

# **THE PRESBYTERY OF THE JAMES**

## **FINANCIAL STATEMENTS**

***As of and for the Year Ended December 31, 2020***

***And Independent Accountant's Review Report***

**THE PRESBYTERY OF THE JAMES**

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## Independent Accountant's Review Report

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

We have reviewed the accompanying financial statements of The Presbytery of the James (the "Presbytery"), which comprise the statement of financial position as of December 31, 2020, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements. A review includes primarily applying analytical procedures to management's financial data and making inquiries of management. A review is substantially less in scope than an audit, the objective of which is the expression of an opinion regarding the financial statements as a whole. Accordingly, we do not express such an opinion.

### Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### Accountant's Responsibility

Our responsibility is to conduct the review engagement in accordance with Statements on Standards for Accounting and Review Services promulgated by the Accounting and Review Services Committee of the American Institute of Certified Public Accountants. Those standards require us to perform procedures to obtain limited assurance as a basis for reporting whether we are aware of any material modifications that should be made to the financial statements for them to be in accordance with accounting principles generally accepted in the United States of America. We believe the results of our procedures provide a reasonable basis for our conclusion.

### Accountant's Conclusion

Based on our review, we are not aware of any material modifications that should be made to the accompanying financial statements in order for them to be in conformity with accounting principles generally accepted in the United States of America.

### Correction of Error

As discussed in Note 3 to the financial statements, certain errors resulting in the understatement of total assets and total net assets as of December 31, 2019, were discovered by management subsequent to the issuance of our report on those financial statements dated May 11, 2020. Accordingly, the Presbytery's January 1, 2020 net assets have been restated to correct the errors.

**COVID-19 Pandemic**

As discussed in Note 15 to the financial statements, in January 2020, the World Health Organization declared novel coronavirus (“COVID-19”) to constitute a “Public Health Emergency of International Concern”. Given the uncertainty of the situation and duration of the disruption to the Presbytery, the financial impact cannot be reasonably evaluated at this time. Our conclusion is not modified with respect to this matter.

*Cherry BeKant LLP*

Richmond, Virginia  
May 17, 2021

**THE PRESBYTERY OF THE JAMES**  
**STATEMENT OF FINANCIAL POSITION**

DECEMBER 31, 2020

(SEE INDEPENDENT ACCOUNTANT'S REVIEW REPORT)

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**ASSETS**

Cash and cash equivalents	\$	902,494
Church remittance receivable		173,510
Notes receivable		248,054
Prepaid expenses		12,851
Investments		3,999,496
Assets held for sale		1,035,828
Property and equipment, net		1,116,668
Land for future church		19,167
<b>Total Assets</b>	<b>\$</b>	<b>7,508,068</b>

**LIABILITIES AND NET ASSETS**

Liabilities:

Accounts payable to General Assembly	\$	47,752
Other accounts payable and accrued liabilities		76,683
Deferred revenue		63,123
<b>Total Liabilities</b>		<b>187,558</b>

Net Assets:

Without donor restrictions		6,834,597
With donor restrictions		485,913
<b>Total Net Assets</b>		<b>7,320,510</b>
<b>Total Liabilities and Net Assets</b>	<b>\$</b>	<b>7,508,068</b>

**THE PRESBYTERY OF THE JAMES**  
**STATEMENT OF ACTIVITIES**

*YEAR ENDED DECEMBER 31, 2020*  
*(SEE INDEPENDENT ACCOUNTANT'S REVIEW REPORT)*

	<b>Without Restrictions</b>	<b>With Restrictions</b>	<b>Total</b>
<b>Revenues, Gains, and Other Support:</b>			
Contributions	\$ 861,605	\$ 122,063	\$ 983,668
Investment gain (loss), net	144,993	(22,355)	122,638
Net assets released from restrictions	226,163	(226,163)	-
Total Revenues, Gains, and Other Support	<u>1,232,761</u>	<u>(126,455)</u>	<u>1,106,306</u>
<b>Expenses and Other Deductions:</b>			
<b>Program Services:</b>			
Programs	685,563	-	685,563
Camp Hanover	535,744	-	535,744
Support for congregations	134,010	-	134,010
	<u>1,355,317</u>	<u>-</u>	<u>1,355,317</u>
Support Services - management and general	632,695	-	632,695
Total Expenses	<u>1,988,012</u>	<u>-</u>	<u>1,988,012</u>
Loss on expected disposal of assets classified as held for sale	14,150	-	14,150
Total Expenses and Other Deductions	<u>2,002,162</u>	<u>-</u>	<u>2,002,162</u>
Change in net assets	(769,401)	(126,455)	(895,856)
Net assets, beginning of year (as previously reported)	6,554,020	612,368	7,166,388
Prior period adjustment	1,049,978	-	1,049,978
Net assets, beginning of year (as restated)	<u>7,603,998</u>	<u>612,368</u>	<u>8,216,366</u>
Net assets, end of year	<u>\$ 6,834,597</u>	<u>\$ 485,913</u>	<u>\$ 7,320,510</u>

**THE PRESBYTERY OF THE JAMES**  
**STATEMENT OF FUNCTIONAL EXPENSES**

YEAR ENDED DECEMBER 31, 2020  
(SEE INDEPENDENT ACCOUNTANT'S REVIEW REPORT)

	Program Services					Support Services	Total Services	
	Camp Hanover	Leadership Connection Team (LCT)	Mission and Service Team (MAST)	Funds Managed for Others	Board Designated	Total Program Services		Management and General
Salaries and Benefits:								
Salaries	\$ -	\$ 77,000	\$ 4,961	\$ -	\$ -	\$ 81,961	\$ 165,085	\$ 247,046
Payroll taxes	-	-	-	-	-	-	14,232	14,232
Employee benefits	-	-	-	-	-	-	110,519	110,519
General Expenses:								
Internal committee expenses	-	194	194	-	-	388	6,773	7,161
Insurance	-	-	-	-	-	-	10,957	10,957
Professional development	-	-	-	-	35	35	7,200	7,235
Per Capita and General Assembly dues	-	-	-	-	-	-	216,324	216,324
Other general expenses	-	-	-	-	21,436	21,436	278	21,714
Professional expenses	-	-	-	-	-	-	21,045	21,045
Postage and supplies	-	-	-	24	-	24	3,545	3,569
Technology and communications	-	-	-	-	1,721	1,721	16,301	18,022
Grants and awards	-	99,915	90,556	126,725	335,453	652,649	3,000	655,649
Startup funding and support provided	535,744	-	-	-	-	535,744	-	535,744
Operating Expenses:								
Depreciation	-	-	-	-	-	-	18,913	18,913
Repairs and maintenance	-	-	-	-	54,098	54,098	10,638	64,736
Other operating expenses	-	-	-	7,261	-	7,261	11,002	18,263
Transportation	-	-	-	-	-	-	1,833	1,833
Utilities	-	-	-	-	-	-	15,050	15,050
Total Expenses	<u>\$ 535,744</u>	<u>\$ 177,109</u>	<u>\$ 95,711</u>	<u>\$ 134,010</u>	<u>\$ 412,743</u>	<u>\$ 1,355,317</u>	<u>\$ 632,695</u>	<u>\$ 1,988,012</u>

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, 2020*  
*(SEE INDEPENDENT ACCOUNTANT'S REVIEW REPORT)*

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**Cash flows from operating activities:**

Change in net assets	\$ (895,856)
Adjustments to reconcile change in net assets to net cash from operating activities:	
Net realized and unrealized gain on investments	(50,851)
Depreciation	18,913
Accrued interest on notes receivable	(4,537)
Loss on expected disposal of assets held for sale	14,150
Changes in operating assets and liabilities:	
Church remittances receivable	(33,117)
Prepaid expenses	(3,032)
Deferred revenue	63,123
Accounts payable and accrued liabilities	<u>25,611</u>
Net cash from operating activities	<u>(865,596)</u>

**Cash flows from investing activities:**

Purchase of investments	(1,381,860)
Proceeds from sale of investments	2,773,805
Purchase of property and equipment	<u>(6,036)</u>
Net cash from investing activities	<u>1,385,909</u>

Net increase in cash and cash equivalents	520,313
Cash and cash equivalents, beginning of year	<u>382,181</u>
Cash and cash equivalents, end of year	<u><u>\$ 902,494</u></u>



# THE PRESBYTERY OF THE JAMES

## NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2020

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### **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 Trustees.

*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.

*Income Taxes* – The Presbytery has evaluated the effect of generally accepted accounting principles in the United States of America (“U.S. 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, 2020. The Presbytery is not currently under audit by any tax jurisdiction.

*Estimates* – The preparation of financial statements in conformity with U.S. 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.

*Church Remittance Receivable* – Church remittance receivables are comprised of amounts from member churches. There was no allowance for doubtful accounts as this balance is considered to be fully collectible as of December 31, 2020.

# THE PRESBYTERY OF THE JAMES

## NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2020

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### Note 2—Summary of significant accounting policies (continued)

*Notes Receivable* – Notes receivable consist of a note from a church and the purchase of a term note from the Presbyterian Church (U.S.A) Investment and Loan Program (the “PILP”) which is a not-for-profit corporation that provides low-cost loans to congregations, governing bodies, and related entities of the Presbyterian Church (U.S.A.). The PILP raises funds for lending by selling interest-bearing term notes. The notes are recorded at the face value, plus accrued interest and less principal payments collected. The note from a church 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.

*Assets Held for Sale* – Property and equipment, consisting of land and buildings from dissolved member congregations (see Note 11), have been classified as assets held for sale by the Presbytery as of December 31, 2020. The Presbytery is leasing two properties with an intention to sell both in 2021 since the properties are no longer needed for the Presbytery’s operations or mission. Assets classified as held for sale are recorded at the lower of carrying value and fair value less estimated costs to sell. Fair value was determined based on third party appraisals completed in 2020. A loss of \$14,150 was recognized during the year ended December 31, 2020 for the expected disposal of assets held for sale when the fair value less estimated costs to sell the Greenwood Church and Manse was determined to be lower than the carrying amount of the property. All negotiations for the Montrose Church are for sales prices in excess of the carrying amount.

*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 3 to 30 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, 2020, the Presbytery had \$459,148 exceeding these insured amounts.

*Revenue Recognition* – The revenues from the Presbytery’s primary activities are summarized as follows:

*Contribution Revenue* – The primary source of contributions for the Presbytery is through shared mission support from member churches. The churches will provide an annual statement of intent which details the amount the church expects to contribute for the year. The member churches are not liable for the amount included on the statement of intent; however, payment is implied in the *Book of Order*. Since the statement of intent does not meet the criteria of an unconditional promise to give, it is treated as an intention to give and revenue is recognized as payments on the statement of intent are received. However, contributions from member churches include amounts in-transit at year-end.

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.

# THE PRESBYTERY OF THE JAMES

## NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2020

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### Note 2—Summary of significant accounting policies (continued)

*Functional Expenses* – The costs of providing the various programs and other activities have been summarized on a functional basis in the statement 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.

### Note 3—Prior period adjustment

During 2020, the Presbytery discovered that total assets and total net assets without donor restrictions had been understated for the years ending December 31, 2014 through December 31, 2019, due to unrecorded property from dissolved member congregations. As discussed in Note 11, property of the member congregations would revert to the Presbytery if no longer used as a congregation of the Presbyterian Church (U.S.A.). The Presbytery determined that property related to Montrose Church transferred legally to the Presbytery in October 2014 and property from Greenwood Church and Manse transferred legally to the Presbytery in February 2019 upon dissolution of these congregations. Accordingly, the Presbytery restated its net assets as of January 1, 2020. The effect of the correction was to increase change in net assets for 2019 by \$608,620 for transfer of the Greenwood Church and Manse less depreciation expense for both properties and has no effect on the results of the current year's activities. The cumulative effect of the transfer of Montrose Church in 2014 and Greenwood Church and Manse in 2019 increases beginning net assets without donor restrictions and assets held for sale by \$1,049,978 in 2020, as presented in the statement of activities.

### Note 4—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	\$ 902,494
Church remittance receivable	173,510
Notes receivable	248,054
Investments	3,999,496
Total financial assets at year-end	<u>5,323,554</u>

Less amounts not available to be used for general expenditures within one year:

Subject to purpose restrictions	333,569
Subject to time restrictions	152,344
Financial assets not available to be used within one year	<u>485,913</u>
Financial assets available to be used within one year	<u>\$ 4,837,641</u>

**THE PRESBYTERY OF THE JAMES**  
**NOTES TO THE FINANCIAL STATEMENTS**

DECEMBER 31, 2020

**Note 4—Liquidity and availability (continued)**

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 notes receivable which can be redeemed at any time, however other investments of equal amount would need to be made by other members of the congregation to meet the collateral requirements for the loan to one of the Presbytery's member churches (see Note 13). 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 9, 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 5—Investments**

The fair values of investments as of December 31, 2020 are summarized as follows:

	<u>Fair Value</u>	<u>Cost Basis</u>
Equity securities/stock	\$ 3,342,162	\$ 1,882,170
Debt securities/bonds	315,714	310,779
Other mutual funds	341,620	320,714
Total investments	<u>\$ 3,999,496</u>	<u>\$ 2,513,663</u>

Investment return for 2020 is as follows:

Unrealized/realized gain on investments	\$ 50,851
Interest and dividend income	95,566
Administrative fees	(23,779)
Total investment gain, net	<u>\$ 122,638</u>

**Note 6—Property and equipment**

Property and equipment consists of the following as of December 31, 2020:

Land	\$ 774,178
Land improvements	16,780
Buildings	272,949
Equipment and furniture	188,340
Cemetery plots	12,000
Total	1,264,247
Less accumulated depreciation	(147,579)
Total land, buildings, improvements, and equipment, net	<u>\$ 1,116,668</u>

**THE PRESBYTERY OF THE JAMES**  
**NOTES TO THE FINANCIAL STATEMENTS**

DECEMBER 31, 2020

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**Note 6—Property and equipment (continued)**

In addition to the land disclosed above, the Presbytery also holds title to land consisting of a site for future a church. The following land is held at cost as of December 31, 2020:

Six acres on Patterson Avenue, Goochland, Virginia	<u>\$ 19,167</u>
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**Note 7—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, 2020, the Presbytery contributed \$21,529 to the plan on behalf of eligible personnel.

**Note 8—Board-designated net assets**

Net assets without donor restriction includes designated funds by the Presbytery for the following purposes at December 31, 2020:

Church development funds	\$ 3,912,386
Dismissed church proceeds	<u>336,887</u>
Total board-designated net assets	<u>\$ 4,249,273</u>

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 9—Net assets with donor restrictions**

Net assets with donor restrictions at December 31, 2020:

Purpose restricted:

Church development funds	\$ 263,268
Presbytery program funds	63,627
Funds managed for others	6,674
Time restricted for endowments, some of which is perpetual in nature:	
Providence Powhatan	149,844
Eva Ross Barndt - annual net income to the Home Mission committee of the Presbytery	500
Anne Bolling Hobson Trust	<u>2,000</u>
Total	<u>\$ 485,913</u>

# THE PRESBYTERY OF THE JAMES

## NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2020

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### Note 9—Net assets with donor restrictions (continued)

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, 2020:

Satisfaction of purpose restriction	\$	138,972
Reclassification of net assets		67,548
Appropriation for expenditure		19,643
	\$	<u>226,163</u>

### Note 10—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 U.S 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 endowment, (2) the original value of subsequent gifts to the endowment, and (3) accumulations to the endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund.

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

**THE PRESBYTERY OF THE JAMES**  
**NOTES TO THE FINANCIAL STATEMENTS**

DECEMBER 31, 2020

**Note 10—Endowment funds (continued)**

Endowment net asset composition by type of fund as of December 31, 2020:

	<b>Without Restrictions</b>	<b>With Restrictions</b>	<b>Total</b>
Donor-restricted endowment funds:			
Original donor-restricted gift amount and amounts required to be maintained in perpetuity by donor	\$ -	\$ 2,500	\$ 2,500
Accumulated investment gains	-	149,844	149,844
Endowment funds	<u>\$ -</u>	<u>\$ 152,344</u>	<u>\$ 152,344</u>

Change in endowment net assets for the fiscal year ended December 31, 2020:

	<b>Without Restrictions</b>	<b>With Restrictions</b>	<b>Total</b>
Endowment funds, beginning balance	\$ -	\$ 205,232	\$ 205,232
Investment loss, net	-	(33,245)	(33,245)
Appropriations for expenditures	-	(19,643)	(19,643)
Endowment funds, ending balance	<u>\$ -</u>	<u>\$ 152,344</u>	<u>\$ 152,344</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. The Presbytery has interpreted the Act to permit spending from underwater endowments in accordance with prudent measures required under law. There were no deficiencies of this nature as of December 31, 2020.

*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 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.

*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.

# THE PRESBYTERY OF THE JAMES

## NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2020

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### Note 11—Member congregations

In the Presbyterian Church (U.S.A), “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 12—Fair value measurements

The Presbytery has adopted the accounting standards on fair value measurements, which provides a framework for measuring fair value under U.S. 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 following method 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 methodology used for assets measured at fair value. There have been no changes in the methodology used at December 31, 2020.

*Investments – Equity Securities/Stock, Debt Securities/Bonds, and Other Mutual Funds* – Valued at the closing price reported on the active market on which the individual securities are traded.



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**Note 12—Fair value measurements (continued)**

The following table presents the balances of assets and liabilities measured at fair value on a recurring basis as of December 31, 2020 by level within the fair values hierarchy:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Common stock:				
Basic materials	\$ 70,562	\$ -	\$ -	\$ 70,562
Communications	174,114	-	-	174,114
Consumer cyclical	390,434	-	-	390,434
Consumer defensive	11,571	-	-	11,571
Energy	90,857	-	-	90,857
Financial services	318,494	-	-	318,494
Healthcare	653,493	-	-	653,493
Technology	1,211,044	-	-	1,211,044
International	421,593	-	-	421,593
Bonds:				
Corporate bond	-	315,714	-	315,714
Mutual funds:				
Managed futures	341,620	-	-	341,620
Total investments at fair value	<u>\$ 3,683,782</u>	<u>\$ 315,714</u>	<u>\$ -</u>	<u>\$ 3,999,496</u>

**Note 13—Commitments and contingencies**

The Presbytery is contingently liable as guarantor for notes payable of several member churches as of December 31, 2020, which are as follows:

First United Presbyterian Church	\$ 42,000
Zion Hill Presbyterian Church	5,000
Thyne Memorial Presbyterian Church	23,112
First United Presbyterian Church	106,411
Westminster - Richmond Presbyterian Church	285,639
Tappahannock Presbyterian Church	332,189
Bon Air Presbyterian Church	234,457
Summit Presbyterian Church	383,260
Lord Jesus Korean Church	1,653,163
Total	<u>\$ 3,065,231</u>

In June 2019, one of the Presbytery's member churches entered into a loan agreement with the PILP. As a condition for obtaining the loan, supporting investments in interest-bearing term notes totaling \$300,000 were required to be made into the program to be held as collateral for the loan. Of these amounts, the Presbytery invested \$200,000 into a 60-month term note that accrues interest at 2.23%, which is held as collateral.

# THE PRESBYTERY OF THE JAMES

## NOTES TO THE FINANCIAL STATEMENTS

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### Note 13—Commitments and contingencies (continued)

The Presbytery has contractually agreed to support Camp Hanover, Inc. through a covenant agreement executed with the Presbytery in July 2019 when Camp Hanover incorporated as a separate 501(c)(3) not-for-profit corporation (the “Covenant Agreement”). As a result, Camp Hanover, Inc. agreed to hold its property in trust for the Presbytery in conformance with *Book of Order, G-4.0203*, discussed in Note 11. In the event of dissolution, Camp Hanover, Inc.’s residual assets will revert back to the Presbytery or its successor. Additionally, the Presbytery was required to provide startup funding, transfer custodianship of existing Camp Hanover designated funds to Camp Hanover, Inc., and has agreed to provide monthly, annual support of the ministry and mission of Camp Hanover, Inc. through December 31, 2024. The total support provided for the year ended December 31, 2020 was \$535,744, and is recorded as a contribution expense in the statement of activities within Camp Hanover program services.

The following is a schedule, by years, of the future payments to be provided by the Presbytery under the Covenant Agreement with Camp Hanover, Inc. as of December 31, 2020:

2021	\$	120,000
2022		114,000
2023		108,000
2024		102,000
Total	\$	<u>444,000</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 14—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 the estimated fair value of these indemnification obligations is minimal.

### Note 15—COVID-19 Pandemic

On January 30, 2020, the World Health Organization declared the coronavirus (“COVID-19”) outbreak a “Public Health Emergency of International Concern” and on March 11, 2020, declared it to be a pandemic. Actions taken around the world to help mitigate the spread of COVID-19 include restrictions on travel, quarantines, or “stay-at-home” restrictions in certain areas and forced closures for certain types of public places and businesses. COVID-19 and actions taken to mitigate it have had and are expected to continue to have an adverse impact on the economies and financial markets globally, including the geographical areas in which the Presbytery operates.

While it is unknown how long these conditions will last and what the complete financial impact will be, the Presbytery is closely monitoring the impact of the COVID-19 pandemic on all aspects of operations and are unable at this time to predict the continued impact COVID-19 will have on the organization, financial position, and operating results in future periods due to numerous uncertainties.

# THE PRESBYTERY OF THE JAMES

## NOTES TO THE FINANCIAL STATEMENTS

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### **Note 15—COVID-19 Pandemic (continued)**

In May 2020, the Presbytery received a loan under the Paycheck Protection Program (“PPP”) for an amount of \$63,123, which was established under the Coronavirus Aid, Relief, and Economic Security Act and administered by the Small Business Administration (“SBA”). The application for the PPP loan requires the Presbytery to, in good faith, certify that the current economic uncertainty made the loan request necessary to support the ongoing operation of the Presbytery. This certification further requires the Presbytery to take into account the current business activity and the ability to access other sources of liquidity sufficient to support the ongoing operations in a manner that is not significantly detrimental to the business. The receipt of the funds from the PPP loan and the forgiveness of the PPP loan is dependent on the Presbytery having initially qualified for the PPP loan and qualifying for the forgiveness of such PPP loan based on funds being used for certain expenditures such as payroll costs and rent, as required by the terms of the PPP loan. There is no assurance that the Presbytery’s obligation under the PPP loan will be forgiven. If the PPP loan is not forgiven, the Presbytery will need to repay the PPP loan over the applicable repayment period, commencing after the applicable deferral period.

In accordance with Accounting Standards Codification (“ASC”) 958-605 *Not-for-Profit Entities – Revenue Recognition*, the Presbytery has elected to treat the PPP loan as a conditional contribution. Under this guidance, certain conditions have been identified including the eligibility requirements discussed above and notification of final forgiveness from the SBA. The Presbytery has deferred recognition of revenue for the year ended December 31, 2020, because the conditions for forgiveness had not been substantially met; however, the Presbytery believes it will substantially meet the conditions required for forgiveness in the following year. Accordingly, the Presbytery has recorded the PPP loan as deferred revenue on the balance sheet as of December 31, 2020.

### **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, 2020 financial statements through May 17, 2021, which was the date the Presbytery’s financial statements were available to be issued.