
SALEM PRESBYTERY

*Financial Statements
and
Supplementary Information*

Year Ended December 31, 2021

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INDEPENDENT AUDITORS' REPORT

To the Members of the
Council Salem Presbytery
Clemmons, North Carolina

Opinion

We have audited the accompanying financial statements of Salem Presbytery (a nonprofit organization), which comprise the statement of financial position as of December 31, 2021, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Salem Presbytery as of December 31, 2021, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Salem Presbytery and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our 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; 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 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 auditor's 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 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 Salem Presbytery'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 Salem Presbytery'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.

Report on Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The information included in the accompanying supplementary information as listed in the table of contents, is presented for purposes of additional analysis and is not required part of the financial statements. Such information is the responsibility of management and was derived from and related directly to the underlying accounting and other records used to prepare the financial statements. The information has been subject to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Gray, Callison & Jones CPA, PC

Winston Salem, NC
August 25, 2022

SALEM PRESBYTERY
STATEMENT OF FINANCIAL POSITION
December 31, 2021

ASSETS

Cash and cash equivalents	\$ 451,570
Contributions receivable:	
Current year, net of allowance for doubtful accounts of \$5,000	15,355
Accounts receivable - other	236
Investments, at fair value	2,054,475
Note Receivable	16,355
Property and equipment, net	<u>632,313</u>
	<u>\$ 3,170,304</u>

LIABILITIES AND NET ASSETS

LIABILITIES

Accounts payable and accrued expenses	\$ 7,897
	<u>7,897</u>

NET ASSETS

Without donor restrictions:

Budget fund:

Unappropriated	761,532
Net investment in property and equipment	<u>632,313</u>
	1,393,845

Board designated:

Time or purpose	438,752
Endowments	<u>554,039</u>
	<u>2,386,636</u>

With donor restrictions:

Temporary restrictions:

Time or purpose	254,928
Endowments	<u>358,234</u>
	613,162

Perpetual restrictions:

Endowments	162,609
	<u>775,771</u>
	<u>3,162,407</u>

\$ 3,170,304

See the accompanying notes and independent auditors' report

SALEM PRESBYTERY
STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS
Year ended December 31, 2021

	Without Donor Restrictions	With Donor Restrictions	Total
SUPPORT AND REVENUE			
Contribution, gifts, and grants	\$ 817,108	\$ 104,289	\$ 921,397
Dividends and interest	34,826	14,680	49,506
Realized and unrealized depreciation in fair value of investments	9,628	43,723	53,351
Other income	2,964	-	2,964
Net assets released from restrictions	94,102	(94,102)	-
	<u>958,628</u>	<u>68,590</u>	<u>1,027,218</u>
EXPENSES			
Program Expenses:			
Campus Ministry	101,160	-	101,160
GA & Synold Support	130,200	-	130,200
Clergy & Congregational Support	85,227	-	85,227
Presbytery Committee Ministry	130,612	-	130,612
Hispanic Ministry	57,908	-	57,908
Hunger Ministry	78,871	-	78,871
Other Programs & Ministries	15,705	-	15,705
	<u>599,683</u>	<u>-</u>	<u>599,683</u>
General and administrative	195,362	-	195,362
	<u>795,045</u>	<u>-</u>	<u>795,045</u>
CHANGE IN NET ASSETS	163,583	68,590	232,173
NET ASSETS, at beginning of year	<u>2,223,053</u>	<u>707,181</u>	<u>2,930,234</u>
NET ASSETS AT END OF YEAR	<u>\$ 2,386,636</u>	<u>\$ 775,771</u>	<u>\$ 3,162,407</u>

See the accompanying notes and independent auditors' report

SALEM PRESBYTERY
STATEMENT OF FUNCTIONAL EXPENSES
Year ended December 31, 2021

	Program Services							Supporting Services	Total Expenses	
	Campus Ministry	GA & Synod Support	Clergy & Congregational Support	Presbytery Committee Ministry	Hispanic Ministry	Hunger Ministry	Other Programs	Total Program Services		Management and General
Personnel expense	\$ -	\$ -	\$ 52,252	\$ 89,905	\$ 503	\$ 503	\$ -	\$ 143,163	\$ 134,607	\$ 277,770
Campus ministry	101,160	-	-	-	-	-	-	101,160	-	101,160
Closed Church expense	-	-	1,194	2,055	11	11	-	3,271	3,077	6,348
SEND	-	130,200	-	-	-	-	-	130,200	-	130,200
Church growth	-	-	-	9,000	-	-	-	9,000	-	9,000
Missions	-	-	15,083	7,621	3,162	43	15,705	41,614	11,411	53,025
Hunger	-	-	-	-	-	78,200	-	78,200	-	78,200
Resource center	-	-	-	1,243	-	-	-	1,243	-	1,243
Council/committees	-	-	2,196	3,081	54,133	15	-	59,425	4,127	63,552
Continuing education	-	-	250	-	-	-	-	250	-	250
Travel & professional	-	-	154	266	1	1	-	422	1,834	2,256
Communications	-	-	3,405	5,858	33	33	-	9,329	8,771	18,100
Temporary/outside services	-	-	3,963	-	-	-	-	3,963	-	3,963
Office supplies	-	-	1,128	1,941	11	11	-	3,091	4,552	7,643
Professional fees	-	-	-	-	-	-	-	-	12,550	12,550
Insurance	-	-	2,869	4,937	28	28	-	7,862	7,392	15,254
Depreciation	-	-	2,127	3,659	20	20	-	5,826	5,479	11,305
Miscellaneous	-	-	606	1,046	6	6	-	1,664	1,562	3,226
	<u>\$ 101,160</u>	<u>\$ 130,200</u>	<u>\$ 85,227</u>	<u>\$ 130,612</u>	<u>\$ 57,908</u>	<u>\$ 78,871</u>	<u>\$ 15,705</u>	<u>\$ 599,683</u>	<u>\$ 195,362</u>	<u>\$ 795,045</u>

See the accompanying notes and independent auditors' report

SALEM PRESBYTERY
STATEMENT OF CASH FLOWS
Year ended December 31, 2021

CASH FLOWS FROM OPERATING ACTIVITIES

Increase in net assets	\$ 232,173
Adjustments to reconcile increase in net assets to net cash provided by (used in) operating activities:	
Depreciation expense	11,305
(Appreciation) depreciation	
fair value of investments	(53,351)
(Increase) decrease in:	
Contributions receivable - current year	5,466
Accounts receivable - Other	740
Note receivable	3,975
Prepaid expenses	447
Accounts payable	3,405
PPP loan forgiveness	(77,725)
NET CASH PROVIDED BY OPERATING ACTIVITIES	126,435

CASH FLOWS FROM INVESTING ACTIVITIES:

Purchase of investments	(1,056,477)
Redemptions of investments	577,256
NET CASH USED BY INVESTING ACTIVITIES	(479,221)

NET DECREASE IN CASH AND CASH EQUIVALENTS

(352,786)

Cash and cash equivalents, beginning of year

804,356

CASH AND CASH EQUIVALENTS, END OF YEAR

\$ 451,570

See the accompanying notes and independent auditors' report

SALEM PRESBYTERY
NOTES TO FINANCIAL STATEMENTS

NOTE A: NATURE OF ACTIVITIES

Salem Presbytery (the "Presbytery") is a not-for-profit organization established under the laws of the State of North Carolina and operates as a religious organization. Salem Presbytery is called to fulfill the mission and governing responsibilities given by Christ, as interpreted by the Constitution of the Presbyterian Church (U.S.A.). The Presbytery is a non-profit corporation consisting of Presbyterian churches and ministers in northwestern North Carolina.

NOTE B: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of accounting

The Presbytery's financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America. Support and revenue is recorded in the period earned and expenses are recorded in the period incurred.

Financial statement presentation

The accompanying financial statements are intended to present only financial position and activities for Salem Presbytery.

The Presbytery has adopted certain elements of FASB ASC 958 *"Not-for-Profit Entities"*. In August 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2016-14, *Presentation of Financial Statements of Not-for-Profit Entities*. ASU 2016-14 requires significant changes to the financial reporting model of organizations who follow the not-for-profit reporting model. The changes include reducing the classes of net assets from three classes to two - net assets with donor restrictions and net assets without donor restrictions. The ASU also requires changes in the way certain information is aggregated and reported by the Presbytery, including required disclosures about liquidity and availability of resources and increased disclosures of functional expenses. The new standard is effective for the Presbytery's year ended December 31, 2018 and thereafter. The Presbytery adopted the ASU effective January 1, 2018. Adoption of the ASU did not result in any reclassifications or restatements to net assets or changes in net assets.

Net assets of the Presbytery consist of the following:

Without Donor Restrictions:

Budget Fund - These net assets are unrestricted and available for general budget activities of the Presbytery.

Board Designated - these net assets are to be used for specific purposes as determined by the Council of the Presbytery. These also include Council designated, quasi-endowment type funds where the Council designated resources are available for any uses the Council deems appropriate, along with any related income derived from the investment of such funds.

With Donor Restrictions:

These net assets are restricted by donors to be used for some specified purpose. These also include donor mandated, quasi-endowment type funds where donor-restricted resources are available for use for specified purposes, along with any related income derived from the investment of these net resource assets, donor-restricted resources to be held by the Presbytery in perpetuity (as endowment funds) with any related income derived from these net assets being available without donor restrictions for donor-specific purposes.

SALEM PRESBYTERY
NOTES TO FINANCIAL STATEMENTS

Cash and cash equivalents

The Presbytery considers all cash accounts and all highly liquid investments with a maturity of three months or less to be cash and cash equivalents.

Contributions and contributions receivable

Contributions, unconditional promise to give, gifts, and grants collected are recorded as either without donor restrictions or with donor restrictions depending on the existence or nature of any donor restrictions.

Contributions and unconditional promises to give are recorded as contributions receivable and support when made or the promise is conveyed, whichever is earlier. Contributions of assets other than cash are recorded at estimated fair value on the donation date. Support that is restricted by the donor is reported as increases in either net assets with temporary restrictions or net assets with perpetual restrictions depending on the nature of the restrictions. When a donor restriction is met, donor restricted net assets are reclassified to net assets without donor restrictions.

Endowment contributions are maintained in perpetuity by the Presbytery. Income earned on these contributions is used by the Presbytery based on the donor-imposed stipulations and/or may be used for unrestricted purposes absent donor-imposed stipulations.

Investments

Investments consist primarily of assets invested in marketable equity and fixed income securities, and certificate of deposit accounts. Investments in marketable equity securities with readily determinable fair values and all investments in debt securities are measured at fair value in the statements of financial position. Fair value of marketable equity and debt securities is based on quoted market prices. Investment income or loss, including realized or unrealized gains and losses on investments and interest and dividends, is included in the change in unrestricted net assets unless the donor restricts the income or loss.

Investments are exposed to various risks such as significant world events, interest rate, credit, and overall market volatility risks. Due to the level of risk associated with certain investment securities, it is reasonably possible that changes in the fair value of investments will occur in the near term and that such changes could materially affect the amounts reported in the financial statements.

Investment policy

Given the Presbytery's fiduciary responsibility for the funds entrusted to it by the member churches and other sources, the primary investment objective of the Presbytery is and will be the preservation of principal. At least 70% of investment portfolio should at all times be based on conservative risk tolerance and emphasize principal preservation over return on investment. However, the investment advisor should include interest rate risk as a criterion in making investment decisions to address market sensitivity. Up to 30 % of the total portfolio may at any given time be invested in moderate risk instruments in order to generate a greater rate of return. Of this 30%, nothing shall be invested in anything lower than BBB-grade instruments, with no more than 10% of the total portfolio in real estate-backed securities at any given time.

SALEM PRESBYTERY
NOTES TO FINANCIAL STATEMENTS

Fair value measurements

Cash and cash equivalents, receivables, accounts payable and accrued expenses, and capital lease obligations are financial instruments with carrying amounts that approximate fair value because of the short maturity of those instruments.

Property and equipment, net

Property and equipment are carried at cost. Donated property and equipment items are recorded at fair market value on the date received. Depreciation is provided over the estimated useful lives of the respective assets on a straight-line basis.

Income taxes

The Presbytery is exempt from income taxes under Section 501(c)(3) of the Internal revenue Code (the "Code"). Accordingly, no provision for income taxes is reflected in the accompanying financial statements. Qualifying contributions to the Presbytery are tax deductible.

The Presbytery evaluates all tax positions to identify any that may be considered uncertain. All identified material tax positions are assessed and measured by a "more-likely-than-not" threshold to determine if the tax position is uncertain and what, if any, the effect of the uncertain tax position may have on the financial statements. No material uncertain tax positions were identified during 2021.

Agency transactions

The Presbytery acts as an agent or intermediary between churches within its jurisdiction and the Synod of the Mid-Atlantic and General Assembly. Agency transactions receipted and disbursed during the current period have been netted for financial statement presentation purposes.

Estimates and assumptions

The preparation of financial statements in accordance with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

NOTE C: CASH AND CASH EQUIVALENTS

The Presbytery maintains its cash in financial institutions insured by the National Credit Union Administration (the "NCUA") and the Federal Deposit Insurance Corporation (the "FDIC"), as applicable. At various times, cash and cash equivalents on deposit in certain financial institutions may exceed the NCUA and FDIC limits. The Presbytery does not believe it is exposed to any significant risk.

SALEM PRESBYTERY
NOTES TO FINANCIAL STATEMENTS

Cash and cash equivalents at December 31, 2021, are represented as follows:

Allegacy Federal Credit Union	
General Checking	\$ 136,629
Restricted Account Checking	107,868
Savings	77,823
	322,320
Merrill Lynch	
General Account	43,977
	43,977
Presbyterian Foundation	
Fidelity Institutional Government	
Money Market Accounts	10,920
Cash Accounts	584
	11,504
Presbyterian Church (U.S.A.)	
Investment and Loan Program	
Mission Market Account	73,669
	73,669
Petty Cash	100
	\$ 451,570

At December 31, 2021, the Presbytery had \$73,669 investment cash at Presbyterian Church (U.S.A.) Investment and Loan Program, Inc. (the "PILP") designated to help congregations within the Presbytery to obtain favorable loan rates with the PILP. The Presbytery's designated cash amounts may be withdrawn at any time; however, withdrawals of the designated cash may result in increased loan rates for affected churches.

SALEM PRESBYTERY
NOTES TO FINANCIAL STATEMENTS

NOTE D: INVESTMENTS

Investments consist of marketable and fixed income securities, including mutual funds, and certificates of deposit, and at December 31, 2021, are as follows:

	At Fair Value
Equities:	
Common Stock	\$ 488,943
Mutual Funds	217,801
	706,744
Fixed Income	
Mutual Funds	53,267
Corporate bonds	1,121,381
	1,174,648
Other	173,083
	\$ 2,054,475

During the year ended December 31, 2021, Salem Presbytery recorded the following investment income from deposited cash and invested marketable securities:

Dividends and interest	\$ 49,506
Realized/Unrealized depreciation in the fair value of investments	53,351
	\$ 102,857

NOTE E: FAIR VALUE MEASUREMENTS

The Presbytery has adopted the provisions of FASB ASC 820 "Fair Value Measurements". Under ASC 820, fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

The Financial Accounting Standards Board issued ASC 820, Fair Value Measurements. FASB ASC 820 defines fair value, establishes a framework for measuring fair value, and expands disclosure about fair value. This statement does not require any new fair value measurements; rather it applies under other accounting pronouncements that require or permit fair value measurements. Assets recorded at fair value are categorized upon the level of judgment associated with the inputs used to measure their fair value. Level inputs, as defined by FASB ASC 820, are as follows:

Level Input:	Input Definition:
Level I	Inputs are unadjusted, quoted prices for identical assets or liabilities in active markets at the measurement date.
Level II	Inputs, other than quoted prices included in Level I, that are observable for the asset or liability through corroboration with market data at the measurement date.
Level III	Unobservable inputs that reflect management's best estimate of what market participants would use in pricing the asset or liability at the measurement date.

SALEM PRESBYTERY
NOTES TO FINANCIAL STATEMENTS

The asset's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

Following is a brief description of the valuation methodologies used for assets measured at fair value. There have been no changes in the methodologies used at December 31, 2021.

Interest in registered investment companies (mutual funds): Value at the net asset value of shares held by Salem Presbytery at year end.

Corporate debt securities: Certain debt securities are valued at the closing price reported in the active market in which the bond is traded.

Other investments: Valued based on Market Approach including dealer quotes, trade data, two-sided markets institutional bids, comparable trades and other news media.

The preceding methods described may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Although Salem Presbytery believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

The following table summarizes fair value measurements by level at December 31, 2021, for assets measured at fair value on a recurring basis:

	Fair Value Measurements Using			Total
	Quoted Prices in Active Markets for Identical Assets (Level I)	Significant Other Observable Inputs (Level II)	Significant Unobservable Inputs (Level III)	
Equities:				
Common Stock	\$ 488,943	\$ -	\$ -	\$ 488,943
Mutual Funds:				
Growth	31,810	-	-	31,810
Balance	185,991	-	-	185,991
	<u>706,744</u>	<u>-</u>	<u>-</u>	<u>706,744</u>
Fixed Income:				
Mutual Funds:				
Income	53,267	-	-	53,267
Corporate bonds	1,121,381	-	-	1,121,381
	<u>1,174,648</u>	<u>-</u>	<u>-</u>	<u>1,174,648</u>
Other	173,083	-	-	173,083
	<u>173,083</u>	<u>-</u>	<u>-</u>	<u>173,083</u>
Total	<u>\$ 2,054,475</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,054,475</u>

Investments maintained at brokerage firms are protected up to \$500,000 and cash and cash equivalents are protected up to \$250,000 by the Securities Investor Protection Corporation ("SIPC"). The SIPC insures against the loss or theft of securities as well as the failure or insolvency of a brokerage firm. The insurance does not apply to losses related to market risk.

SALEM PRESBYTERY
NOTES TO FINANCIAL STATEMENTS

NOTE F: PROPERTY AND EQUIPMENT, NET

Property and equipment are comprised of the following at December 31, 2021:

Land and improvements	\$ 151,988
Buildings and improvements	603,647
Furniture, equipment, and vehicles	<u>45,524</u>
	801,159
Less accumulated depreciation	<u>(168,846)</u>
	<u><u>\$ 632,313</u></u>

Depreciation expense included in other supporting expenses was \$11,306 for the year ended December 31, 2021.

SALEM PRESBYTERY
NOTES TO FINANCIAL STATEMENTS

NOTE G: NET ASSETS WITHOUT DONOR RESTRICTIONS

Net assets without donor restrictions, including designated and restricted net assets appropriated by the Presbytery's Council, are available for the following purposes as of December 31, 2021:

Unappropriated:

Budget Fund:

Unappropriated	\$ 761,532
Net Investment in Property and Equipment	632,313
	1,393,845

Board Appropriated:

Time or Purpose Restrictions:

Designated Funds:

Church Growth (New Church Development):

Church Growth and Transformation Fund	116,173
Whispering Pines Fund	50,438
	166,611

Capital Improvements:

General Loan Fund	150,000
	150,000

Campus Ministry:

Campus Ministry	107,183
	107,183

Other Works:

Office Building Proceeds	554,039
Decentralized Office costs	8,991
Tzeltal Fund	967
Youth Triennium	5,000
	568,997
	992,791

TOTAL NET ASSETS WITHOUT DONOR RESTRICTIONS	\$ 2,386,636
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SALEM PRESBYTERY
NOTES TO FINANCIAL STATEMENTS

NOTE H: NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions available for the following purposes at December 31, 2021, are as follows:

EXPENDABLE DONOR RESTRICTED

Time or Purpose Restriction:

Designated Funds:

Hunger Funds:

International	\$ 90,486
Domestic	16,322
	106,808

Other Works:

Implementation	7,000
Black Caucus Fund	2,130
Camp Scholarships Fund	14,408
Peace and Justice Fund	26,071
Hispanic Ministry Fund	92,241
Professionals & Pastors Fund	4,433
	146,283
	253,091

Endowments:

Missions and Evangelism:

DP Foust Home Mission Fund	95,237
James & Roxana Atwood Fund	3,631
Byron Wolfe Mission Challenge Fund	56,156
Stone Estate Fund	151,121
Maryland Hickerson Fund	1,883
Cora Harrison Fund	4,552
Virgil Ashbough Fund	14,572
	327,152

Other Works:

Seminary Education Scholarship Fund	21,322
Latta Family Scholarship Fund	11,597
	32,919
	360,071

TOTAL EXPENDABLE DONOR RESTRICTED	613,162
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SALEM PRESBYTERY
NOTES TO FINANCIAL STATEMENTS

NOTE H: NET ASSETS WITH DONOR RESTRICTIONS (Continued)

NONEXPENDABLE DONOR RESTRICTED

Perpetual Restrictions:

Endowment Funds:

Missions and Evangelism:

Maryland Hickerson Fund	600
Cora Harrison Fund	260
Byron Wolfe Mission Challenge fund	10,000
Virgil Ashbaugh Fund	520
Ruby T. Robertson Fund	10,718
Stone Estate Fund	12,482
Campus Co-op Ministries Fund	20,736
Mission Challenge Fund	60,565
	115,881

Other Works:

James & Roxana Atwood Fund	25,000
Latta Family Scholarship Fund	21,728
	46,728

TOTAL NONEXPENDABLE DONOR RESTRICTED	162,609
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TOTAL NET ASSETS WITH DONOR RESTRICTIONS	\$ 775,771
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SALEM PRESBYTERY
NOTES TO FINANCIAL STATEMENTS

NOTE I: LONG-TERM DEBT

Forgivable Loans Received under the Small Business Administration Paycheck Protection Program.

In response to the coronavirus (COVID-19) outbreak in 2020, the U.S. Federal Government enacted the Coronavirus Aid, Relief, and Economic Security Act that, among other economic stimulus measures, established the Paycheck Protection Program (PPP) to provide small business loans. In May, 2020, the Church obtained a PPP loan for \$77,725. The note matured in May, 2022, and bears interest at a fixed annual rate of 1% with the first six months interest deferred. The loan was forgiven in March, 2021.

In March, 2021, the Church obtained another PPP loan for \$77,308. The note matures in March, 2026, and bears interest at a fixed annual rate of 1% with the first six months interest deferred. The loan was forgiven in August, 2021.

NOTE J: ENDOWMENT FUNDS

Salem Presbytery maintains several donor-mandated and Council designated endowment funds. Salem Presbytery has, to the extent practical, segregated the cash and investments supporting the underlying principal (or corpus) and related unexpended income of these funds from other assets and classified and reported them based on the existence or absence of donor-imposed restrictions.

Salem Presbytery has interpreted the Uniform Prudent Management of Institutional Funds Act (UPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, Salem Presbytery classifies as perpetual restricted net assets (1) the original value of gifts donated to the permanent endowment, (2) the original value of subsequent gifts to the perpetual endowment, and (3) accumulations to the perpetual endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. All other endowment investment returns, typically dividends and interest income, are available for appropriation and, therefore, are classified as net assets without donor restrictions of net assets with donor restrictions that are temporarily restricted, as applicable, until appropriated for expenditure. In accordance with the Act, Salem Presbytery considers the following factors in making a final determination to appropriate or accumulate donor-restricted endowment funds:

1. The duration and preservation of the fund
2. The purposes of Salem Presbytery and the donor-restricted endowment fund
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 Salem Presbytery
7. The investment policies of Salem Presbytery

The Salem Presbytery has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment funds while seeking to maintain the fair value of the endowment assets. Endowment assets include those assets of donor-restricted funds that Salem Presbytery must hold in perpetuity or for a donor-specified period as well as Council-designated funds. The policies provide Salem Presbytery a framework for governing its investment practices in manner that maximizes investment returns while also preserving and protecting its invested assets. For those funds of a long-term nature, the Salem Presbytery policies allow for a growth and income strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (dividends and interest), and allow for investment in equity and fixed income securities. For funds with a short-term horizon (less than five years), capital preservation is important, and investment in money market funds, CDs, mutual funds and short-term government securities is allowed.

SALEM PRESBYTERY
NOTES TO FINANCIAL STATEMENTS

The Presbytery has a policy governing the appropriation and expenditure of its endowment funds. Generally, for substantially all permanently restricted funds, annual appropriations are limited to the current yield of these funds. For all other funds (unrestricted and temporarily restricted), appropriations are either limited to the current yield of the fund or that amount deemed appropriate by Salem Presbytery management.

Information about the Presbytery's endowment fund net assets for the year ended December 31, 2021, are as follows:

	Without Donor Restriction	With Donor Restriction	Total
Endowment as of December 31, 2021:			
Donor-restricted endowment funds	\$ -	\$ 520,843	\$ 520,843
Board-designated endowment funds	554,039	-	554,039
Total	\$ 554,039	\$ 520,843	\$ 1,074,882
Changes in endowment:			
Endowment, beginning of year	\$ -	\$ 471,714	\$ 471,714
Investment returns, net	(3,837)	58,403	54,566
Support and revenue	-	900	900
Transfers	557,876	8,859	566,735
Appropriation of expenditure	-	(19,033)	(19,033)
Endowment, end of year	\$ 554,039	\$ 520,843	\$ 1,074,882

A donor-restricted endowment fund is considered to be underwater if the fair value of the fund is less than either the original gift amount or the amount required to be maintained by the donor or by law. Presbytery management is not aware that any of its perpetual endowment funds are underwater. Presbytery policies do not permit spending of the perpetual endowment fund corpus, unless specifically allowed by the donor or relevant laws and regulations.

NOTE K: LIQUIDITY AND AVAILABILITY OF RESOURCES

The Presbytery regularly monitors the availability of resources required to meet its operating needs and other contractual commitments, while also striving to maximize the investment of its available funds. For purposes of analyzing resources available to meet general expenditures over a 12-month period, the Presbytery considers all expenditures related to its ongoing mission-related activities as well as the conduct of services undertaken to support those activities to be general expenditures.

SALEM PRESBYTERY
NOTES TO FINANCIAL STATEMENTS

NOTE K: LIQUIDITY AND AVAILABILITY OF RESOURCES (Continued)

The Presbytery's financial assets available to meet its general operating needs within one year are as follows:
Financial assets at December 31, 2021:

Cash and cash equivalents	\$ 451,570
Contributions receivable	15,355
Accounts receivable - other	236
Investments, at fair value	2,054,475
Current portion of note receivable	11,530
Accounts payable and accrued expenses	<u>(7,897)</u>
	<u>2,525,269</u>
Less financial resources unavailable for general operating needs due to:	
Future Expendable Resources	
Board Designated:	
Time or purpose restrictions	<u>438,752</u>
Donor Restricted:	
Time or purpose restrictions	254,928
Endowment funds	<u>358,234</u>
	<u>613,162</u>
Total Future Expendable Resources	<u>1,051,914</u>
Nonexpendable Resources	
Donor Restricted:	
Endowment funds	<u>162,609</u>
Total Nonexpendable Resources	<u>162,609</u>
Total Financial resources unavailable for general operating needs	<u>1,214,523</u>
Financial assets available to meet general operating needs within one year	<u><u>\$ 1,310,746</u></u>

In addition to financial assets available to meet general expenditures over the next 12 months, the Presbytery operates with a balanced budget and anticipates collecting sufficient support and revenue to cover general expenditures not covered by donor-restricted resources.

The Presbytery's governing council has designated a portion of its unrestricted resources for endowment and other purposes. Those amounts are identified as board-designated in the table above. These funds are invested for long-term appreciation and current income but remain available and may be spent at the discretion of the Council.

SALEM PRESBYTERY
NOTES TO FINANCIAL STATEMENTS

NOTE L: FUNCTIONAL EXPENSES

The financial statements report certain categories of expenses that are attributable to more than one program or supporting function. Therefore, these expenses have been allocated on a reasonable basis that is consistently applied. Direct expenses are recorded by category, by function determined to be benefited. Indirect costs, including certain capital outlays, are allocated to the function estimated to be benefited, principally based on direct costs incurred.

The table below summarizes 2021, direct and indirect expenses by function:

	Program Services	General and Administrative	Fundraising	Total
Direct expenses	\$ 563,829	\$ 170,078	\$ -	\$ 733,907
Indirect expenses	35,854	25,284	-	61,138
	\$ 599,683	\$ 195,362	\$ -	\$ 795,045

NOTE M: LOAN GUARANTEES

As of December 31, 2021, The Presbytery has guaranteed two Presbyterian Church Investment and Loan Program, Inc. ("PCILP") loans with principal balances that totaled approximately \$595,000 at December 31, 2021.

The Presbytery could potentially become liable for the unpaid principal balance, accrued interest, and costs, if any, for each instance in which a Presbyterian church defaults on its loan obligation.

NOTE N: RETIREMENT PLAN

The employees of the Presbytery participate in a defined contribution retirement plan administered by the Board of Pensions of the Presbyterian Church (U.S.A.). The Presbytery's contributions are equal to 8.5% of the annual salary of participating employees. During the year ended December 31, 2021, Salem Presbytery's contributions to the plan totaled \$19,262.

NOTE O: SUBSEQUENT EVENT

The Presbytery evaluated the effects subsequent events would have on the financial statements through August 25, 2022, which is the date the financial statements were available for issuance.

The Presbytery has been named in a few lawsuits related to Boy Scouts of America. Currently, there was a motion filed to stay the proceedings related to one lawsuit by the plaintiff. As of August 25, 2022, there has been no further action related to the lawsuit.

SUPPLEMENTARY INFORMATION

SALEM PRESBYTERY
SCHEDULE OF CHANGES IN NET ASSETS
Year Ended December 31, 2021

	Net Assets at January 1, 2021	Support and Revenue	Dividends and Interest	Realized and Unrealized Appreciation (Depreciation)	Expenses	Transfers/ Net Assets Released	Net Assets at December 31, 2021
NET ASSETS WITHOUT DONOR RESTRICTIONS							
Unappropriated:							
Budget Fund	\$ 1,681,780	\$ 820,072	\$ 28,752	\$ 10,548	\$ (661,397)	\$ (485,910)	\$ 1,393,845
Board Designated Funds:							
Other Works:							
Assistance Ministries Fund	683	-	-	-	-	(683)	-
Camp New Hope Fund	116,683	-	-	-	-	(116,683)	-
Office Building Proceeds	-	-	-	(3,837)	-	557,876	554,039
Decentralized Office costs	-	-	6,074	2,917	-	-	8,991
Tzeltal Fund	967	-	-	-	-	-	967
Youth Triennium	5,000	-	-	-	-	-	5,000
Church Growth (New Church Development):							
Church Growth and Transformation Fund	125,173	-	-	-	(9,000)	-	116,173
Designated Year End Fund	16,774	-	-	-	-	(16,774)	-
Whispering Pines Funds	50,438	-	-	-	-	-	50,438
Campus Ministries:							
Campus Ministry	-	-	-	-	-	107,183	107,183
Operations:							
Designated Reserve Fund - Operations	75,555	-	-	-	(23,547)	(52,008)	-
Capital Improvements:							
General Loan Fund	150,000	-	-	-	-	-	150,000
	<u>541,273</u>	<u>-</u>	<u>6,074</u>	<u>(920)</u>	<u>(32,547)</u>	<u>478,911</u>	<u>992,791</u>
	<u>2,223,053</u>	<u>820,072</u>	<u>34,826</u>	<u>9,628</u>	<u>(693,944)</u>	<u>(6,999)</u>	<u>2,386,636</u>

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SALEM PRESBYTERY
SCHEDULE OF CHANGES IN NET ASSETS
Year Ended December 31, 2021

	Net Assets at January 1, 2021	Support and Revenue	Dividends and Interest	Realized and Unrealized Appreciation (Depreciation)	Expenses	Transfers/ Net Assets Released	Net Assets at December 31, 2021
NET ASSETS WITH DONOR RESTRICTIONS:							
Temporary Restrictions:							
Other Works:							
Implementation	7,000	-	-	-	-	-	7,000
Black Caucus Fund	2,130	-	-	-	-	-	2,130
Camp Scholarships Fund	13,460	948	-	-	-	-	14,408
Seminary Education Scholarships Fund	22,922	900	-	-	-	(2,500)	21,322
Peace and Justice Fund	10,981	1,817	-	-	(750)	14,023	26,071
Self-Development of Peoples Fund	14,023	-	-	-	-	(14,023)	-
Hispanic Ministry	82,916	12,444	-	-	(3,119)	-	92,241
Professionals & Pastors Fund	4,433	-	-	-	-	-	4,433
Latta Family Scholarship Fund	7,384	-	949	4,221	(957)	-	11,597
Missions & Evangelism:							
DP Foust Home Mission Fund	90,356	-	982	4,376	(477)	-	95,237
James & Roxana Atwood Fund	4,337	-	957	99	(1,762)	-	3,631
Byron Wolfe Mission Challenge Fund	40,181	-	3,592	15,983	(3,600)	-	56,156
Stone Estate Fund	131,137	-	6,483	13,501	-	-	151,121
Maryland Hickerson Fund	1,580	-	98	205	-	-	1,883
Cora Harrison Fund	3,964	-	191	397	-	-	4,552
Virgil Ashbaugh Fund	12,728	-	598	1,246	-	-	14,572
Hunger Programs:							
Hunger Program Funds:							
International	86,076	44,090	-	-	(40,000)	320	90,486
Domestic	10,112	44,090	-	-	(38,200)	320	16,322
	<u>545,720</u>	<u>104,289</u>	<u>13,850</u>	<u>40,028</u>	<u>(88,865)</u>	<u>(1,860)</u>	<u>613,162</u>

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SALEM PRESBYTERY
SCHEDULE OF CHANGES IN NET ASSETS
Year Ended December 31, 2021

	Net Assets at January 1, 2021	Support and Revenue	Dividends and Interest	Realized and Unrealized Appreciation (Depreciation)	Expenses	Transfers/ Net Assets Released	Net Assets at December 31, 2021
PERPETUAL RESTRICTIONS:							
Missions & Evangelism:							
Maryland Hickerson Fund	600	-	-	-	-	-	600
Cora Harrison Fund	260	-	-	-	-	-	260
Byron Wolfe Mission Challenge Fund	10,000	-	-	-	-	-	10,000
Virgil Ashbaugh Fund	520	-	-	-	-	-	520
Ruby T. Roberts on Fund	9,624	-	318	1,417	-	(641)	10,718
Stone Estate Fund	12,482	-	-	-	-	-	12,482
Mission Challenge Fund	60,565	-	-	-	-	-	60,565
Campus Co-Op Ministry	8,446	-	512	2,278	-	9,500	20,736
Other Works:							
James & Roxana Atwood Fund	25,000	-	-	-	-	-	25,000
Charles & Bonnie Simms Fund	12,236	-	-	-	(12,236)	-	-
Latta Family Scholarship Fund	21,728	-	-	-	-	-	21,728
	<u>161,461</u>	<u>-</u>	<u>830</u>	<u>3,695</u>	<u>(12,236)</u>	<u>8,859</u>	<u>162,609</u>
	<u>707,181</u>	<u>104,289</u>	<u>14,680</u>	<u>43,723</u>	<u>(101,101)</u>	<u>6,999</u>	<u>775,771</u>
GRAND TOTAL	<u>\$ 2,930,234</u>	<u>\$ 924,361</u>	<u>\$ 49,506</u>	<u>\$ 53,351</u>	<u>\$ (795,045)</u>	<u>\$ -</u>	<u>\$ 3,162,407</u>

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SALEM PRESBYTERY
SCHEDULE OF AGENCY TRANSACTIONS
Year Ended December 31, 2021

	Liability Balance at January 1, 2021	Receipts	Disbursements	Liability Balance at December 31, 2021
PCUSA Passthrough Funds:				
Christmas Joy	\$ -	\$ 16,341	\$ (16,341)	\$ -
One Great Hour of Sharing	-	23,046	(23,046)	-
Peacemaking	-	3,186	(3,186)	-
Pentecost	-	5,671	(5,671)	-
Confronting Violence Against Women	-	160	(160)	-
Thank Offering	-	400	(400)	-
General Relief	-	4,533	(4,533)	-
Blanket Fund	-	2,425	(2,425)	-
Atlantic Regional Hurricanes	-	308	(308)	-
Central America	-	2,559	(2,559)	-
International Disasters & Emergencies	-	555	(555)	-
Presbyterian Hunger	-	1,500	(1,500)	-
Haiti	-	3,500	(3,500)	-
USA DR000015	-	5,736	(5,736)	-
US Hurricane Response	-	500	(500)	-
Missionaries	-	14,917	(14,917)	-
Local Validated Causes:				
Children's Hope Alliance	-	3,370	(3,370)	-
Presbyterian Homes	-	350	(350)	-
Winston-Salem Campus Ministry	-	3,615	(3,615)	-
Theological Education	-	13,165	(13,165)	-
Other Local Causes	-	136,025	(136,025)	-
Total Agency Fund Liability	\$ -	\$ 241,862	\$ (241,862)	\$ -

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