

THE PRESBYTERY OF THE JAMES

FINANCIAL STATEMENTS

As of and for the Year Ended December 31, 2018

And Report of Independent Auditor

THE PRESBYTERY OF THE JAMES

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Report of Independent Auditor

To the Board of Trustees
The Presbytery of the James
Richmond, Virginia

We have audited the accompanying financial statements of The Presbytery of the James (the “Presbytery”), which comprise the statement of financial position as of December 31, 2018, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

Management’s Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with 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 Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit 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 financial statements are free from material misstatement.

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Presbytery as of December 31, 2018, 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.

Changes in Financial Statement Presentation

As discussed in Note 2, the Organization adopted Accounting Standards Update (“ASU”) 2016-14, *Not-for-Profit Entities (Topic 958) – Presentation of Financial Statements of Not-for-Profit Entities*. The ASU has been applied retrospectively to all periods presented with the exception of the statement of functional expense and the disclosure of liquidity and availability of resources, which have been implemented prospectively as allowed under the provisions of ASU 2016-14. Our opinion is not modified with respect to this matter.

Cherry BeKant LLP

Richmond, Virginia
April 30, 2019

THE PRESBYTERY OF THE JAMES
STATEMENT OF FINANCIAL POSITION

DECEMBER 31, 2018

ASSETS

Cash and cash equivalents	\$ 1,053,270
Church remittance receivable	173,601
Notes receivable	42,390
Prepaid expenses	19,280
Investments	5,227,408
Property and equipment, net	3,036,464
Land for future churches	19,167
Total Assets	\$ 9,571,580

LIABILITIES AND NET ASSETS

Liabilities:

Accounts payable to General Assembly	\$ 98,680
Other accounts payable and accrued liabilities	55,082
Unearned revenue	12,584
Total Liabilities	166,346

Net Assets:

Without donor restrictions	8,219,836
With donor restrictions	1,185,398
Total Net Assets	9,405,234
Total Liabilities and Net Assets	\$ 9,571,580

THE PRESBYTERY OF THE JAMES
STATEMENT OF ACTIVITIES

YEAR ENDED DECEMBER 31, 2018

	Without Restrictions	With Restrictions	Total
Revenues, Gains, and Other Support:			
Contributions	\$ 1,052,991	\$ 175,742	\$ 1,228,733
Camp Hanover fees and contributions	613,099	151,560	764,659
Investment loss, net	(507,488)	(48,981)	(556,469)
Net assets released from restrictions	909,183	(909,183)	-
Total Revenues, Gains, and Other Support	<u>2,067,785</u>	<u>(630,862)</u>	<u>1,436,923</u>
Expenses and Other Deductions:			
Program services:			
Programs	429,809	-	429,809
Camp Hanover	960,016	-	960,016
Support for congregations	870,757	-	870,757
	<u>2,260,582</u>	<u>-</u>	<u>2,260,582</u>
Support services - management and general	603,975	-	603,975
Total Expenses and Other Deductions	<u>2,864,557</u>	<u>-</u>	<u>2,864,557</u>
Change in net assets	(796,772)	(630,862)	(1,427,634)
Net assets, beginning of year	<u>9,016,608</u>	<u>1,816,260</u>	<u>10,832,868</u>
Net assets, end of year	<u>\$ 8,219,836</u>	<u>\$ 1,185,398</u>	<u>\$ 9,405,234</u>

The accompanying notes to the financial statements are an integral part of this statement.

THE PRESBYTERY OF THE JAMES
STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED DECEMBER 31, 2018

	Program Services						Management and General	Total
	Camp Hanover	Leadership Connection Team (LCT)	Mission and Service Team (MAST)	Funds Managed for Others	Board Designated	Total Program Services		
Salaries and Benefits:								
Salaries	\$ 314,515	\$ 77,250	\$ -	\$ -	\$ -	\$ 391,765	\$ 218,142	\$ 609,907
Payroll taxes	23,212	-	-	-	-	23,212	14,411	37,623
Employee benefits	112,731	-	-	-	-	112,731	57,550	170,281
General Expenses:								
Capital Replacement Reserves	20,000	-	-	-	-	20,000	7,500	27,500
Copiers, maintenance, and supplies	10,337	-	-	-	-	10,337	-	10,337
Fundraising	13,214	-	-	-	-	13,214	-	13,214
Internal Committee Expenses	2,201	132	27	-	-	2,360	16,285	18,645
Insurance	34,217	-	-	-	-	34,217	7,471	41,688
Professional Development	2,206	-	-	-	-	2,206	-	2,206
Membership and dues	3,599	-	-	-	-	3,599	-	3,599
Per Capita and General Assembly dues	-	-	-	-	-	-	164,137	164,137
Other general expenses	11,016	-	-	-	-	11,016	566	11,582
Professional expenses	6,138	-	-	-	-	6,138	18,683	24,822
Postage and supplies	851	-	-	-	-	851	1,791	2,642
Technology and communications	-	-	-	-	-	-	23,690	23,690
Grants and awards	4,174	97,916	116,811	870,757	137,673	1,227,331	-	1,227,331
Camp Expenses:								
Food expenses	72,788	-	-	-	-	72,788	-	72,788
Camp activities	83,815	-	-	-	-	83,815	-	83,815
Promotion and publicity	16,696	-	-	-	-	16,696	-	16,696
Operating Expenses:								
Depreciation	114,646	-	-	-	-	114,646	19,480	134,126
Repairs and maintenance	53,652	-	-	-	-	53,652	6,703	60,356
Property taxes and expenses	-	-	-	-	-	-	14,214	14,214
Other operating expenses	6,684	-	-	-	-	6,684	15,321	22,004
Transportation	3,426	-	-	-	-	3,426	4,310	7,736
Utilities	49,896	-	-	-	-	49,896	13,721	63,617
Total Expenses	\$ 960,016	\$ 175,298	\$ 116,838	\$ 870,757	\$ 137,673	\$ 2,260,582	\$ 603,975	\$ 2,864,557

The accompanying notes to the financial statements are an integral part of this statement.

THE PRESBYTERY OF THE JAMES
STATEMENT OF CASH FLOWS

YEAR ENDED DECEMBER 31, 2018

Cash flows from operating activities:

Change in net assets	\$ (1,427,634)
Adjustments to reconcile change in net assets to net cash used in operating activities:	
Net realized and unrealized loss on investments	701,240
Depreciation	134,126
Donation of property and equipment	(18,623)
Changes in operating assets and liabilities:	
Church remittances receivable	19,021
Prepaid expenses	6,195
Unearned revenue	(480)
Accounts payable and accrued liabilities	(162,954)
Net cash used in operating activities	<u>(749,109)</u>

Cash flows from investing activities:

Purchase of investments	(2,748,148)
Principal payments received on notes receivable	25
Proceeds from sale of investments	4,093,206
Purchase of property and equipment	(110,047)
Net cash provided by investing activities	<u>1,235,036</u>

Cash flows from financing activities:

Principal payments on notes payable	(114,992)
Net increase in cash and cash equivalents	370,935
Cash and cash equivalents, beginning of year	682,335
Cash and cash equivalents, end of year	<u>\$ 1,053,270</u>

Supplemental information:

Cash paid for interest	<u>\$ 3,087</u>
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THE PRESBYTERY OF THE JAMES

NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2018

Note 1—Organization and nature of activities

The Presbytery of the James is one of the 171 presbyteries within the larger structure of the Presbyterian Church (U.S.A.) and includes a number of local churches within a geographical district. The Presbytery of the James, Inc. is responsible for the mission and government of member churches within its district, central Virginia.

The financial statements include the accounts of the Presbytery and Trustees of Presbytery of the James, Inc. (the "Presbytery"). The Presbytery's purpose is to hold legal title to certain assets of the Presbytery, or assets which the Presbytery holds for the benefit of certain member churches. Some of the churches have an equitable ownership in the assets. The Presbytery is funded in part by its member churches and makes acquisitions and transfers of property. The Presbytery may incur liabilities at the Presbytery's discretion.

Note 2—Summary of significant accounting policies

The Presbytery classifies net assets and revenues, gains, and losses based on the existence or absence of donor-imposed restrictions. Net assets of the Presbytery and changes in net assets are reported as follows:

Net Assets Without Donor Restrictions - Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the organization. These net assets may be used at the discretion of the Presbytery's management and the board of directors.

Net Assets With Donor Restrictions - Net assets subject to stipulations imposed by donors, and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of the Presbytery or by the passage of time. Other donor restrictions are perpetual in nature, whereby the donor has stipulated the funds be maintained in perpetuity.

Donor restricted contributions are reported as increases in net assets with donor restrictions. When a restriction expires, net assets are reclassified from net assets with donor restrictions to net assets without donor restrictions in the statements of activities.

Income Taxes – The Presbytery has evaluated the effect of generally accepted accounting principles in the United States of America ("GAAP") guidance on Accounting for Uncertainty in Income Taxes. The Presbytery is tax exempt under Section 501(c)(3) of the Internal Revenue Code. Management has evaluated tax positions that could have a significant effect on the financial statements and determined that the Presbytery had no uncertain income tax positions at December 31, 2018. The Presbytery is not currently under audit by any tax jurisdiction.

Estimates – The preparation of financial statements in conformity with GAAP requires the Presbytery 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. Such estimates also affect the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates and assumptions.

Cash and Cash Equivalents – For the purposes of reporting cash flows, cash and cash equivalents include cash on hand, demand deposit accounts, overnight investments, and short-term investments if the maturity is within three months when the investment is originally acquired. Cash and cash equivalents do not include amounts that are part of managed investment accounts. These amounts are included with long-term investments on the statement of financial position.

THE PRESBYTERY OF THE JAMES

NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2018

Note 2—Summary of significant accounting policies (continued)

Church Remittance Receivable – Church remittance receivables are comprised of amounts from member churches.

Notes Receivable – Notes receivable consist of a note from a church. It is recorded at the face value, plus accrued interest and less principal payments collected. It is secured and features a delayed payment schedule.

Investments – Unless specific prohibitive clauses are contained in a gift instrument, funds for investment have been combined into one investment pool. Revenues arising from the ownership or disposition of pooled investments are allocated to the various funds based on percentage of ownership interest of such funds in the investment pool. Investments in debt and equity securities have readily determinable fair values and are reported at fair value in the statement of financial position. Unrealized gains and losses are reflected in the statement of activities.

Property and Equipment – Property and equipment are recorded at cost less accumulated depreciation. Depreciation of property and equipment is computed using the straight-line method over the estimated useful lives of the respective assets, generally three to thirty years. The cost of routine maintenance and repairs is charged to operations as incurred. When property and equipment are sold or otherwise disposed, the asset account and related accumulated depreciation are relieved, and any gain or loss is included in current year's activities.

Financial Credit Risk – The Presbytery places its cash and cash equivalents on deposit with financial institutions in the United States. The Federal Deposit Insurance Corporation covers \$250,000 for substantially all depository accounts. The Presbytery from time to time may have amounts on deposit in excess of the insured limits. As of December 31, 2018, the Presbytery had \$694,050 which exceeded these insured amounts.

Functional Expenses – The costs of providing the various programs and other activities have been summarized on a functional basis in the statements of functional expenses. Accordingly, certain costs have been allocated among Camp Hanover, Leadership Connection Team, Mission and Service Team, Funds Managed for Others, Board Designated Funds, and Management and General Supporting Services. Such allocations are determined by management on an equitable basis. Direct identifiable expenses are charged to programs and supporting services. Expenses related to more than one function are allocated to the various programs and supporting services based on time and effort.

New Accounting Pronouncement – On August 18, 2016, FASB issued Accounting Standards Update (“ASU”) 2016-14, *Not-for-Profit Entities (Topic 958) – Presentation of Financial Statements of Not-for-Profit Entities*. The update addresses the complexity and understandability of net asset classification, deficiencies in information about liquidity and availability of resources, and the lack of consistency in the type of information provided about expenses and investment return. The Organization has adjusted the presentation of these statements accordingly. The ASU has been applied retrospectively to all periods presented with the exception of the statement of functional expense and the disclosure of liquidity and availability of resources, which have been implemented prospectively as allowed under the provisions of ASU 2016-14.

THE PRESBYTERY OF THE JAMES
NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2018

Note 3—Liquidity and availability

Financial assets available for general expenditures, that is, without donor or other restrictions limiting their use, within one year of the balance sheet, comprise the following:

Financial assets at year-end:	
Cash and cash equivalents	\$ 1,053,270
Church remittance receivable	173,601
Investments	<u>5,227,408</u>
Total financial assets at year-end	<u>6,454,279</u>
Less amounts not available to be used for general expenditures within one year:	
Subject to purpose restrictions	868,165
Subject to time restrictions	<u>317,233</u>
Financial assets not available to be used within one year	<u>1,185,398</u>
Financial assets available to be used within one year	<u><u>\$ 5,268,881</u></u>

The Presbytery has board-designated assets limited to use which are available for general expenditures within one year in the normal course of operations. Accordingly, these assets have been included in the quantitative information above for financial assets available to be used within one year. The Presbytery has other assets limited to use for donor-restricted purposes and endowed investments. These assets limited in use, which are more fully described in Note 8 are not available within one-year.

As part of the Presbytery's liquidity management plan, cash in excess of daily requirements are invested in the RBC Wealth Management investment accounts. The Presbytery considers general expenditures to include program expenses, management and administrative expense, and any commitments or liabilities to be paid in the subsequent year.

Note 4—Investments

The fair values of investments as of December 31, 2018 are summarized as follows:

	<u>Fair Value</u>	<u>Cost Basis</u>
Equities/stocks	\$ 4,085,820	\$ 3,457,490
Debt securities/bonds	564,309	578,801
Other assets	<u>577,279</u>	<u>610,989</u>
Total investments	<u><u>\$ 5,227,408</u></u>	<u><u>\$ 4,647,280</u></u>

Investment return for 2018 is as follows:

Unrealized/realized loss on investments	\$ (701,240)
Interest and dividend income	184,284
Administrative fees	<u>(39,513)</u>
Total investment loss, net	<u><u>\$ (556,469)</u></u>

THE PRESBYTERY OF THE JAMES
NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2018

Note 4—Investments

Investment income is based on the average assets held during the year and allocated as follows:

Net Assets without restrictions	\$ (507,488)
Net Assets with restrictions	(48,981)
Total	<u>\$ (556,469)</u>

Note 5—Property and equipment

Property and equipment consists of the following as of December 31, 2018:

Land	\$ 1,109,823
Land improvements	899,078
Buildings	1,581,999
Construction in progress	90,014
Equipment and furniture	666,135
Camp Hanover swimming pool and enclosure	167,110
Cemetery plots	12,000
Total	<u>4,526,159</u>
Less accumulated depreciation	<u>(1,489,695)</u>
Total land, buildings, improvements, and equipment, net	<u>\$ 3,036,464</u>

In addition to the land disclosed above, the Presbytery also holds title to land consisting of sites for future churches. The following land is held at cost as of December 31, 2018:

6 acres on Patterson Avenue, Goochland, Virginia	<u>\$ 19,167</u>
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Note 6—Retirement plan

The Presbytery contributes to a retirement plan for eligible personnel. The plan is administered by the Board of Pensions of the Presbyterian Church (U.S.A.). For the year ended December 31, 2018, the Presbytery contributed \$38,507 to the plan on behalf of eligible personnel.

Note 7—Board-designated net assets

Net assets without donor restriction includes designated funds by the Presbytery for the following purposes at December 31, 2018:

Church development funds	\$ 3,360,351
Dismissed church proceeds	<u>2,109,326</u>
Total board-designated net assets	<u>\$ 5,469,677</u>

THE PRESBYTERY OF THE JAMES
NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2018

Note 7—Board-designated net assets (continued)

These amounts include an operating reserve that was established by the Presbytery to provide for liquid funds in the event of short-term cash flow needs for unanticipated events that would necessitate the use of reserves to continue the operations and mission of the organization.

Note 8—Net assets with donor restriction

Net assets with donor restrictions at December 31, 2018:

Purpose restricted:	
Church development funds	\$ 211,862
Camp Hanover funds	567,782
Presbytery program funds	68,225
Funds managed for others	20,296
Time restricted for endowments, some of which is perpetual in nature:	
Providence Powhatan	219,534
Eva Ross Barndt - annual net income to the Home Mission committee of the Presbytery	500
Anne Bolling Hobson Trust	2,000
Sallie W. Peake Trust	95,199
	<hr/>
Total	<u>\$ 1,185,398</u>

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purposes or other events specified by donors as follows for the year ended December 31, 2018:

Satisfaction of purpose restriction	\$ 898,702
Appropriation for expenditure	10,481
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	<u>\$ 909,183</u>

Note 9—Endowment funds

The Presbytery holds four separate endowment funds, which were established for a variety of purposes. The endowment funds include funds with donor-restricted stipulations. As required by GAAP, net assets associated with these endowment funds, including funds designated and approved by the Presbytery to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

Interpretation of Relevant Law – The Communication and Coordination Team and the Board of Trustees of the Presbytery has interpreted the *Uniform Prudent Management of Institutional Funds Act* (the “Act”) as requiring the preservation of the purchasing power (real value) of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Presbytery classifies as net assets with donor restrictions (1) the original value of gifts donated to the permanent endowment, (2) the original value of subsequent gifts to the permanent endowment, and (3) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund.

THE PRESBYTERY OF THE JAMES
NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2018

Note 9—Endowment funds (continued)

If the endowment assets earn investment returns beyond the amount necessary to maintain the endowment assets' real value; that excess is available for appropriation and, therefore, classified as net assets with donor restrictions until appropriated for expenditure. In accordance with the Act, the Presbytery considers the following factors in making a determination to appropriate or accumulate funds in the endowments designated and approved by the Presbytery:

- The duration and preservation of the fund
- The purposes of the Presbytery and the donor-restricted endowment fund
- General economic conditions
- The possible effect of inflation and deflation
- The expected total return from income and the appreciation of investments
- Other resources of the Presbytery
- The investment policies of the Presbytery

Endowment net asset composition by type of fund as of December 31, 2018:

	Without Restrictions	With Restrictions	Total
Donor-restricted endowment funds			
Original donor-restricted gift amount and amounts required to be maintained in perpetuity by donor	\$ -	\$ 78,214	\$ 78,214
Accumulated investment gains	-	239,019	239,019
Endowment funds	<u>\$ -</u>	<u>\$ 317,233</u>	<u>\$ 317,233</u>

Change in endowment net assets for the fiscal year ended December 31, 2018:

	Without Restrictions	With Restrictions	Total
Endowment funds, beginning balance	\$ -	\$ 361,745	\$ 361,745
Investment loss, net	-	(34,031)	(34,031)
Appropriations for expenditures	-	(10,481)	(10,481)
Endowment funds, ending balance	<u>\$ -</u>	<u>\$ 317,233</u>	<u>\$ 317,233</u>

Funds with Deficiencies – From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor or the Act requires the Presbytery to retain as a fund of perpetual duration. There were no deficiencies of this nature as of December 31, 2018.

Return Objectives and Risk Parameters – The Presbytery has adopted investment and spending policies for donor-restricted endowment funds that attempt to provide a predictable stream of funding to the Presbytery. In addition to providing a predictable stream of funding, the adopted investment and spending policies also seek to maintain the purchasing power of the endowment assets. Endowment assets include assets of donor-restricted funds that the Presbytery must hold in perpetuity, or for a donor-specified period. Some donor-restricted endowment funds restrict annual distributions to net income. The Presbytery uses the same investment policies and intends to produce the same investment results as mentioned above for these donor-restricted endowment funds.

THE PRESBYTERY OF THE JAMES

NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2018

Note 9—Endowment funds (continued)

Strategies Employed for Achieving Objectives – The primary objective of the Investment Policy for the Presbytery is to outline the investment objectives so that a maximum total rate of return will be realized given a level of risk consistent with the preservation of capital and anticipated future cash flow requirements. The objectives of this policy shall be accomplished utilizing a balanced strategy of equities (70%) and fixed income (30%) and cash equivalents in a mix which is conducive to participation in rising markets while allowing for adequate protection in falling markets.

Spending Policy and How the Investment Objectives Relate to Spending Policy – The Presbytery, under the guidance of the Communication and Coordination Team and the Board of Trustees, and in compliance with the donor's restrictions, allows for distribution each year, any income earned from the endowment funds. The actual distributions in any given year from the endowments may be less than the income earned and are allocated based upon the financial needs of the Presbytery.

Note 10—Member congregations

In the Presbyterian Church, "All property held by or for a congregation, a presbytery, a synod, the General Assembly, or the Presbyterian Church (U.S.A.), whether legal title is lodged in a corporation, a trustee or trustees, or an unincorporated association, and whether the property is used in programs of a congregation or of a higher council or retained for the production of income, is held in trust nevertheless for the use and benefit of the Presbyterian Church (U.S.A.)." (*Book of Order, G-4.0203*). Therefore, property may be titled to trustees of individual congregations or to corporations of individual congregations and would not be recorded by the Presbytery. However, should the property no longer be used as a congregation of the Presbyterian Church (U.S.A.), the property would revert to the Presbytery of the James for its mission and ministry.

Note 11—Fair value measurements

The Presbytery has adopted the accounting standards on fair value measurements, which provides a framework for measuring fair value under GAAP and defines fair value as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. This guidance requires that valuation techniques maximize the use of observable inputs and minimize the use of unobservable inputs. This guidance also establishes a fair value hierarchy which prioritizes the valuation inputs into three broad levels. Based on the underlying inputs, each fair value measurement in its entirety is reported in one of three levels:

Level 1 – Inputs to the valuation methodology are quoted prices, unadjusted, for identical assets or liabilities traded in active markets.

Level 2 – Inputs to the valuation methodology include quoted prices for similar assets or liabilities in active markets, quoted prices for identical or similar assets or liabilities in markets that are not active, inputs other than quoted prices that are observable for the asset or liability, and market-corroborated inputs.

Level 3 – Inputs to the valuation methodology are unobservable for the asset or liability and are significant to the fair value measurement.

THE PRESBYTERY OF THE JAMES
NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2018

Note 11—Fair value measurements (continued)

The following methods described may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, although the 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 asset or liability'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 description of the valuation methodologies used for assets measured at fair value. There have been no changes in the methodologies used at December 31, 2018.

Investments – Equities/Stocks, Bonds, and Other Assets – Valued at the closing price reported on the active market on which the individual securities are traded.

The following table presents the balances of assets and liabilities measured at fair value on a recurring basis as of December 31, 2018 by level within the fair values hierarchy:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Common Stocks:				
Basic materials	\$ 46,473	\$ -	\$ -	\$ 46,473
Consumer cyclical	466,081	-	-	466,081
Consumer defensive	423,197	-	-	423,197
Energy	216,564	-	-	216,564
Financial services	660,019	-	-	660,019
Healthcare	563,348	-	-	563,348
Industrials	379,414	-	-	379,414
Technology	796,748	-	-	796,748
International	436,226	-	-	436,226
Bonds:				
Corporate bond	-	368,878	-	368,878
Municipal bond	-	195,431	-	195,431
Mutual Funds:				
International equity	97,751	-	-	97,751
Mixed asset	103,698	-	-	103,698
Managed futures	473,580	-	-	473,580
Total investments at fair value	<u>\$ 4,663,099</u>	<u>\$ 564,309</u>	<u>\$ -</u>	<u>\$ 5,227,408</u>

THE PRESBYTERY OF THE JAMES

NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2018

Note 12—POJ building fund

The proceeds of the sale of the Presbytery Office Park in 2007 are included in the statement of financial position. The combination of cash equivalents and long-term investments related to this sale total \$684,928 as of December 31, 2018.

By action of the Presbytery on October 20, 2012, \$1,500,000 was awarded to 12 grant requests. In addition to this allocation, \$300,000 was set aside to acquire the property at 3218 Chamberlayne Avenue (former Synod Office Building). The cost of the building was \$220,000. The remaining \$80,000 was used for improvements and repairs to the building and land.

As of December 31, 2018 the following distributions have been made:

Camp Hanover Purpose Group*	\$ 453,155
Madeline's House (SPIM)	100,000
Haiti Purpose Group (Cindy Corell)	116,027
Stewardship Purpose Group	126,361
Meadows Presbyterian Church (Tumaini Vocational Training Centre)*	40,000
Tabor Presbyterian Church (Crozet Cares)	105,000
Culpeper Presbyterian Church (Manna Ministry)	27,000
First Things First Purpose Group	21,000
Small Church Ministry Purpose Group	1,267
Lord Jesus Korean Church	205,600
Union Presbyterian Seminary	260,000
	<hr/>
	\$ 1,455,410

*Some expenditures occurred in 2013.

As of December 31, 2018, \$44,590 of the \$1,500,000 grant requests awarded is remaining.

Note 13—Notes payable

In December 2003, the Presbytery entered into a 20-year note payable, collateralized by a deed of trust on real estate, with the Presbyterian Church (U.S.A.) General Assembly related to 12.8 acres in Greene County, Virginia. Interest only payments of \$800 per month were due through July 2008. In August 2008, monthly principal and interest payments began, bearing interest at the rate of 6%, totaling \$2,025. On June 8, 2018, the Presbytery paid off the remaining balance on the note. The Presbytery had no notes payable as of December 31, 2018.

The Presbytery incurred interest expense in the amount of \$3,087 during 2018.

THE PRESBYTERY OF THE JAMES

NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2018

Note 14—Commitments and contingencies

The Presbytery is contingently liable as guarantor for notes payable of several member churches as of December 31, 2018, which are as follows:

St. Andrews Presbyterian Church	\$ 146,722
Brandermill Presbyterian Church	401,616
First United Presbyterian Church	161,798
Westminster Presbyterian Church	275,820
Tappahannock Presbyterian Church	369,495
Bon Air Presbyterian Church	375,175
Summit Presbyterian Church	86,761
Lord Jesus Korean Church	<u>1,725,946</u>
Total	<u>\$ 3,543,333</u>

From time to time, the Presbytery is involved in litigation that it considers to be in the normal course of business. The Presbytery is not presently involved in any legal proceedings which management expects individually or in the aggregate to have a material adverse effect on its financial condition or results of operations.

Note 15—Guarantees

Under its articles of incorporation, the Presbytery has certain obligations to indemnify its current and former trustees, officers, and directors for certain events or occurrences while the trustee, officer, or director is, or was serving, at the Presbytery's request in such capacities. The maximum liability under these obligations is unlimited; however, the Presbytery's insurance policies serve to limit its exposure. The Presbytery believes that the estimated fair value of these indemnification obligations is minimal.

Note 16—Subsequent events

In the preparation of its financial statements, the Presbytery considered subsequent events for potential recognition and/or disclosure in the December 31, 2018 financial statements through April 30, 2019 which was the date the Presbytery's financial statements were available to be issued.

During 2018 and 2019, the Communications and Coordination Team and the Trustees of the Presbytery of the James have considered that Camp Hanover would incorporate as a 501c(3) not-for-profit corporation. The anticipated effective date will occur in June 2019, if approved by the Presbytery. The Communications and Coordination Team and the Trustees of the Presbytery of the James do not believe this change to Camp Hanover's status will have a material adverse effect on the financial condition of the Presbytery.