PRESBYTERIAN CHURCH (U.S.A.), A CORPORATION

CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2014 and 2013

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A CORPORATION

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CONTENTS

INDEPENDENT AUDITOR'S REPORT 1

CONSOLIDATED FINANCIAL STATEMENTS

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION 3

CONSOLIDATED STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS 4

CONSOLIDATED STATEMENTS OF CASH FLOWS 6

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS 7

SUPPLEMENTAL INFORMATION

CONSOLIDATING STATEMENT OF FINANCIAL POSITION 28

CONSOLIDATING STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS 29

Crowe Horwath LLP
Independent Member Crowe Horwath International

INDEPENDENT AUDITOR'S REPORT

The Board of Directors
Presbyterian Church (U.S.A.), A Corporation
Louisville, Kentucky

Report on the Financial Statements

We have audited the accompanying consolidated financial statements of the Presbyterian Church (U.S.A.), A Corporation and its constituent corporations, which comprise the consolidated statements of financial position as of December 31, 2014 and 2013, and the related consolidated statements of activities and changes in net assets and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated 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 consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

(Continued)

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Presbyterian Church (U.S.A.), A Corporation and its constituent corporations as of December 31, 2014 and 2013, and the changes in their net assets and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The consolidating statement of financial position, and consolidating statement of activities and changes in net assets are presented for purposes of additional analysis of the consolidated financial statements rather than to present the financial position, changes in net assets, and cash flows of the individual organizations, and are not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated 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 consolidated financial statements as a whole.

Crowe Horwath LLP

Crowe Horwath LLP

Louisville, Kentucky
April 15, 2015

PRESBYTERIAN CHURCH (U.S.A.),
A CORPORATION
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
December 31, 2014 and 2013

	2014	2013
ASSETS		
Cash and cash equivalents	$ 5,131,614	$ 3,983,386
Investments (Notes 4 and 13)		
Beneficial interests in pooled investments and accrued income held by the Foundation	57,999,714	52,389,914
Other investments and accrued income	56,058,851	60,022,462
Receivables		
Contributions from congregations	3,257,551	4,679,396
Mortgages and loans on churches and manses, including accrued interest, less allowance of $1,900 and $2,250, respectively (Note 7)	1,566,316	2,146,986
Receivables from related entities, mortgages and loans, less allowance of $1,910,051 and $2,158,889, respectively (Note 9)	4,083,150	4,301,022
Due from the Foundation	1,844,846	1,100,864
Other accounts receivable	83,880	659,296
Total receivables	10,835,743	12,887,564
Inventories, prepaid expenses and other assets	1,012,645	1,118,109
Property and equipment, net (Note 10)	16,275,976	17,000,051
Beneficial interest in pooled investments held by the Foundation – long-term (Notes 4 and 13)	336,457,258	337,819,087
Other investments held by the Foundation (Notes 4 and 13)	6,209,789	6,242,362
Beneficial interest in perpetual trusts (Note 5)	69,670,791	68,575,320
Total assets	$ 559,652,381	$ 560,038,255
LIABILITIES AND NET ASSETS		
Liabilities		
Accounts payable and accrued expenses	$ 8,030,534	$ 7,789,288
Amounts received from congregations and designated for others	487,446	520,594
Amounts held for missionaries and committed for projects	2,647,174	2,774,891
Amounts due to other agencies (Note 16)	5,935,628	5,927,434
Due to the Foundation	2,220,891	-
Deferred revenue	587,128	983,741
Other	739,907	38,751
Total liabilities	20,648,708	18,034,699
Net assets (Note 3)		
Unrestricted		
Undesignated	8,710,971	17,201,545
Designated	46,135,095	39,326,017
Total unrestricted	54,846,066	56,527,562
Temporarily restricted	209,967,686	214,190,120
Permanently restricted	274,189,921	271,285,874
Total net assets	539,003,673	542,003,556
Total liabilities and net assets	$ 559,652,381	$ 560,038,255

See accompanying notes to consolidated financial statements.

PRESBYTERIAN CHURCH (U.S.A.),
A CORPORATION
CONSOLIDATED STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS
Year ended December 31, 2014
(With comparative 2013 totals)

	Unrestricted	Temporarily Restricted	Permanently Restricted	2014 Total	2013 Total
Revenue, gains, and other support					
Contributions					
Congregations	$ 19,304,474	$ 3,706,023	$ -	$ 23,010,497	$ 23,981,715
Presbyterian Women	-	-	-	-	11,815
Gifts, bequests, and grants	2,062,327	7,845,262	1,696,668	11,604,257	6,928,636
Special giving and special offering	-	22,836,897	-	22,836,897	28,963,878
Total contributions	21,366,801	34,388,182	1,696,668	57,451,651	59,886,044
Investment income					
Income from endowment funds	1,877,978	2,779,512	31,412	4,688,902	4,542,595
Income on investments	735,120	214,761	40,638	990,519	1,368,065
Realized and unrealized gains on investments, net	4,553,272	(2,608,762)	1,893,499	3,838,009	36,173,862
Change in value of beneficial interest in life income funds	814,482	124,198	(635,255)	303,425	1,878,919
Total investment return	7,980,852	509,709	1,330,294	9,820,855	43,963,441
Interest income from loans	6,635	44,027	107,396	158,058	198,941
The Hubbard Press	1,432,051	-	-	1,432,051	1,527,413
Sales of resources and services	19,110,046	12,949	-	19,122,995	17,547,873
Other	1,517,137	(7,072)	(230,311)	1,279,754	845,423
	51,413,522	34,947,795	2,904,047	89,265,364	123,969,135
Net assets released from restrictions	39,896,458	(39,896,458)	-	-	-
Total revenue, gains, and other support	91,309,980	(4,948,663)	2,904,047	89,265,364	123,969,135
Expenses					
Office of the Executive Administrator	2,306,014	-	-	2,306,014	1,569,774
Communications and Funds Development	1,556,310	-	-	1,556,310	1,833,986
Office of the Deputy Executive Director	1,087,946	-	-	1,087,946	1,223,984
Theology, Worship and Education	7,441,051	-	-	7,441,051	7,748,657
Evangelism and Church Growth	6,966,459	-	-	6,966,459	8,644,957
Compassion, Peace and Justice	13,723,987	-	-	13,723,987	18,020,114
World Mission	25,106,538	-	-	25,106,538	23,362,921
Racial Ethnic and Women's Ministries	5,128,086	-	-	5,128,086	4,843,237
Shared Services	2,071,543	-	-	2,071,543	1,973,839
Office of the General Assembly	9,829,474	-	-	9,829,474	6,583,399
Presbyterian Mission Agency	4,047,597	-	-	4,047,597	3,752,481
Presbyterian Historical Society, Inc.	891,425	-	-	891,425	676,742
Conference Center – Ghost Ranch	5,047,520	-	-	5,047,520	4,859,892
Conference Center – Stony Point	2,069,805	-	-	2,069,805	2,364,511
The Hubbard Press	1,024,829	-	-	1,024,829	1,154,998
Related Bodies and Other Programs	10,244	-	-	10,244	2,062,790
Shared	1,636,928	-	-	1,636,928	1,676,522
Depreciation	1,737,973	-	-	1,737,973	2,011,824
Other	581,518	-	-	581,518	2,751,504
Total expenses	92,265,247	-	-	92,265,247	97,116,132
Change in net assets	(955,267)	(4,948,663)	2,904,047	(2,999,883)	26,853,003
Change in endowment funds with deficiencies	(726,229)	726,229	-	-	-
Change in net assets	(1,681,496)	(4,222,434)	2,904,047	(2,999,883)	26,853,003
Net assets at beginning of year	56,527,562	214,190,120	271,285,874	542,003,556	515,150,553
Net assets at end of year	$ 54,846,066	$ 209,967,686	$ 274,189,921	$ 539,003,673	$ 542,003,556

See accompanying notes to consolidated financial statements.

PRESBYTERIAN CHURCH (U.S.A.),
A CORPORATION
CONSOLIDATED STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS
Year ended December 31, 2013

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Revenue, gains, and other support				
Contributions				
Congregations	$ 20,285,475	$ 3,696,240	$ -	$ 23,981,715
Presbyterian Women	-	11,815	-	11,815
Gifts, bequests, and grants	1,922,766	2,990,940	2,014,930	6,928,636
Special giving and special offering	-	28,963,878	-	28,963,878
Total contributions	22,208,241	35,662,873	2,014,930	59,886,044
Investment income				
Income from endowment funds	1,808,392	2,704,605	29,598	4,542,595
Income on investments	1,028,469	290,447	49,149	1,368,065
Realized and unrealized gains on investments, net	5,591,909	24,800,333	5,781,620	36,173,862
Change in value of beneficial interest in life income funds	1,415,190	199,817	263,912	1,878,919
Total investment return	9,843,960	27,995,202	6,124,279	43,963,441
Interest income from loans	17,543	52,209	129,189	198,941
The Hubbard Press	1,527,413	-	-	1,527,413
Sales of resources and services	17,528,679	19,194	-	17,547,873
Other	1,051,241	(21,207)	(184,611)	845,423
	52,177,077	63,708,271	8,083,787	123,969,135
Net assets released from restrictions	43,405,710	(43,405,710)	-	-
Total revenue, gains, and other support	95,582,787	20,302,561	8,083,787	123,969,135
Expenses				
Office of the Executive Administrator	1,569,774	-	-	1,569,774
Communications and Funds Development	1,833,986	-	-	1,833,986
Office of the Deputy Executive Director	1,223,984	-	-	1,223,984
Theology, Worship and Education	7,748,657	-	-	7,748,657
Evangelism and Church Growth	8,644,957	-	-	8,644,957
Compassion, Peace and Justice	18,020,114	-	-	18,020,114
World Mission	23,362,921	-	-	23,362,921
Racial Ethnic and Women's Ministries	4,843,237	-	-	4,843,237
Shared Services	1,973,839	-	-	1,973,839
Office of the General Assembly	6,583,399	-	-	6,583,399
Presbyterian Mission Agency	3,752,481	-	-	3,752,481
Presbyterian Historical Society, Inc.	676,742			676,742
Conference Center – Ghost Ranch	4,859,892	-	-	4,859,892
Conference Center – Stony Point	2,364,511	-	-	2,364,511
The Hubbard Press	1,154,998	-	-	1,154,998
Related Bodies and Other Programs	2,062,790	-	-	2,062,790
Shared	1,676,522	-	-	1,676,522
Depreciation	2,011,824	-	-	2,011,824
Other	2,751,504	-	-	2,751,504
Total expenses	97,116,132	-	-	97,116,132
Change in net assets	(1,533,345)	20,302,561	8,083,787	26,853,003
Reinstate endowment funds with deficiencies	1,895,721	(1,895,721)	-	-
Change in net assets	362,376	18,406,840	8,083,787	26,853,003
Net assets at beginning of year	56,165,186	195,783,280	263,202,087	515,150,553
Net assets at end of year	$ 56,527,562	$ 214,190,120	$ 271,285,874	$ 542,003,556

See accompanying notes to consolidated financial statements.

PRESBYTERIAN CHURCH (U.S.A.),
A CORPORATION
CONSOLIDATED STATEMENTS OF CASH FLOWS
Years ended December 31, 2014 and 2013

	2014	2013
Cash flows from operating activities		
Change in net assets	$ (2,999,883)	$ 26,853,003
Adjustments to reconcile change in net assets to net cash from operating activities:		
Depreciation	1,737,973	2,011,824
Net recoveries for losses on church loans	(350)	(600)
Contributions and revolving loan fund investment earnings restricted for long-term investment	(1,645,803)	(2,753,734)
Realized and unrealized gains on investments, net	(3,838,009)	(36,173,862)
Change in fair value of annuity and life income funds	(303,425)	(1,878,919)
Additions to annuity and life income funds	(826,661)	(4,256,305)
Loss on partial disposal of property and equipment	138,629	-
Changes in operating assets and liabilities:		
Receivables from congregations	1,421,845	644,262
Due to/from the Foundation	1,476,909	(6,299,093)
Other accounts receivable	575,416	(437,482)
Inventories, prepaid expenses and other assets	105,464	198,691
Accounts payable and accrued expenses	241,246	(1,626,196)
Amounts received from congregations and other liabilities	540,291	(432,633)
Amounts due to other agencies	8,194	(631,558)
Deferred revenue	(396,613)	239,848
Net cash used in operating activities	(3,764,777)	(24,542,754)
Cash flows from investing activities		
Purchases of investments	(41,760,776)	(88,730,352)
Sales of investments	45,346,998	103,384,387
Payments received on church loans	580,027	681,568
Change in accrued interest receivable on church loans	993	2,567
Net change in receivables from related entities, mortgages and loans	217,872	931,338
Acquisition of property and equipment, net	(1,152,527)	(555,129)
Maturities of annuity and life income funds	34,615	514,369
Net cash from investing activities	3,267,202	16,228,748
Cash flows from financing activities		
Contributions and revolving loan fund investment earnings restricted for long-term investment	1,645,803	2,753,734
Net cash from financing activities	1,645,803	2,753,734
Net increase (decrease) in cash and cash equivalents	1,148,228	(5,560,272)
Cash and cash equivalents at beginning of year	3,983,386	9,543,658
Cash and cash equivalents at end of year	$ 5,131,614	$ 3,983,386
Supplemental disclosure of cash flow information		
Donated stock	$ 148,686	$ 92,578

See accompanying notes to consolidated financial statements.

NOTE 1 – ORGANIZATION AND NATURE OF OPERATIONS

The Presbyterian Church (U.S.A.), ("PCUSA") is an unincorporated body of Reformed Christians, who have agreed to conduct worship and other religious activities in conformity with the then current version of the Presbyterian Church (U.S.A.) Constitution, which contains among other things, in its Book of Order, a Form of Government setting forth a detailed formal structure of the Church. As an ecclesiastical organization, PCUSA does not exist under any federal law. Central to the structure of PCUSA is the concept of mid councils (formerly referred to as governing bodies). At the national level, the council is the General Assembly. The ecclesiastical work of the PCUSA at the General Assembly level is carried out by a number of ministry units and related agencies.

Presbyterian Church (U.S.A.), A Corporation ("PCUSA, A Corporation") is a corporate entity of the General Assembly of PCUSA, and is the principal corporation of the General Assembly. All voting members of the Presbyterian Mission Agency Board are members of the Board of Directors of PCUSA, A Corporation. PCUSA, A Corporation receives and holds title and/or maintains and manages property and income at the General Assembly level related to mission activities; generally maintains and manages all real and tangible property not held for investment, including the insuring of such property; effects short-term investment of funds prior to either their disbursement or transfer to the Presbyterian Church (U.S.A.) Foundation (the "Foundation") for longer-term investment; acts as the disbursing agent for all funds held for the General Assembly and for other governing bodies and entities upon their request; and provides accounting, reporting, and other financial and related services as the General Assembly or Presbyterian Mission Agency Board may direct or approve.

PCUSA, A Corporation is a tax-exempt religious corporation under Internal Revenue Code Section 501(c)(3).

NOTE 2 – BASIS OF PRESENTATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation: The accompanying consolidated financial statements reflect the consolidated operations of PCUSA, A Corporation and its constituent corporations, which are presented on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America. The constituent corporations of PCUSA, A Corporation are the following: General Assembly Mission Board of the Presbyterian Church (U.S.A.); The Historical Foundation of the Presbyterian and Reformed Churches, Inc.; The Hubbard Press; Pedco, Inc.; The Presbyterian Historical Society, Inc.; Presbyterian Life, Inc.; Presbyterian Publishing House of the Presbyterian Church (U.S.A.), Inc.; The Commission on Ecumenical Mission and Relations of the Presbyterian Church (U.S.A.); Board of Foreign Missions of the Presbyterian Church (U.S.A.); and The Woman's Board of Foreign Missions of the Presbyterian Church (U.S.A.). All intercompany transactions have been eliminated in consolidation.

In order to ensure the observance of limitations and restrictions placed on the use of available resources, PCUSA, A Corporation maintains its financial accounts in accordance with the principles and practices of fund accounting. This is the procedure by which resources for various purposes are classified for accounting purposes into funds established in accordance with their nature or purpose.

(Continued)

NOTE 2 – BASIS OF PRESENTATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

For external reporting purposes, however, PCUSA, A Corporation's financial statements have been prepared to focus on the organization as a whole and to present balances and transactions classified in accordance with the existence or absence of donor-imposed restrictions. Net assets and related activity are classified as unrestricted, temporarily restricted, and permanently restricted as follows:

- Unrestricted Undesignated - net assets that are not subject to donor-imposed restrictions. Unrestricted undesignated net assets consist of the accumulation of certain contributions, gifts, bequests, and related income thereon, which are available for general church purposes.

- Unrestricted Designated - net assets that are not subject to donor-imposed restrictions. Unrestricted designated net assets consist of the accumulation of certain contributions, gifts, bequests, and related income thereon that have been designated for specific purposes by the Presbyterian Mission Agency of the General Assembly.

- Temporarily Restricted - net assets that are subject to donor-imposed restrictions that may or will be met either by actions of PCUSA, A Corporation or the passage of time. Temporarily restricted net assets primarily consist of contributions and related investment income.

- Permanently Restricted - net assets that are subject to donor-imposed restrictions to be maintained permanently by PCUSA, A Corporation. Generally, the donors of these assets permit PCUSA, A Corporation to use all or part of the income earned on related investments for general or specific purposes. Permanently restricted net assets consist primarily of endowment funds and revolving loan funds.

Cash Equivalents: For purposes of reporting cash flows, PCUSA, A Corporation considers investments with an original maturity of three months or less when purchased to be cash equivalents.

Investments: Investments are recorded at fair value. Investment transactions are recorded on a trade-date basis. Realized gains and losses are recorded using the specific identification of securities sold on funds held by the Foundation and using the historical cost of securities sold on funds held by other investment managers.

The Trustees ("Trustees") of the Presbyterian Church (U.S.A.) Foundation (the "Foundation") believe that the carrying amount of its alternative investments is a reasonable estimate of fair value as of December 31, 2014 and 2013. Since alternative investments are not readily marketable, the estimated value is subject to uncertainty and therefore may differ from the value that would have been used had a ready market for the investments existed, and such differences could be material.

Long-term investments held by the Foundation represent General Assembly endowment funds, which are generally not available for immediate use.

Contributions from Congregations: Contributions from congregations include amounts in-transit at year-end.

(Continued)

NOTE 2 – BASIS OF PRESENTATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Allowance for Loan Losses: The allowance for loan losses is maintained at a level considered by management to be adequate to provide for loan losses inherent in the loan portfolio. Management determines the adequacy of the allowance based upon reviews of payment history, recent loss experience, current economic conditions, the risk characteristics of the various categories of loans, and such other factors, which in management's judgment deserve current recognition in estimating loan losses. The allowance for loan losses is increased by the provision for loan losses and reduced by net loan charge-offs.

Annuity and Life Income Funds: PCUSA, A Corporation is an income beneficiary of trust funds held by the Foundation. In accordance with current accounting standards, PCUSA, A Corporation has recorded, as an asset, the net present value of the future income to be received from the funds.

Inventories: Inventories represent books, periodicals, and curriculum produced by PCUSA, A Corporation for distribution. These items are stated at average cost.

Property and Equipment: Property and equipment consists principally of the PCUSA, A Corporation headquarters building and related land and equipment, domestic properties used for mission work, cemeteries, undeveloped land, and property held for disposition.

The PCUSA, A Corporation headquarters building and related land and equipment are stated at cost or fair value at the date of donation, if donated. The domestic properties used for mission work, cemeteries, undeveloped land, and other properties are recorded based on fair value at the date of donation, appraisal value, or replacement cost. Expenditures greater than $5,000 which increase values or extend the useful lives of the respective assets are capitalized. Depreciation is computed using the straight-line method over the estimated useful lives of the assets.

PCUSA, A Corporation holds title to various other foreign properties. Such properties include properties used for mission work, cemeteries, undeveloped land, and property held for disposition. PCUSA, A Corporation has administrative responsibility for property taxes, insurance, maintenance, and improvements for these properties. Generally, it is PCUSA, A Corporation's policy to exclude the cost or donated value of foreign properties from its financial records.

PCUSA, A Corporation reviews for the impairment of long-lived assets subject to depreciation and amortization, including property and equipment, whenever events or changes in circumstances indicate that the carrying amount of these assets may not be recoverable. If this review were to result in the conclusion that the carrying value of long-lived assets would not be recoverable, then a write down of the assets would be recorded through a charge to net assets equal to the difference in the fair market value of the assets and their carrying value. No such impairment losses were recognized for the years ended December 31, 2014 and 2013.

Deferred Revenue: PCUSA, A Corporation holds special events each year. Monies received to support future special events are recorded as deferred revenue.

(Continued)

NOTE 2 – BASIS OF PRESENTATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Collections: PCUSA, A Corporation's collections consist of works of art, ecclesiastical objects and papers, historical treasures, archeological specimens, and other assets. The collections, which were acquired through purchases and contributions since PCUSA, A Corporation's inception, are not recognized as assets on the consolidated statements of financial position. Purchases of collection items are recorded as decreases in unrestricted net assets in the year in which the items are acquired or as temporarily or permanently restricted net assets if the assets used to purchase the items are restricted by donors. Contributed collection items are not reflected on the consolidated financial statements. Proceeds from deaccessions or insurance recoveries are reflected as increases in the appropriate net asset classes.

Use of Estimates: The preparation of financial statements in conformity 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 disclosure of contingent assets and liabilities at the date of the financial statements. Estimates also affect the reported amounts of revenue and expenses during the reporting period.

Income Taxes: The Internal Revenue Service has determined that PCUSA, A Corporation is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code. However, PCUSA, A Corporation is subject to federal income tax on any unrelated business taxable income.

Accounting principles generally accepted in the United States of America prescribe recognition thresholds and measurement attributes for the financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return. Tax benefits or liabilities will be recognized only if the tax position would "more-likely-than-not" be sustained in a tax examination, with a tax examination being presumed to occur. The amount recognized will be the largest amount of tax benefit or liability that is greater than 50% likely of being realized on examination. For tax positions not meeting the more-likely-than-not test, no tax benefit or liability will be recorded. Management has concluded that it is unaware of any tax benefits or liabilities to be recognized at December 31, 2014, and does not expect this to change in the next 12 months.

PCUSA, A Corporation would recognize interest and penalties related to uncertain tax positions in interest and income tax expense, respectively. PCUSA, A Corporation has no amounts accrued for interest or penalties as of December 31, 2014 and 2013. PCUSA, A Corporation is no longer subject to examination by taxing authorities for the years before December 31, 2011.

Subsequent Events: Management has performed an analysis of the activities and transactions subsequent to December 31, 2014 to determine the need for any adjustments to and/or disclosures within the audited financial statements for the year ended December 31, 2014. Management has performed their analysis through April 15, 2015, which is the date the financial statements were available to be issued.

Reclassification: Certain reclassifications have been made to the 2013 consolidated financial statements to conform to the 2014 consolidated financial statement presentation. These reclassifications had no effect on the change in net assets.

(Continued)

NOTE 3 – NET ASSETS

Temporarily restricted net assets at December 31, 2014 and 2013 are available for the following purposes:

	2014	2013
Church loans	$ 2,865,756	$ 2,919,833
Jinishian Memorial Program	22,198,735	23,010,093
Educational seminars and publications	22,187,659	22,600,966
Mission work	20,226,331	21,596,104
Presbyterian Disaster Assistance	13,379,597	13,568,413
Evangelism and Church Growth	15,262,947	15,428,829
Health	15,776,507	15,779,665
Missionary support	41,325,153	38,668,331
Christian education	12,388,298	12,490,941
Peacemaking/Justice	1,648,507	1,766,859
Hunger	1,921,392	2,140,180
Beneficial interest in Perpetual Trusts	1,596,298	1,552,100
Racial Ethnic	213,671	197,428
Women	643,366	638,765
Historical Foundation/per capita	1,338,968	1,315,870
General endowments	35,598,072	38,837,624
Self-Development of People	427,985	695,789
Other	968,444	982,330
	$ 209,967,686	$ 214,190,120

Permanently restricted net assets at December 31, 2014 and 2013 are available for the following purposes:

	2014	2013
Church loans	$ 20,105,784	$ 19,932,701
Jinishian Memorial Program	10,069,586	10,057,618
Educational seminars and publications	21,684,815	21,322,720
Mission work	4,815,452	4,735,043
Evangelism and Church Growth	6,809,315	6,695,612
Health	13,218,596	12,997,871
Missionary support	15,624,196	15,363,363
Christian education	14,899,554	14,659,655
Peacemaking/Justice	87,826	86,359
Hunger	422,370	415,317
Beneficial interest in Perpetual Trusts	68,074,494	67,023,221
Racial Ethnic	229,392	225,562
Women	105,567	103,804
Historical Foundation/per capita	784,629	784,629
General endowments	96,244,896	95,885,877
Other	1,013,449	996,522
	$ 274,189,921	$ 271,285,874

(Continued)

NOTE 3 – NET ASSETS (Continued)

Net assets released from restrictions during the years ended December 31, 2014 and 2013 consisted of the following:

	2014	2013
Jinishian Memorial Program	$ 1,458,616	$ 1,554,483
Educational seminars and publications	2,952,141	2,803,865
Mission work	6,832,300	6,489,138
Presbyterian Disaster Assistance	4,777,905	9,437,853
Evangelism and Church Growth	6,584,134	6,253,437
Health	3,114,273	2,957,854
Missionary support	2,077,513	1,973,167
Christian education	4,950,014	4,701,392
Peacemaking/Justice	2,147,141	2,039,298
Hunger	2,904,820	2,897,159
Self-Development of People	2,097,601	2,298,064
	$ 39,896,458	$ 43,405,710

NOTE 4 – INVESTMENTS

Investments, including long-term investments, are primarily held in common funds managed by the Foundation on behalf of PCUSA, A Corporation. A summary of PCUSA, A Corporation's ownership of the investments held at December 31, 2014 and 2013 is as follows:

	2014	2013
Pooled investments held by the Foundation		
Beneficial interest in pooled investments		
Short-term	$ 57,999,714	$ 52,389,914
Long-term	336,457,258	337,819,087
Total beneficial interest in pooled investments	394,456,972	390,209,001
Other investments held by the Foundation		
Equities	2,382,326	2,442,300
Shares in New Covenant Mutual Fund	3,827,463	3,800,062
Total other investments held by the Foundation	6,209,789	6,242,362
Other investments		
Cash equivalents	2,590,800	3,418,937
U.S. treasury securities	17,037,655	20,679,538
U.S. agency securities	1,847,073	2,398,284
Corporate debt securities	21,386,921	20,513,619
Mortgage-backed securities	2,297,468	2,916,152
Other fixed income securities	341,208	35,949
Equity securities	776,061	58,115
Presbyterian Investment and Loan Program denominational account receipts	9,781,665	10,001,868
Total other investments	56,058,851	60,022,462
Total investments	$ 456,725,612	$ 456,473,825

(Continued)

NOTE 4 – INVESTMENTS (Continued)

PCUSA, A Corporation invests a majority of its funds in the Foundation's common investment portfolio. Investment balances held by the Foundation are allocated monthly by the Foundation's management based on the portion of PCUSA, A Corporation's funding to the total funding of the portfolio. The Foundation's investment portfolio as of December 31 comprised the following types of investments:

	2014	2013
Preferred and common stock	44%	48%
Fixed income	20	18
Hedge funds	24	24
Real estate	7	5
Private equity	5	5
	100%	100%

Income received by PCUSA, A Corporation from the Foundation is net of administrative fees of outside managers.

NOTE 5 – BENEFICIAL INTEREST IN PERPETUAL TRUSTS

Funds held in trust by others represent resources neither in the possession nor under the control of PCUSA, A Corporation, but held and administered by outside trustees, with PCUSA, A Corporation deriving only income from such funds. Such investments are recorded in the consolidated statement of financial position at the fair value of the principal amounts, which represents the estimated present value of the expected future cash flows, and the income, including fair value adjustments, is recorded in the consolidated statement of activities and changes in net assets.

NOTE 6 – ENDOWMENT COMPOSITION

In accordance with the Uniform Prudent Management of Institutional Funds Act (UPMIFA), the Organization considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

(1) The duration and preservation of the fund.
(2) The purposes of 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 the Organization.
(7) The investment policies of the Organization.

Appropriation of Endowment Assets: PCUSA, A Corporation has a spending formula agreement with the Foundation whereby PCUSA, A Corporation receives investment income from unrestricted and restricted endowments held by the Foundation on behalf of the General Assembly for mission use.

(Continued)

NOTE 6 – ENDOWMENT COMPOSITION (Continued)

The current policy calls for a 4.25% annual total return payout rate of the average market value based on the 20-quarter rolling average with an eighteen-month lag. Pursuant to this policy, the Foundation paid the beneficiaries of certain endowments 4.1% (based on the December 31, 2013 market value) and 4.6% (based on the December 31, 2012 market value) in 2014 and 2013, respectively. The spending formula will be monitored to determine the effects of changing return and inflation expectations on the preservation of purchasing power and the generation of appropriate levels of spendable income.

Investment Policies: The Trustees of the Presbyterian Church (U.S.A.) Foundation are charged with the responsibility of managing the endowment assets of the Church. The overall goal in management of these funds is to generate a long-term total rate of return that provides sustainable distributions to support the mission within reasonable levels of risk.

The Trustees adhere to modern portfolio theory, which has as its basis risk reduction through diversification. Diversification is obtained through the use of multiple asset classes as well as multiple investments within these asset classes. Asset classes that may be used include (but are not limited to) domestic and international stocks and bonds, hedge funds, private equity (venture capital and corporate finance), and real property (real estate, minerals, and timber). The investment strategy is implemented through the selection of external advisors and managers with expertise and successful histories in the management of specific asset classes.

The Trustees believe their role is one of setting and reviewing policy; and retaining, monitoring, and evaluating advisors and investment managers. It is the Trustees' desire to find ways to invest these funds in accordance with the social witness principles of the PCUSA. The Trustees will review the investment policy statement at least annually.

The primary financial objectives of the investment funds (the "Fund") are to (1) provide a stream of relatively stable and constant earnings in support of annual budgetary needs and (2) to preserve and enhance the real (inflation-adjusted) purchasing power of the Fund.

The long-term investment objective of the Fund is to attain a real total annualized return of at least 5% The calculation of real total return includes all realized and unrealized capital changes plus all interest, rent, dividend, and other income earned by the portfolio, adjusted for inflation, during a year, net of investment expenses, on average, over a five-to-seven year period. Secondary objectives are to (1) outperform the Fund's custom benchmark, a weighted average return based on the target asset allocation and index returns and (2) to outperform the median return of a pool of endowment funds with broadly similar investment objectives and policies. The Fund's objective is to attain estimated nominal compound return of 9% with a standard deviation of 11.3% of the current portfolio.

(Continued)

NOTE 6 – ENDOWMENT COMPOSITION (Continued)

Endowment net asset composition as of December 31:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
2014				
Donor-restricted endowment funds	$ (4,341,464)	$ 172,778,959	$ 274,189,921	$ 442,627,416
Board-designated funds	46,135,095	-	-	46,135,095
Total endowment net assets	41,793,631	172,778,959	274,189,921	488,762,511
Net assets other than endowment	13,052,435	37,188,727	-	50,241,162
Total net assets	$ 54,846,066	$ 209,967,686	$ 274,189,921	$ 539,003,673
2013				
Donor-restricted endowment funds	$ (3,615,235)	$ 175,044,929	$ 271,285,874	$ 442,715,568
Board-designated funds	39,326,017	-	-	39,326,017
Total endowment net assets	35,710,782	175,044,929	271,285,874	482,041,585
Net assets other than endowment	20,816,780	39,145,191	-	59,961,971
Total net assets	$ 56,527,562	$ 214,190,120	$ 271,285,874	$ 542,003,556

(Continued)

NOTE 6 – ENDOWMENT COMPOSITION (Continued)

Changes in endowment net assets for the years ended December 31, 2014 and 2013:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Beginning balance, January 1, 2014	$ 35,710,782	$ 175,044,929	$ 271,285,874	$ 482,041,585
Investment return				
Investment income	332,409	2,791,444	179,446	3,303,299
Net appreciation	289,208	(2,531,497)	1,258,244	(984,045)
Total investment return	621,617	259,947	1,437,690	2,319,254
Contributions	1,321,644	7,623,606	1,696,668	10,641,918
Sales of resources and services	12,384,103	-	-	12,384,103
Appropriation of endowment assets for expenditure and other changes	(8,244,515)	(10,149,523)	(230,311)	(18,624,349)
Ending balance, December 31, 2014	$ 41,793,631	$ 172,778,959	$ 274,189,921	$ 488,762,511
Beginning balance, January 1, 2013	$ 38,073,908	$ 157,156,798	$ 263,202,087	$ 458,432,793
Investment return				
Investment income	356,924	2,722,676	207,936	3,287,536
Net appreciation	1,372,533	24,847,819	6,045,532	32,265,884
Total investment return	1,729,457	27,570,495	6,253,468	35,553,420
Contributions	1,247,883	2,348,029	2,014,930	5,610,842
Sales of resources and services	12,819,319	-	-	12,819,319
Appropriation of endowment assets for expenditure and other changes	(18,159,785)	(12,030,393)	(184,611)	(30,374,789)
Ending balance, December 31, 2013	$ 35,710,782	$ 175,044,929	$ 271,285,874	$ 482,041,585

Funds with Deficiencies: From time to time, the fair value of assets associated with individual donor restricted endowment funds may fall below the level the donor requires PCUSA, A Corporation to retain as a fund of perpetual duration. Deficiencies of this nature that are reported in unrestricted and designated net assets were $4,341,464 and $3,615,235 as of December 31, 2014 and 2013.

(Continued)

NOTE 7 – MORTGAGES AND LOANS ON CHURCHES AND MANSES

A summary of the activity relating to mortgages and loans on churches and manses during the years ended December 31, 2014 and 2013 is as follows:

	2014	2013
Receivables at January 1	$ 2,145,873	$ 2,827,441
Repayments	(580,027)	(681,568)
Receivables at December 31	1,565,846	2,145,873
Add accrued interest receivable	2,370	3,363
	1,568,216	2,149,236
Less allowance for loan loss	(1,900)	(2,250)
Net receivables at December 31	$ 1,566,316	$ 2,146,986

The ability of each borrower congregation to pay PCUSA, A Corporation for the loan(s) made to the congregation may depend on the contributions the congregation receives from its members. Therefore, payments to PCUSA, A Corporation may depend on the continued growth in membership of the borrower congregations, and on the maintenance of adequate contributions by individual members to their congregations, as well as on prudent management by those congregations of their finances. The following is a summary of the gross loan balances for each Synod at December 31, 2014 and 2013:

	2014	2013
Covenant	$ 211,199	$ 257,836
Lincoln Trails	154,812	352,379
Mid-Atlantic	46,317	53,335
Northeast	78,649	190,422
South Atlantic	764,112	896,311
Southern California/Hawaii	259,879	274,691
Southwest	50,878	78,285
The Sun	-	9,333
Trinity	-	33,281
Gross mortgages and loans receivable	1,565,846	2,145,873
Accrued interest receivable	2,370	3,363
Less allowance for loan losses	(1,900)	(2,250)
Mortgages and loans receivable, net	$ 1,566,316	$ 2,146,986

(Continued)

NOTE 8 – ALLOWANCES FOR LOAN LOSSES AND IMPAIRMENT OF LOANS

The outstanding principal balances of loans to churches, students, and Presbyterian schools and colleges for which an impairment has been recognized at December 31, 2014 and 2013 were $86,758 and $74,163, respectively, and the related allocated allowances for loan losses at December 31, 2014 and 2013 were $0, resulting in no additional provision for loans for December 31, 2014 or 2013. There was no interest received by PCUSA, A Corporation, on the impaired loans during 2014. The total average impaired loan balances were approximately $3,337 and $3,371 at December 31, 2014 and 2013, respectively.

NOTE 9 – RECEIVABLES FROM RELATED ENTITIES

A summary of the activity relating to receivables from related entities, which includes unsecured student loans of approximately $1.5 million and $2 million, during the years ended December 31, 2014 and 2013, is as follows:

	2014	2013
Receivables at January 1	$ 6,459,911	$ 7,237,906
Assessments and other	14,063,676	13,442,021
Collections of assessments and other	(12,967,808)	(12,517,801)
New loans	252,453	312,304
Loan repayments	(581,121)	(518,937)
Charge-offs	(1,233,910)	(1,495,582)
Receivables at December 31	5,993,201	6,459,911
Less allowance for loan loss	(1,910,051)	(2,158,889)
Net receivables at December 31	$ 4,083,150	$ 4,301,022

NOTE 10 – PROPERTY AND EQUIPMENT

The components of property and equipment at December 31, 2014 and 2013 are as follows:

	2014	2013
Land	$ 3,745,576	$ 3,881,120
Buildings and building improvements	44,488,320	43,777,808
Equipment	12,893,693	14,083,681
Furniture and fixtures	552,583	552,583
Less accumulated depreciation	(45,404,196)	(45,295,141)
	$ 16,275,976	$ 17,000,051

(Continued)

NOTE 11 – BENEFITS DATA

As explained below in the following paragraphs, PCUSA, A Corporation through the Board of Pensions of the Presbyterian Church USA offers a defined benefit pension plan, long-term disability plan, death benefit plan, a major medical plan, and a retirement savings plan to eligible employees.

Substantially all employees of PCUSA, A Corporation participate in the Benefits Plan of the Presbyterian Church (U.S.A.) (the “Benefits Plan”) which is administered by the Board of Pensions of the Presbyterian Church (U.S.A.) (the “Board of Pensions”). The Benefits Plan is a comprehensive benefits program, which provides a defined benefit pension plan, a long-term disability plan, a death benefit plan, and a major medical plan. The assets of the Benefits Plan are commingled for investment purposes; however, accounting for each plan is separately maintained.

The defined benefit pension plan’s total net assets available for benefits, as reported by the Board of Pensions, were $7,771,000 and $7,640,065 at December 31, 2014 and 2013, respectively. The defined benefit pension plan’s total Accumulated Plan Benefit Obligations, as reported by the Board of Pensions, were $5,951,000 and $5,162,644 at December 31, 2014 and 2013, respectively. Since the Benefits Plan is a Church Plan under the Internal Revenue Code, PCUSA, A Corporation has no financial interest in the Benefits Plan assets nor does it have any liability for benefits payable, contingent or otherwise, under the Benefits Plan or its components.

PCUSA, A Corporation pays the entire cost associated with the major medical plan. Employees have the option to purchase additional coverage such as dental, long-term care, and life insurance.

In addition, PCUSA, A Corporation sponsors a retirement savings plan. The employer contribution is designed to provide equalization of the impact of tax differences between clergy and lay personnel. All exempt lay employees are eligible to participate in the employer portion of the plan. PCUSA, A Corporation pays an amount based upon a calculation of tax differences. Contributions to the Plan were $682,453 and $626,789 for 2014 and 2013, respectively.

PCUSA, A Corporation’s expenses for the plans for the years ended December 31, 2014 and 2013 were as follows:

	2014	2013
Administered by Board of Pensions		
Pension plan	$ 3,524,904	$ 3,457,139
Death and disability	324,880	316,779
Major medical plan	7,979,457	7,038,556
	11,829,241	10,812,474
Administered by others - retirement savings plan	682,453	626,789
	$ 12,511,694	$ 11,439,263

(Continued)

NOTE 12 – CONCENTRATION OF RISKS

Revenue Risk: PCUSA, A Corporation's primary source of revenue is contributions from Congregations, Presbyteries, Synods and individuals. The majority of these contributions are transmitted via the Presbyteries that are grouped into 16 Synods comprised of a total of 172 Presbyteries. The following is a summary of the contributions by each of the Synods during the years ended December 31, 2014 and 2013:

	2014	2013
Alaska-Northwest	$ 720,731	$ 773,823
Covenant	2,208,735	2,674,230
Lakes and Prairies	2,330,410	2,295,906
Lincoln Trails	2,131,695	2,153,212
Living Waters	1,359,336	1,474,172
Mid-America	1,015,276	1,239,284
Mid-Atlantic	3,509,544	3,909,904
Northeast	2,665,758	2,864,660
Pacific	1,956,297	2,007,180
Puerto Rico	19,097	24,984
South Atlantic	2,409,086	2,940,061
Southern California/Hawaii	1,076,507	1,250,499
Southwest	477,403	554,731
The Rocky Mountains	583,503	700,474
The Sun	2,088,306	2,384,043
Trinity	3,212,456	3,824,546
	27,764,140	31,071,709
Individuals and Other Church-Related	9,519,979	10,912,653
	$ 37,284,119	$ 41,984,362

Credit Risk: PCUSA, A Corporation maintains cash and cash equivalents with various financial institutions. At times, such cash and cash equivalents may be in excess of the FDIC insurance level. PCUSA, A Corporation has not experienced any losses in such accounts and management believes PCUSA, A Corporation is not exposed to any significant credit risks on cash and cash equivalents.

(Continued)

NOTE 13 – FAIR VALUE

United States generally accepted accounting principles (GAAP) define and establish a framework for measuring fair value and expand disclosures about fair value measurements. GAAP emphasizes fair value is a market-based measurement and enables the reader of the financial statements to assess the inputs used to develop those measurements by establishing a fair value hierarchy for ranking the quality and reliability of the information used to determine fair values. The assets and liabilities carried at fair value are classified and disclosed in one of the following three categories:

> Level 1: Valuations for assets and liabilities traded in active exchange markets, such as the New York Stock Exchange. Valuations are obtained as of the measurement date from readily available pricing sources for market transactions involving identical assets or liabilities (market approach).
>
> Level 2: Valuations for assets and liabilities traded in less active dealer or broker markets. Valuations are obtained from quoted prices by third party pricing sources for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated. The valuation methodology for Level 2 investments consists of both income and market approaches, as appropriate for the specific investment.
>
> Level 3: Valuations for assets and liabilities are unobservable and significant. Valuations reflect management’s best estimate of what market participants would use in pricing an asset or liability at the measurement date.

In many cases, a valuation technique used to measure fair value includes inputs from multiple levels of the fair value hierarchy. The lowest level of significant input determines the categorization of the entire fair value measurement in the hierarchy.

Treasury bonds, equities and mutual funds are valued at the closing price reported in the active market in which the bonds are traded (Level 1 inputs). Corporate bonds and agency bonds are valued at quoted prices for identical or similar assets in non-active markets since these bonds trade infrequently (Level 2 inputs - market). Mortgage backed securities are valued using matrix pricing, which is a mathematical technique widely used to value debt securities without relying exclusively on quoted prices for the specific securities, but rather by relying on the securities’ relationship to other benchmark quoted securities (Level 2 inputs - market).

The fair value of the certificates of deposit, equity investment, and Presbyterian Church (U.S.A.) Investment and Loan Program, Inc. (“PILP”) denominational accounts were recalculated by applying the interest rate to the initial investments, and no discounts for credit quality or liquidity were determined to be applicable (Level 2 inputs).

The investment in the unitized pool is managed by the Presbyterian Church (U.S.A.) Foundation. The investment objectives of the fund are to (1) provide a stream of relatively stable and constant earnings in support of annual budgetary needs and (2) preserve and enhance the real (inflation-adjusted) purchasing power of the fund. The Foundation’s investment policy is documented in the Statement of Investment Policies and Objectives for the Endowment Fund amended November 14, 2013.

(Continued)

NOTE 13 – FAIR VALUE (Continued)

The underlying investments in the unitized pool are held in accordance with specific guidelines set forth by the Foundation and various targets have been established with regard to allowable investments purchased by the unitized pool. At December 31, 2014, the underlying investments of the unitized pool consist of the following asset classes:

Stock	44%
Fixed Income	20
Hedge Funds	24
Real Estate	7
Private Equity	5
	100%

Withdrawals from the unitized pool are available within 90 days with prior written notice. Pursuant to U.S. GAAP, management has considered redemption restrictions to assess classification of the fair value inputs. As a result, unitized pool assets with redemption periods of 90 days or less are considered Level 2 fair value measurements.

The fair value of the beneficial interests in the perpetual trust assets (life income funds and funds held in trust by others) is based on a valuation model that calculates the present value of estimated distributed income. The valuation model incorporates the fair value of investment holdings, which are readily marketable securities valued at quoted prices and incorporates assumptions that market participants would use in estimating future distributed income. PCUSA, A Corporation is able to compare the valuation model inputs and results to widely available published industry data for reasonableness. PCUSA does not have the ability to redeem the investment within 90 days (Level 3 inputs - market).

(Continued)

NOTE 13 – FAIR VALUE (Continued)

Assets and Liabilities Measured on a Recurring Basis

Assets and liabilities measured at fair value on a recurring basis are summarized below for 2014 and 2013:

	Total	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
2014				
Assets:				
Pooled investments held by the Foundation				
Beneficial interest in pooled investments	$394,456,972	$ -	$394,456,972	$ -
Other investments held by the Foundation				
Equities	2,382,326	2,382,326	-	-
Shares in New Covenant Mutual fund	3,827,463	3,827,463	-	-
Other investments				
Cash equivalents	2,590,800	2,590,800	-	-
U.S. treasury securities	17,037,655	17,037,655	-	-
U.S. agency securities	1,847,073	-	1,847,073	-
Corporate debt securities	21,386,921	-	21,386,921	-
Mortgage-backed securities	2,297,468	-	2,297,468	-
Other fixed income securities	341,208	-	341,208	-
Equity securities	776,061	-	776,061	-
Total investments	446,943,947	25,838,244	421,105,703	-
Beneficial interest in perpetual trusts	69,670,791	-	-	69,670,791
	$516,614,738	$23,838,244	$421,105,703	$ 69,670,791

(Continued)

NOTE 13 – FAIR VALUE (Continued)

	Total	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
2013				
Assets:				
Pooled investments held by the Foundation				
Beneficial interest in pooled investments	$ 390,209,001	$ -	$ 390,209,001	$ -
Other investments held by the Foundation				
Equities	2,442,300	2,442,300	-	-
Shares in New Covenant Mutual fund	3,800,062	3,800,062	-	-
Other investments				
Cash equivalents	3,418,937	3,418,937	-	-
U.S. treasury securities	20,679,538	20,679,538	-	-
U.S. agency securities	2,398,284	-	2,398,284	-
Corporate debt securities	20,513,619	-	20,513,619	-
Mortgage-backed securities	2,916,152	-	2,916,152	-
Other fixed income securities	35,949	-	35,949	-
Equity securities	58,115	-	58,115	-
Total investments	446,471,957	30,340,837	416,131,120	-
Beneficial interest in perpetual trusts	68,575,320	-	-	68,575,320
	$ 515,047,277	$ 30,340,837	$ 416,131,120	$ 68,575,320

The table below presents a reconciliation of gains and losses for all assets measured at fair value on a recurring basis using significant unobservable inputs (Level 3) for the years ended December 31, 2014 and 2013:

	Beneficial Interest in Perpetual Trusts
Balance January 1, 2013	$ 62,954,465
Total realized and unrealized gains and losses	6,135,224
Settlements	(514,369)
Balance, December 31, 2013	68,575,320
Total realized and unrealized gains and losses	1,686,528
Settlements	(591,057)
Balance, December 31, 2014	$ 69,670,791

Certain reclassifications were made in levels in 2013 and 2014; however, there were no transfers during 2013 or 2014.

(Continued)

NOTE 14 – FUNCTIONAL CLASSIFICATION

A summary of PCUSA, A Corporation's operating expenses by functional classification for the years ended December 31, 2014 and 2013 is as follows:

	2014	2013
Program expenses	$ 78,848,769	$ 86,985,945
Management and general expenses	8,104,262	6,140,066
Fundraising expenses	5,312,216	3,990,121
	$ 92,265,247	$ 97,116,132

The amount of fundraising expenses as a percentage of funds raised was 15% and 11% for the years ended December 31, 2014 and 2013, respectively.

NOTE 15 – COMMITMENTS AND CONTINGENCIES

PCUSA, A Corporation holds and participates in an insurance fund (the "Fund") that exists to provide a source of funds for that portion of certain losses not covered by commercial insurance to cover deductibles on commercial insurance and for certain classes of uninsured losses. Various General Assembly-level agencies and corporations are included in the Fund. The largest possible loss to be assumed in any one event or occurrence is $250,000, with $1,000,000 as the largest potential aggregate of all claims in a single calendar year.

The minimum balance of the self-insurance fund shall not fall below $5,000,000 as a result of claims paid. In the event this happens, an assessment will be made to the insured entities to return the fund to the $5,000,000 minimum balance. The assessment will be based on each insured entity's 5-year loss ratio. A 1% minimum assessment will be made by the entities that have not experienced any losses in the 5-year period. The balance of the Fund reflected as designated net assets by PCUSA, A Corporation was $6,219,583 and $6,010,024 at December 31, 2014 and 2013, respectively.

During the ordinary course of business, PCUSA, A Corporation is subject to pending and threatened legal actions. Management of PCUSA, A Corporation does not believe that any of these actions will have a material adverse effect on PCUSA, A Corporation's consolidated financial position or change in net assets.

(Continued)

NOTE 16 – RELATED PARTY TRANSACTIONS

Foundation

The Foundation provides certain investment, custodial, and deferred giving services to PCUSA, A Corporation. The Foundation recoups the cost of those services not covered from the income of its own endowment funds and the annual grant from the General Assembly by quarterly charges against the investment pools in which the funds administered by the Foundation are invested. These charges were recovered equally from the principal and income of these pools. Such costs consist of salary and benefits (50% of the Foundation's operating expenses); outside investment services (23% of the Foundation's operating expenses); and other operating expenses (27% of the Foundation's operating expenses).

The income received by PCUSA, A Corporation from the Foundation is net of administrative fees of outside managers as described previously. PCUSA, A Corporation's investments and unrestricted and restricted endowment funds held by the Foundation on behalf of the General Assembly at December 31, 2014 and 2013, totaled approximately $401,000,000 and $396,000,000, respectively.

The Foundation's custodial cost recovery and investment management fees are assessed daily based on the prior day's market value against the total fund.

Board of National Missions

There are certain church loan funds whereby the fiduciary ownership belongs to the Board of National Missions, a constituent corporation of the Foundation. PCUSA, A Corporation is the disbursing agent for those funds under a limited power of attorney from the Foundation. PILP administers the Loan Program under an administrative services agreement with PCUSA, A Corporation. Accordingly, these funds are not reflected in the consolidated financial statements but are administered by PCUSA, A Corporation. These loan funds were approximately $245,000,000 and $237,000,000 at December 31, 2014 and 2013, respectively.

Board of Pensions

PCUSA, A Corporation served as a receiving agent for funds designated for the Board of Pensions. PCUSA, A Corporation received $1,462,123 and $1,496,769 for the years ended December 31, 2014 and 2013, of which $401,274 and $408,409 was yet to be remitted to the Board of Pensions.

Presbyterian Church (U.S.A.) Investment and Loan Program, Inc.

PCUSA, A Corporation leases office space and provides administrative support to PILP by contract. For the years ended December 31, 2014 and 2013, administrative support charged to PILP was $144,960 and $140,736, respectively. Office space charged to PILP was $58,180 and $57,039 for 2014 and 2013, respectively.

On June 29, 2000, PCUSA, A Corporation entered into an operating agreement with PILP under which PILP will provide administrative services (e.g., origination and loan servicing) for PCUSA, A Corporation's church loan program at cost in an effort to streamline the coordination process between PCUSA, A Corporation's church loan program and PILP's loan program. PCUSA, A Corporation reimbursed PILP $324,716 and $309,960 for the actual costs of such services during 2014 and 2013, respectively.

(Continued)

NOTE 16 – RELATED PARTY TRANSACTIONS (Continued)

PCUSA, A Corporation and PILP have issued joint loans through a participation arrangement. For the years ended December 31, 2014 and 2013, total loans outstanding were $33,001,030 and $36,286,837, respectively, under this participation arrangement.

The current commitment, effective May 1, 2014, to PILP is a five-year commitment to invest up to $5,000,000 in short and intermediate term accounts called denominational account receipts (DAR). As of December 31, 2014 and 2013, investments with PILP were $9,769,049 and $9,685,868, respectively. At December 31, 2014 and 2013, fixed interest rates ranged from 0.45% to 1.74% and 0.65% to 2.03%, respectively, and the adjustable rate ranged from 0.40% to 1.14% and 0.45% to 0.90%, respectively. For the year ended December 31, 2014, the Foundation did not invest with PILP from PCUSA, A Corporation's unrestricted endowment funds.

Presbyterian Publishing Corporation

PCUSA, A Corporation leases office space to Presbyterian Publishing Corporation ("PPC") under an operating lease. For the years ended December 31, 2014 and 2013, rental income was $156,770 and $152,693. PPC's lease expired at the end of 2014 and a new lease addendum was signed for 2015-2017.

Other related expenses charged to PPC for telephone, postage, and copy services were $86,234 and $106,187 in 2014 and 2013, respectively.

PPC pays PCUSA for supplemental warehousing and distribution services. Fees paid by PPC under this agreement in 2014 and 2013 were $45,832 and $43,939 for fulfillment fees and $148,228 and $241,016 for freight, respectively.

PPC publishes various pamphlets, magazines, and books for PCUSA, A Corporation during the year on a project-by-project basis. Expenses related to this type of work in 2014 and 2013 were $195,051 and $190,574, respectively. PPC also pays PCUSA, A Corporation for advertising space in various church publications. Advertising expense under such arrangements was $995 and $13,690 in 2014 and 2013, respectively.

Insurance

PCUSA, A Corporation participates in commercial insurance programs, whereby premiums are negotiated and paid by PCUSA, A Corporation. The Board of Pensions, Foundation, PILP, and PPC reimburse PCUSA, A Corporation for expenses paid on their behalf. Expenses incurred for commercial insurance paid by PCUSA, A Corporation for December 31, 2014 and 2013:

	2014	2013
Foundation	$ 120,405	$ 110,048
Board of Pensions	553,931	463,480
PILP	53,933	77,074
PPC	86,869	83,980

SUPPLEMENTAL INFORMATION

Presbyterian Church (U.S.A.), A Corporation
Consolidated Statement of Financial Position
December 31, 2014

	General Mission	Curriculum	Presbyterian Center Louisville/ Property and Equipment	Hubbard Press	Youth Triennium	Jinishian	Presbyterian Disaster Assistance	Self Development of People	Presbyterian Hunger Program	Ghost Ranch	Stony Point	Specific Property	Self Insurance	Student Loans	Church Loans	Per Capita	Historical Society	Reclass/ Elimination	Total
Assets																			
Cash and cash equivalents	$ 4,323,743	$ -	$ -	$ 1,536	$ -	$ -	$ -	$ -	$ -	$ 275,689	$ 349,877	$ -	$ -	$ -	$ -	$ 164,207	$ 16,562	$ -	$ 5,131,614
Beneficial interest in pooled investments held																			
by the Foundation - short-term	30,470,659	-	1,109,254	-	-	110,334	-	-	-	455,470	-	787,152	6,396,697	1,717,524	8,056,466	5,220,951	3,675,207	-	57,999,714
Other investments and accrued income	32,318,427	-	-	1,589,868	-	186,674	13,600,231	1,052,284	1,328,489	-	-	-	-	-	3,976,765	1,641,327	364,786	-	56,058,851
Contributions receivable from congregations	3,374,636	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(117,085)	-	-	3,257,551
Mortgages and loans on churches and manses,																			
including accrued interest, net	-	-	-	-	-	-	-	285	-	-	-	-	-	-	1,566,031	-	-	-	1,566,316
Receivables from related entities, net	1,194,322	21,809	-	114,971	-	-	-	2,083	338	49,134	172,025	28,334	-	1,511,396	-	1,405,452	165,000	(581,714)	4,083,150
Due from/(to) other funds	(34,180)	34,777	1,583,955	(18,140)	3,627	346,826	(222,701)	(232,618)	(257,487)	(2,881,146)	(1,995,736)	(21,172)	(177,114)	1,297,383	2,811,638	(225,013)	(12,899)	-	-
Due from the Foundation	1,844,846	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	1,844,846
Other accounts receivable	64,096	-	-	413	-	-	-	-	-	15,272	4,099	-	-	-	-	-	-	-	83,880
Inventories, prepaid expenses and other assets	192,526	170,918	-	227,131	-	-	2,122	1,788	116,752	222,584	61,899	-	-	-	-	16,925	-	-	1,012,645
Property and equipment, net of accumulated depreciation	-	-	7,629,179	232,903	-	-	-	-	-	5,833,426	1,438,818	-	-	-	-	1,867	1,139,783	-	16,275,976
Beneficial interest in pooled investments held																			
by the Foundation - long-term	300,946,775	-	-	-	-	31,701,798	-	-	-	-	-	-	-	3,298,559	-	355,989	154,137	-	336,457,258
Other investments held by Foundation	6,209,789	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	6,209,789
Beneficial interest in perpetual trusts	69,670,791	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	69,670,791
Total assets	$ 450,576,430	$ 227,504	$ 10,322,388	$ 2,148,682	$ 3,627	$ 32,345,632	$ 13,379,652	$ 823,822	$ 1,188,092	$ 3,970,429	$ 30,982	$ 794,314	$ 6,219,583	$ 7,824,862	$ 16,410,900	$ 8,464,620	$ 5,502,576	$ (581,714)	$ 559,652,381
Liabilities and Net Assets																			
Liabilities:																			
Accounts payable and accrued expenses	$ 7,805,663	$ 720,061	$ -	$ 5,035	$ -	$ -	$ 55	$ -	$ -	$ 57,912	$ 13,734	$ -	$ -	$ -	$ -	$ 9,788	$ -	$ (581,714)	$ 8,030,534
Amounts received from congregations and designated																			
for others	487,446	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	487,446
Amounts held for missionaries and committed for projects	2,095,971	-	-	-	-	77,308	-	395,837	-	12,215	65,843	-	-	-	-	-	-	-	2,647,174
Amount due to other agencies	5,935,628	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	5,935,628
Due to the Foundation	2,220,891	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	2,220,891
Deferred revenue	378,565	-	-	-	-	-	-	-	-	208,563	-	-	-	-	-	-	-	-	587,128
Other	735,696	-	-	241	-	-	-	-	-	1,451	-	-	-	-	-	2,519	-	-	739,907
Total liabilities	19,659,860	720,061	-	5,276	-	77,308	55	395,837	-	280,141	79,577	-	-	-	-	12,307	-	(581,714)	20,648,708
Net assets:																			
Unrestricted																			
Undesignated	2,823,603	-	-	-	-	-	-	-	-	-	-	-	-	-	-	5,887,368	-	-	8,710,971
Designated	17,049,683	(492,557)	10,322,388	2,143,406	3,627	-	-	-	-	3,041,936	(155,430)	794,314	6,219,583	-	1,264,221	2,214,006	3,729,918	-	46,135,095
Total unrestricted	19,873,286	(492,557)	10,322,388	2,143,406	3,627	-	-	-	-	3,041,936	(155,430)	794,314	6,219,583	-	1,264,221	8,101,374	3,729,918	-	54,846,066
Temporarily restricted	168,346,012	-	-	-	-	22,198,738	13,379,597	427,985	1,188,092	115,702	106,835	-	-	2,865,757	-	261,370	1,077,598	-	209,967,686
Permanently restricted	242,697,272	-	-	-	-	10,069,586	-	-	-	532,650	-	-	-	4,959,105	15,146,679	89,569	695,060	-	274,189,921
Total net assets	430,916,570	(492,557)	10,322,388	2,143,406	3,627	32,268,324	13,379,597	427,985	1,188,092	3,690,288	(48,595)	794,314	6,219,583	7,824,862	16,410,900	8,452,313	5,502,576	-	539,003,673
Total liabilities and net assets	$ 450,576,430	$ 227,504	$ 10,322,388	$ 2,148,682	$ 3,627	$ 32,345,632	$ 13,379,652	$ 823,822	$ 1,188,092	$ 3,970,429	$ 30,982	$ 794,314	$ 6,219,583	$ 7,824,862	$ 16,410,900	$ 8,464,620	$ 5,502,576	$ (581,714)	$ 559,652,381

Presbyterian Church (U.S.A.), A Corporation
Consolidated Statements of Activities and Changes in Net Assets
Year Ended December 31, 2014

	General Mission	Curriculum	Presbyterian Center Louisville/ Property and Equipment	Hubbard Press	Youth Triennium	Jinishian	Presbyterian Disaster Assistance	Self Development of People	Presbyterian Hunger Program	Ghost Ranch	Stony Point	Specific Property	Self Insurance	Student Loans	Church Loans	Per Capita	Historical Society	Reclass/ Elimination	Total
Revenues, Gains, and Other Support																			
Contributions																			
Congregations	$ 10,269,112	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ 12,741,385	$ -	$ -	$ 23,010,497
Gifts, bequests and grants	10,107,012	-	-	-	-	28,945	-	-	-	811,306	363,120	-	-	-	-	16,539	352,335	(75,000)	11,604,257
Special giving and special offering	14,690,523	-	-	-	-	-	4,329,337	1,529,882	2,287,155	-	-	-	-	-	-	-	-	-	22,836,897
Total contributions	35,066,647	-	-	-	-	28,945	4,329,337	1,529,882	2,287,155	811,306	363,120	-	-	-	-	12,757,924	352,335	(75,000)	57,451,651
Investment return																			
Income from endowments held by Foundation	3,859,457	-	10,485	-	-	326,068	-	-	-	18,862	1,665	9,620	58,666	15,719	25,743	134,388	228,229	-	4,688,902
Income on investments	732,896	-	-	8,032	-	1,956	144,335	12,339	16,152	-	112	-	-	-	40,639	27,296	6,762	-	990,519
Realized and unrealized net gain/loss	3,150,438	-	54,150	-	-	178,407	(56,113)	(2,869)	(6,021)	(30,708)	-	25,034	328,959	95,464	165,460	92,330	(156,522)	-	3,838,009
Changes in value of beneficial interest	303,425	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	303,425
Total investment return	8,046,216	-	64,635	8,032	-	506,431	88,222	9,470	10,131	(11,846)	1,777	34,654	387,625	111,183	231,842	254,014	78,469	-	9,820,855
Interest income from loans	-	-	-	-	-	-	-	-	-	-	-	1,417	-	71,394	85,247	-	-	-	158,058
Hubbard Press	-	-	-	1,432,051	-	-	-	-	-									-	1,432,051
Sales of resources and services	12,151,711	1,654,217	9,621	-	-	-	2,914	-	10,034	4,341,575	1,559,702	-	-	-	-	236,885	82,351	(926,015)	19,122,995
Other	712,542	289,995	1,969,722	(3,266)	558,224	(109,076)	(594,372)	(44,524)	(73,500)	75	161,227	(23,050)	(80,536)	(314,367)	(157,681)	847,662	140,679	(2,000,000)	1,279,754
Cost recovery	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total revenues, gains and other support	55,977,116	1,944,212	2,043,978	1,436,817	558,224	426,300	3,826,101	1,494,828	2,233,820	5,141,110	2,085,826	13,021	307,089	(131,790)	159,408	14,096,485	653,834	(3,001,015)	89,265,364
Expenses:																			
Cost of sales	774,669	500,764	-	239,671	-	-	-	-	3,704	233,178	-	-	-	-	-	396	-	-	1,752,382
Salaries and benefits	33,645,047	1,147,366	-	695,996	-	149,239	1,159,836	588,389	734,676	2,820,769	1,144,448	-	-	-	-	5,526,531	611,463	-	48,223,760
Travel	1,672,196	58,815	-	298	-	19,823	241,333	51,091	73,618	16,119	12,298	-	-	-	-	1,997,520	4,223	-	4,147,334
Meetings	441,652	9,784	-	-	-	10,217	19,409	174,856	19,128	6,928	805	-	-	-	-	648,562	-	-	1,331,341
Administration	7,459,747	228,694	1,147,934	372,587	-	20,073	104,710	18,457	27,199	1,310,851	837,716	8,537	97,530	-	-	2,013,599	376,537	-	14,024,171
Program	6,145,667	131,628	-	14,711	(3,627)	2,147	654,515	11,144	19,624	1,089,520	219,037	-	-	-	-	3,886,596	90,390	(3,001,015)	9,260,337
Resource development	144,547	-	-	-	-	2,188	69,394	-	16,855	-	-	-	-	-	-	-	-	-	232,984
Grants	8,038,494	-	-	-	-	1,022,000	1,765,721	918,697	1,546,140	-	-	-	-	-	-	1,886	-	-	13,292,938
Total expenses	58,322,019	2,077,051	1,147,934	1,323,263	(3,627)	1,225,687	4,014,918	1,762,634	2,440,944	5,477,365	2,214,304	8,537	97,530	-	-	14,075,090	1,082,613	(3,001,015)	92,265,247
Change in net assets before transfers	(2,344,903)	(132,839)	896,044	113,554	561,851	(799,387)	(188,817)	(267,806)	(207,124)	(336,255)	(128,478)	4,484	209,559	(131,790)	159,408	21,395	(428,779)	-	(2,999,883)
Transfers	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Change in net assets after transfers	(2,344,903)	(132,839)	896,044	113,554	561,851	(799,387)	(188,817)	(267,806)	(207,124)	(336,255)	(128,478)	4,484	209,559	(131,790)	159,408	21,395	(428,779)	-	(2,999,883)
Beginning net assets	433,261,473	(359,718)	9,426,344	2,029,852	(558,224)	33,067,711	13,568,414	695,791	1,395,216	4,026,543	79,883	789,830	6,010,024	7,956,652	16,251,492	8,430,918	5,931,355	-	542,003,556
Net surplus/(deficit)	(2,344,903)	(132,839)	896,044	113,554	561,851	(799,387)	(188,817)	(267,806)	(207,124)	(336,255)	(128,478)	4,484	209,559	(131,790)	159,408	21,395	(428,779)	-	(2,999,883)
Ending net assets	$ 430,916,570	$ (492,557)	$ 10,322,388	$ 2,143,406	$ 3,627	$ 32,268,324	$ 13,379,597	$ 427,985	$ 1,188,092	$ 3,690,288	$ (48,595)	$ 794,314	$ 6,219,583	$ 7,824,862	$ 16,410,900	$ 8,452,313	$ 5,502,576	$ -	$ 539,003,673