>	<u>321,212</u>
<u>Total Expenses</u>	<u>4,377,503</u>	<u>-</u>	<u>4,377,503</u>
CHANGE IN NET ASSETS	753,889	1,190,619	1,944,508
Net Assets, Beginning of Year	<u>7,470,693</u>	<u>12,070,632</u>	<u>19,541,325</u>
Net Assets, End of Year	<u>\$ 8,224,582</u>	<u>\$ 13,261,251</u>	<u>\$ 21,485,833</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	<u>73,397</u>	<u>-</u>	<u>73,397</u>
	2,993,521	1,582,099	4,575,620
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	<u>579,269</u>	<u>-</u>	<u>579,269</u>
<u>Total Program Services</u>	<u>3,388,550</u>	<u>-</u>	<u>3,388,550</u>
Supporting Services			
Management and general	<u>350,852</u>	<u>-</u>	<u>350,852</u>
<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 FUNCTIONAL EXPENSES
For the Year Ended December 31, 2021

	Program Services							Total
	Provincial Elders' Conference	Board of Cooperative Ministries	Laurel Ridge Camp, Conference and Retreat Center	Moravian Archives	Other Programs and Causes	Total Program Services	Management and General	
Salaries and related expenses	\$ 291,323	\$ 405,970	\$ 373,856	\$ 49,823	\$ -	\$ 1,120,972	\$ 151,714	\$ 1,272,686
Occupancy	14,956	19,757	84,044	66,456	-	185,213	15,405	200,618
Supplies	2,759	3,040	15,957	354	-	22,110	2,117	24,227
Printing	351	6,563	1,333	1,953	-	10,200	256	10,456
Computer expense	1,198	9,976	11,842	935	-	23,951	3,974	27,925
Transportation	5,894	2,268	12,732	-	-	20,894	-	20,894
Insurance	3,546	9,133	39,533	3,315	-	55,527	2,258	57,785
Property taxes	-	186	-	-	-	186	-	186
Repairs and maintenance	-	3,212	38,944	10,000	-	52,156	-	52,156
Interest expense	-	-	-	-	-	-	20,752	20,752
Telephone	2,397	-	11,551	1,625	-	15,573	2,959	18,532
Professional services	-	5,945	13,444	-	-	19,389	90,002	109,391
Program activities	251,910	1,066,546	112,599	12,618	351,547	1,795,220	-	1,795,220
Postage	667	2,080	592	725	-	4,064	919	4,983
Public relations	499	-	-	21	-	520	-	520
Continuing education	396	2,031	94	-	-	2,521	315	2,836
Miscellaneous	1,598	16,778	(2,503)	1,221	-	17,094	30,541	47,635
Services to ministers and congregations	-	-	-	-	352,601	352,601	-	352,601
Ministerial student aid	-	-	-	-	72,723	72,723	-	72,723
Unity Causes	-	-	-	-	60,954	60,954	-	60,954
	<u>577,494</u>	<u>1,553,485</u>	<u>714,018</u>	<u>149,046</u>	<u>837,825</u>	<u>3,831,868</u>	<u>321,212</u>	<u>4,153,080</u>
Depreciation	5,455	29,131	189,655	182	-	224,423	-	224,423
	<u>\$ 582,949</u>	<u>\$ 1,582,616</u>	<u>\$ 903,673</u>	<u>\$ 149,228</u>	<u>\$ 837,825</u>	<u>\$ 4,056,291</u>	<u>\$ 321,212</u>	<u>\$ 4,377,503</u>

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

	Program Services							Total
	Provincial Elders' Conference	Board of Cooperative Ministries	Laurel Ridge Camp, Conference and Retreat Center	Moravian Archives	Other Programs and Causes	Total Program Services	Management and General	
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
STATEMENTS OF CASH FLOWS
For the Years Ended December 31, 2021 and 2020

	<u>2021</u>	<u>2020</u>
OPERATING ACTIVITIES		
Change in net assets	\$ 1,944,508	\$ 836,218
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	224,423	233,870
Gain on disposal of property and equipment	(706)	(300)
Gain upon debt extinguishment	(306,326)	-
Net realized and unrealized gains on investments	(1,101,757)	(908,404)
Change in value of split-interest agreements	(1,344)	(810)
Change in value of perpetual trusts	(53,897)	(37,212)
Change in cash surrender value of life insurance policies	(33,414)	(4,009)
Note receivable forgiven	16,924	-
(Increase) decrease in operating assets:		
Receivables	(174,271)	(13,784)
Prepaid expenses	(64,373)	(31,729)
Notes receivable	229,514	19,047
Due from other Moravian Church entities, net	102,489	(178,526)
Cash surrender value of life insurance	148,317	-
Increase (decrease) in operating liabilities:		
Accounts payable and accrued liabilities	(9,796)	179,668
Due to Moravian Church supported entities	(11,813)	28,831
Contributions restricted for long-term purposes	(83,518)	(31,561)
<u>Net Cash Provided by Operating Activities</u>	<u>824,960</u>	<u>91,299</u>
INVESTING ACTIVITIES		
Sales of investments	1,106,972	517,399
Purchases of investments	(1,553,638)	(355,175)
Purchases of property and equipment	(65,812)	(64,249)
Proceeds from sale of property and equipment	706	300
<u>Net Cash Provided by (Used in) Investing Activities</u>	<u>(511,772)</u>	<u>98,275</u>
FINANCING ACTIVITIES		
Principal repayments on debt	(78,634)	(75,597)
Proceeds from loan payable	-	306,326
Contributions restricted for long-term purposes	83,518	31,561
<u>Net Cash Provided by Financing Activities</u>	<u>4,884</u>	<u>262,290</u>
Change in Cash and Cash Equivalents	318,072	451,864
Cash and Cash Equivalents, Beginning of Year	<u>2,530,984</u>	<u>2,079,120</u>
Cash and Cash Equivalents, End of Year	<u>\$ 2,849,056</u>	<u>\$ 2,530,984</u>
<u>SUPPLEMENTAL INFORMATION</u>		
Interest paid	<u>\$ 20,752</u>	<u>\$ 23,790</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 accounting principles generally accepted in the United States of America (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, 2021 or 2020. 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, 2021 and 2020, these fees totaled \$90,015 and \$94,135, 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

In conformity with industry practice, items purchased or donated for the collection are not recorded as assets in the accompanying statements of financial position. Purchases are reported as decreases in net assets without donor restrictions or as decreases in net assets with donor restrictions if the assets used to purchase the items were restricted by donors.

Gifts of cash or other property restricted by donors for the purchase of items for the collection are classified as with donor restrictions until acquisitions are made in accordance with the terms of the gifts.

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. MCSP has established stewardship procedures for the accession (acquisition), deaccession (disposal), loan, and care of the collection. Proceeds received as a result of any deaccessions are used to acquire other appropriate objects for the collection.

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, 2021 and 2020, 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.

MORAVIAN CHURCH IN AMERICA, SOUTHERN PROVINCE

NOTES TO FINANCIAL STATEMENTS

NOTE B: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

Subsequent Events

MCSP has evaluated its subsequent events (events occurring after December 31, 2021) 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.

Accounting Pronouncements Adopted in the Current Year

In March 2019, the FASB issued ASU 2019-03, *Not-for-Profit Entities* (Topic 958): *Updating the Definition of Collections*, to better align with the definition that many entities use for accreditation purposes. The ASU applies to all entities that maintain collection items. The ASU also requires a collection-holding entity to disclose its policy for the use of proceeds from when collection items are removed from a collection. Under the ASU, if an entity has a policy that allows proceeds from items that are deaccessioned for direct care, it is required to disclose its definition of direct care. The ASU takes effect for annual financial statements issued for fiscal years beginning after December 15, 2020, which is the year ended December 31, 2021.

Recently Issued Accounting Pronouncements Not Yet Effective

In February 2016, the FASB issued ASU 2016-02, *Leases* (Topic 842), which requires the recognition of a “right to use” asset and a lease liability, initially measured at the present value of the lease payments, on all of MCSP’s lease obligations. This ASU is effective for fiscal years beginning after December 15, 2021. Management does not expect this ASU to have a significant impact on MCSP’s financial statements.

In September 2020, the FASB issued ASU 2020-07, *Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets* (Topic 958), which is effective for fiscal years beginning after June 15, 2021 and is intended to improve transparency in the reporting of contributed nonfinancial assets, also known as gifts in-kind, for not-for-profit organizations. The ASU requires a not-for-profit organization to present contributed nonfinancial assets as a separate line item in the statement of activities, apart from contributions of cash or other financial assets, along with expanded disclosure requirements. Management does not expect this ASU to have a significant impact on MCSP’s financial statements.

MORAVIAN CHURCH IN AMERICA, SOUTHERN PROVINCE
NOTES TO 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>2021</u>	<u>2020</u>
Total financial assets	\$ 19,162,148	\$ 17,565,800
Less those unavailable for general expenditure within one year due to:		
Purpose restrictions	(3,483,080)	(3,062,430)
Beneficial interests in split-interest agreements and perpetual trusts	(923,362)	(868,119)
Perpetual endowments	(8,854,809)	(8,140,083)
Board designations	<u>(3,387,461)</u>	<u>(3,041,752)</u>
Financial assets available to meet cash needs for general expenditure within one year	<u>\$ 2,513,436</u>	<u>\$ 2,453,416</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.

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.

MORAVIAN CHURCH IN AMERICA, SOUTHERN PROVINCE
NOTES TO FINANCIAL STATEMENTS

NOTE D: FAIR VALUE MEASUREMENTS (CONTINUED)

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 a discount rate of 8.2% (Level 3).

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, 2021 and 2020:

	2021				2020			
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
Assets:								
Investments								
Money market and short-term reserve funds	\$ 665,837	\$ -	\$ -	\$ 665,837	\$ 504,130	\$ -	\$ -	\$ 504,130
Mutual funds								
Bond funds	2,926,128	-	-	2,926,128	5,985,537	-	-	5,985,537
Equity funds	8,304,871	-	-	8,304,871	5,047,490	-	-	5,047,490
Real estate funds	854,498	-	-	854,498	565,236	-	-	565,236
Alternative funds	1,580,944	-	-	1,580,944	679,951	-	-	679,951
Total Mutual Funds	13,666,441	-	-	13,666,441	12,278,214	-	-	12,278,214
Total Investments	14,332,278	-	-	14,332,278	12,782,344	-	-	12,782,344
Assets held in charitable remainder trusts	41,000	-	-	41,000	76,456	-	-	76,456
Beneficial interests in perpetual trusts	-	-	885,764	885,764	-	-	831,867	831,867
Total assets at fair value	\$ 14,332,278	\$ -	\$ 885,764	\$ 15,218,042	\$ 12,782,344	\$ -	\$ 831,867	\$ 13,614,211
Liabilities:								
Charitable remainder trust liabilities	\$ -	\$ -	\$ 14,732	\$ 14,732	\$ -	\$ -	\$ 52,072	\$ 52,072
Total liabilities at fair value	\$ -	\$ -	\$ 14,732	\$ 14,732	\$ -	\$ -	\$ 52,072	\$ 52,072

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, 2021 and 2020.

	<u>Assets</u>		<u>Liabilities</u>	
	<u>2021</u>	<u>2020</u>	<u>2021</u>	<u>2020</u>
Balance, beginning of year	\$ 831,867	\$ 794,655	\$ 52,072	\$ 61,240
Change in value	<u>53,897</u>	<u>37,212</u>	<u>(37,340)</u>	<u>(9,168)</u>
Balance, end of year	<u>\$ 885,764</u>	<u>\$ 831,867</u>	<u>\$ 14,732</u>	<u>\$ 52,072</u>

NOTE E: NOTES RECEIVABLE

Notes receivable at December 31, 2021 and 2020 consisted of the following:

	<u>2021</u>	<u>2020</u>
MCSP churches	\$ 9,000	\$ 25,924
Other churches	<u>-</u>	<u>229,514</u>
	<u>\$ 9,000</u>	<u>\$ 255,438</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, 2021 or 2020.

MORAVIAN CHURCH IN AMERICA, SOUTHERN PROVINCE
NOTES TO FINANCIAL STATEMENTS

NOTE F: PROPERTY AND EQUIPMENT

A summary of property and equipment at December 31, 2021 and 2020 is as follows:

	<u>2021</u>	<u>2020</u>
Land	\$ 177,811	\$ 177,811
Buildings and improvements	6,814,699	6,808,672
Computer equipment	101,025	101,655
Furniture and equipment	830,334	761,967
Vehicles	161,063	162,913
Construction in progress	-	<u>25,552</u>
	8,084,932	8,038,570
Less: accumulated depreciation	<u>(4,959,128)</u>	<u>(4,754,155)</u>
	<u>\$ 3,125,804</u>	<u>\$ 3,284,415</u>

Depreciation expense for the years ended December 31, 2021 and 2020 was \$224,423 and \$233,870, respectively.

NOTE G: INVESTMENTS

Investments, stated at fair value, consisted of the following at December 31, 2021 and 2020:

	<u>2021</u>	<u>2020</u>
Assets held by Moravian Ministries		
Foundation in America, as agent,		
in the Moravian Common Fund:		
Mutual funds	\$ 11,341,666	\$ 10,055,352
Money market and short-term reserves	<u>402,428</u>	<u>373,347</u>
	<u>11,744,094</u>	<u>10,428,699</u>
Other investments:		
Mutual funds	2,324,775	2,222,862
Money market and short-term reserves	<u>263,409</u>	<u>130,783</u>
	<u>2,588,184</u>	<u>2,353,645</u>
	<u>\$ 14,332,278</u>	<u>\$ 12,782,344</u>

MORAVIAN CHURCH IN AMERICA, SOUTHERN PROVINCE
NOTES TO FINANCIAL STATEMENTS

NOTE H: DUE TO MORAVIAN CHURCH SUPPORTED ENTITIES

Amounts due to Moravian Church supported entities at December 31, 2021 and 2020 are as follows:

	<u>December 31, 2020</u>	Allocated to	<u>December 31, 2021</u>
		Congregations	Remittances
Moravian Theological Seminary	\$ 55,946	\$ 89,172	\$ 92,163
Salem College Dept of Religion	18,447	32,664	33,759
Department of Publications and Communication	25,092	48,420	50,041
Board of World Missions	<u>108,902</u>	<u>182,232</u>	<u>188,338</u>
	<u>\$ 208,387</u>	<u>\$ 352,488</u>	<u>\$ 364,301</u>
			<u>\$ 196,574</u>

NOTE I: NOTES PAYABLE

Notes payable at December 31, 2021 and 2020 consisted of the following:

	<u>2021</u>	<u>2020</u>
Promissory note, with monthly payments of \$8,397, including interest at 4.00%, through June 2028, secured by assets.	<u>\$ 483,051</u>	<u>\$ 561,685</u>

Future maturities of notes payable at December 31, 2021 are as follows:

2022	\$ 81,498
2023	84,818
2024	88,274
2025	91,870
2026	95,613
Thereafter	<u>40,978</u>
	<u>\$ 483,051</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.

MORAVIAN CHURCH IN AMERICA, SOUTHERN PROVINCE
NOTES TO FINANCIAL STATEMENTS

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. 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 is presented in the statement of activities for the year ended December 31, 2021 as a gain upon debt extinguishment.

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, 2021 and 2020 were as follows:

	<u>2021</u>	<u>2020</u>
Beginning balance	\$ 27,314	\$ 26,479
Investment income	396	119
Gains on investments	<u>1,115</u>	<u>716</u>
	<u>\$ 28,825</u>	<u>\$ 27,314</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, 2021 and 2020 is as follows:

	Without Donor Restrictions	With Donor Restrictions		Total With Donor Restrictions
		Original Gift Amount	Accumulated Gains (Losses) and Other	
<u>2021</u>				
Board-designated endowment funds	\$ 3,387,461	\$ -	\$ -	\$ -
Donor-restricted endowment funds	-	5,968,046	2,886,763	8,854,809
	<u>\$ 3,387,461</u>	<u>\$ 5,968,046</u>	<u>\$ 2,886,763</u>	<u>\$ 8,854,809</u>
<u>2020</u>				
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>

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, 2021 or 2020.

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, 2021 and 2020 are as follows:

	Without Donor Restrictions	With Donor Restrictions		Total With Donor Restrictions
		Original Gift Amount	Accumulated Gains (Losses) and Other	
2021				
Endowment net assets, beginning	\$ 3,041,752	\$ 5,485,603	\$ 2,654,480	\$ 8,140,083
Contributions	576,126	-	83,518	83,518
Investment return, net	261,669	482,443	446,858	929,301
Appropriated for expenditure	(492,086)	-	(298,093)	(298,093)
Endowment net assets, ending	<u>\$ 3,387,461</u>	<u>\$ 5,968,046</u>	<u>\$ 2,886,763</u>	<u>\$ 8,854,809</u>
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>

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, 2021 and 2020 were as follows:

	<u>2021</u>	<u>2020</u>
Provincial Administration	\$ 2,191,196	\$ 1,777,078
Board of Cooperative Ministries	662,653	602,327
Laurel Ridge Camp, Conference and Retreat Center	231,606	506,234
Moravian Archives	<u>302,006</u>	<u>156,113</u>
	<u>\$ 3,387,461</u>	<u>\$ 3,041,752</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>2021</u>	<u>2020</u>
Subject to expenditure for specified purposes:		
Moravian Archives	\$ 41,702	\$ 45,739
Laurel Ridge Camp, Conference and Retreat Center	274,094	248,668
Board of Cooperative Ministries	284,927	131,326
Provincial Administration	<u>2,882,357</u>	<u>2,636,697</u>
	<u>3,483,080</u>	<u>3,062,430</u>
Endowments:		
Subject to endowment spending policy and appropriation:		
Original gifts (corpus) for:		
Moravian Archives	705,138	664,775
Laurel Ridge Camp, Conference and Retreat Center	226,353	209,758
Board of Cooperative Ministries	224,487	217,487
Provincial Administration:		
Specific funds	1,507,176	1,357,971
Other provincial funds	616,560	564,112
Agency funds	414,277	371,493
Church funds	2,274,055	2,100,007
Unappropriated endowment earnings for:		
Laurel Ridge Camp, Conference and Retreat Center	1,636	(123)
Provincial Administration:		
Specific funds	556,373	575,784
Other provincial funds	221,311	155,903
Agency funds	61,897	59,689
Church funds	<u>2,045,546</u>	<u>1,863,227</u>
	<u>8,854,809</u>	<u>8,140,083</u>
Not subject to MCSP's spending policy or appropriation:		
Beneficial interests in split-interest agreements	37,598	36,252
Beneficial interests in perpetual trusts	<u>885,764</u>	<u>831,867</u>
	<u>\$ 13,261,251</u>	<u>\$ 12,070,632</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>2021</u>	<u>2020</u>
Fair value of plan assets at December 31	\$ 9,695,037	\$ 8,895,302
Benefit obligation at December 31	<u>14,013,980</u>	<u>14,941,006</u>
Funded status	<u>\$ (4,318,943)</u>	<u>\$ (6,045,704)</u>
Weighted-average assumptions as of December 31:		
Discount rate	2.85%	2.50%
Expected return on plan assets	7.00%	7.00%
Benefit costs		
Service cost	<u>\$ 166,111</u>	<u>\$ 172,930</u>
Interest cost	<u>\$ 386,961</u>	<u>\$ 362,665</u>
Employer contributions	<u>\$ 256,720</u>	<u>\$ 441,222</u>
Benefits paid	<u>\$ 757,705</u>	<u>\$ 754,016</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, 2021 and 2020 were \$41,708 and \$15,417, 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

The Treasurer's office of MCSP provides general accounting services to the Mission Society of the Moravian Church, South, Inc., the Moravian Music Foundation, Inc., and the Moravian Widows Society. General accounting service charges were \$27,760 and \$30,960 for 2021 and 2020, respectively.