

# **THE PRESBYTERY OF THE JAMES**

## **FINANCIAL STATEMENTS**

*As of and for the Year Ended December 31, 2023*

*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, 2023, 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.

We are required to be independent of the Presbytery, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements related to our review.

### **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.

*Cherry Bekaert LLP*

Richmond, Virginia  
July 8, 2024

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

*DECEMBER 31, 2023*  
*(SEE INDEPENDENT ACCOUNTANT'S REVIEW REPORT)*

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**ASSETS**

Cash and cash equivalents	\$	1,052,444
Church remittance receivable		86,419
Notes receivable		262,282
Prepaid expenses		1,913
Investments		3,998,312
Assets held for sale		838,819
Property and equipment, net		<u>1,025,290</u>
<b>Total Assets</b>	<b>\$</b>	<b><u>7,265,479</u></b>

**LIABILITIES AND NET ASSETS**

Liabilities:

Accounts payable to General Assembly	\$	59,481
Other accounts payable and accrued liabilities		<u>84,087</u>
Total Liabilities		<u>143,568</u>

Net Assets:

Without donor restrictions		6,592,682
With donor restrictions		<u>529,229</u>
Total Net Assets		<u>7,121,911</u>
<b>Total Liabilities and Net Assets</b>	<b>\$</b>	<b><u>7,265,479</u></b>

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

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

YEAR ENDED DECEMBER 31, 2023  
(SEE INDEPENDENT ACCOUNTANT'S REVIEW REPORT)

	<u>Without Restrictions</u>	<u>With Restrictions</u>	<u>Total</u>
Revenues, Gains, and Other Support:			
Contributions	\$ 680,384	\$ 143,414	\$ 823,798
Investment return, net	383,333	30,363	413,696
Net assets released from restrictions	135,628	(135,628)	-
Total Revenues, Gains, and Other Support	<u>1,199,345</u>	<u>38,149</u>	<u>1,237,494</u>
Expenses and Other Deductions:			
Program Services:			
Programs	292,667	-	292,667
Support for congregations	215,675	-	215,675
	<u>508,342</u>	<u>-</u>	<u>508,342</u>
Support Services:			
Management and general	1,116,895	-	1,116,895
	<u>1,116,895</u>	<u>-</u>	<u>1,116,895</u>
Total Expenses	<u>1,625,237</u>	<u>-</u>	<u>1,625,237</u>
Gain on disposal of property and equipment	5,340	-	5,340
Total Expenses and Other Deductions	<u>1,619,897</u>	<u>-</u>	<u>1,630,577</u>
Change in net assets	(420,552)	38,149	(382,403)
Net assets, beginning of year	7,013,234	491,080	7,504,314
Net assets, end of year	<u>\$ 6,592,682</u>	<u>\$ 529,229</u>	<u>\$ 7,121,911</u>

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

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

*YEAR ENDED DECEMBER 31, 2023*  
*(SEE INDEPENDENT ACCOUNTANT'S REVIEW REPORT)*

	Program Services					Support Services	Total Services
	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	\$ -	\$ 38,898	\$ 100,913	\$ -	\$ 139,811	\$ 402,717	\$ 542,528
Payroll taxes	-	-	-	-	-	29,634	29,634
Employee benefits	-	-	-	-	-	131,782	131,782
General Expenses:							
Capital replacement reserves	-	-	-	44,911	44,911	-	44,911
Internal committee expenses	-	149	-	190	339	19,807	20,146
Insurance	-	-	-	-	-	22,651	22,651
Professional development	-	-	-	-	-	11,697	11,697
Per capita and General Assembly dues	-	-	-	-	-	211,672	211,672
Other general expenses	-	-	1,200	-	1,200	2,735	3,935
Professional expenses	-	-	-	-	-	28,743	28,743
Postage and supplies	-	-	-	-	-	7,108	7,108
Technology and communications	-	-	-	4,015	4,015	10,864	14,879
Presbytery meeting expense	-	-	-	-	-	4,200	4,200
Grants and awards	72,432	85,000	106,868	11,680	275,980	108,000	383,980
Proceeds from New Covenant	-	-	1,165	-	1,165	-	1,165
Program and mission expense	-	12,139	5,529	-	17,668	-	17,668
Operating Expenses:							
Depreciation	-	-	-	-	-	87,077	87,077
Repairs and maintenance	-	-	-	18,802	18,802	15,368	34,170
Property taxes and expenses	-	-	-	3,556	3,556	-	3,556
Transportation	-	-	-	-	-	3,736	3,736
Utilities	-	-	-	895	895	19,104	19,999
Total Expenses	\$ 72,432	\$ 136,186	\$ 215,675	\$ 84,049	\$ 508,342	\$ 1,116,895	\$ 1,625,237

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

**THE PRESBYTERY OF THE JAMES**  
**STATEMENT OF CASH FLOWS**

*YEAR ENDED DECEMBER 31, 2023*  
*(SEE INDEPENDENT ACCOUNTANT'S REVIEW REPORT)*

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**Cash flows from operating activities:**

Change in net assets	\$ (382,403)
Adjustments to reconcile change in net assets to net cash flows from operating activities:	
Realized and unrealized gain on investments	(294,135)
Depreciation	87,077
Accrued interest on notes receivable	(4,849)
Gain on disposal of property and equipment	(5,340)
Changes in operating assets and liabilities:	
Church remittance receivable	51,371
Prepaid expenses	17,889
Accounts payable to General Assembly and other accounts payable and accrued liabilities	<u>(40,242)</u>
Net cash flows from operating activities	<u>(570,632)</u>

**Cash flows from investing activities:**

Purchase of investments	(5,191,303)
Proceeds from sale of investments	5,201,437
Purchase of property and equipment	(60,497)
Proceeds from disposal of property and equipment	<u>5,340</u>
Net cash flows from investing activities	<u>(45,023)</u>

Net change in cash and cash equivalents	(615,655)
Cash and cash equivalents, beginning of year	<u>1,668,099</u>
Cash and cash equivalents, end of year	<u>\$ 1,052,444</u>

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

# THE PRESBYTERY OF THE JAMES

## NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2023

(SEE INDEPENDENT ACCOUNTANT'S REVIEW REPORT)

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### Note 1—Organization and nature of activities

The Presbytery of the James, Inc. 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 the Presbytery had no uncertain income tax positions at December 31, 2023. 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 credit losses as this balance is considered to be fully collectible as of December 31, 2023.



# THE PRESBYTERY OF THE JAMES

## NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2023

(SEE INDEPENDENT ACCOUNTANT'S REVIEW REPORT)

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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* – The Presbytery follows the *Investments-Debt and Equity Securities for Not-for-Profit Entities* Topic of the Financial Accounting Standards Board (“FASB”) Accounting Standards Codification (“ASC”). Under this topic, investments in marketable securities with readily determinable fair values and all investments in debt securities are valued at their fair values in the statement of financial position. Investment income or loss (including realized and unrealized gains and losses on investments, interest, and dividends) is included in the statement of activities as increases or decreases in net assets without donor restrictions unless the income or loss is restricted by donor or law. Realized gains on securities sold during the year and held at the beginning of the year are recognized to the extent sales proceeds exceed the security’s fair market value at the beginning of the year. Donated securities are recorded at their fair market value on the date of donation.

*Assets Held for Sale* – Property and equipment, consisting of buildings from dissolved member congregations (see Note 10), have been classified as assets held for sale by the Presbytery as of December 31, 2023. 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 2022 and 2021.

*Property and Equipment* – Property and equipment is 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, 2023, the Presbytery had \$600,771 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 statement of activities.

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

DECEMBER 31, 2023

(SEE INDEPENDENT ACCOUNTANT'S REVIEW REPORT)

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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 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.

*Adopted Accounting Pronouncements* – In June 2016, FASB issued Accounting Standards Update (“ASU”) 2016-13, *Financial Instruments – Credit Losses (Topic 326)* and subsequently related amendments (ASU 2018-19, ASU 2019-04, ASU 2019-05, ASU 2019-10, ASU 2019-11, and ASU 2022-02). This guidance replaces the existing incurred loss impairment guidance and establishes a single allowance framework for financial assets carried at amortized cost based on expected credit losses. The estimate of expected credit losses requires the incorporation of historical information, current conditions, and reasonable and supportable forecasts. The Presbytery adopted this new accounting standard effective January 1, 2023 and all of the related amendments using the modified retrospective method, which did not have a material impact on the Presbytery’s financial statements.

**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	\$ 1,052,444
Church remittance receivable	86,419
Notes receivable	262,282
Investments	<u>3,998,312</u>
Total financial assets at year-end	<u>5,399,457</u>

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

Subject to purpose restrictions	408,650
Subject to time restrictions	<u>120,579</u>
Financial assets not available to be used within one year	<u>529,229</u>
Financial assets available to be used within one year	<u>\$ 4,870,228</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 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 12). 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 Notes 8 and 9, are not available within one year.

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

DECEMBER 31, 2023  
 (SEE INDEPENDENT ACCOUNTANT'S REVIEW REPORT)

**Note 3—Liquidity and availability (continued)**

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, 2023 are summarized as follows:

	<u>Fair Value</u>	<u>Cost Basis</u>
Equity securities/stock	\$ 1,853,503	\$ 1,283,562
Debt securities/bonds	1,348,618	1,341,917
Other mutual funds	796,191	637,234
Total investments	<u>\$ 3,998,312</u>	<u>\$ 3,262,713</u>

Investment return for 2023 is as follows:

Unrealized/realized gain on investments	\$ 294,135
Interest and dividend income	147,051
Administrative fees	(27,490)
Total investment return, net	<u>\$ 413,696</u>

**Note 5—Property and equipment**

Property and equipment consists of the following as of December 31, 2023:

Land	\$ 774,178
Land improvements	16,780
Buildings	272,949
Equipment and furniture	207,815
Cemetery plots	12,000
	<u>1,283,722</u>
Less accumulated depreciation	(258,432)
Total land, buildings, improvements, and equipment, net	<u>\$ 1,025,290</u>

Depreciation expense for the year ended December 31, 2023 was \$87,077 and is included in the statement of activities.

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

DECEMBER 31, 2023  
(SEE INDEPENDENT ACCOUNTANT'S REVIEW REPORT)

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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, 2023, the Presbytery contributed \$25,692 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, 2023:

Church development funds	\$ 3,916,286
Dismissed church proceeds	248,412
Total board-designated net assets	<u>\$ 4,164,698</u>

**Note 8—Net assets with donor restrictions**

Net assets with donor restrictions at December 31, 2023:

Purpose restricted:	
Church development funds	\$ 299,863
Presbytery program funds	102,092
Funds managed for others	6,695
Time restricted for endowments, some of which is perpetual in nature:	
Providence Powhatan	118,079
Eva Ross Barndt - annual net income to the Home Mission Committee of the Presbytery	500
Anne Bolling Hobson Trust	2,000
	<u>\$ 529,229</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, 2023:

Satisfaction of purpose restriction	\$ 123,628
Appropriation for expenditure	12,000
	<u>\$ 135,628</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 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.

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

DECEMBER 31, 2023

(SEE INDEPENDENT ACCOUNTANT'S REVIEW REPORT)

**Note 9—Endowment funds (continued)**

*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* (“UPMIFA”) 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 UPMIFA, 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, 2023:

	<u>Without Restrictions</u>	<u>With Restrictions</u>	<u>Total</u>
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	-	139,384	139,384
Endowment funds	<u>\$ -</u>	<u>\$ 141,884</u>	<u>\$ 141,884</u>
	<u>Without Restrictions</u>	<u>With Restrictions</u>	<u>Total</u>
Endowment funds, beginning balance	\$ -	\$ 125,737	\$ 125,737
Investment return, net	-	28,147	28,147
Appropriations for expenditures	-	(12,000)	(12,000)
Endowment funds, ending balance	<u>\$ -</u>	<u>\$ 141,884</u>	<u>\$ 141,884</u>

*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.

# THE PRESBYTERY OF THE JAMES

## NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2023

(SEE INDEPENDENT ACCOUNTANT'S REVIEW REPORT)

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### 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 (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 11—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 PRESBYTERY OF THE JAMES**  
**NOTES TO THE FINANCIAL STATEMENTS**

DECEMBER 31, 2023

(SEE INDEPENDENT ACCOUNTANT'S REVIEW REPORT)

**Note 11—Fair value measurements (continued)**

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's 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, 2023.

*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.

The following table presents the balances of assets and liabilities measured at fair value on a recurring basis as of December 31, 2023 by level within the fair values hierarchy:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Common stock:				
Communication services	\$ 90,195	\$ -	\$ -	\$ 90,195
Consumer cyclical	238,656	-	-	238,656
Consumer defensive	83,240	-	-	83,240
Energy	6,674	-	-	6,674
Financial services	323,033	-	-	323,033
Healthcare	251,702	-	-	251,702
Industrials	133,680	-	-	133,680
Natural resources	159,779	-	-	159,779
Technology	480,137	-	-	480,137
Utilities	86,407	-	-	86,407
Bonds:				
Corporate bond	-	6,130	-	6,130
Treasury bond	-	1,342,488	-	1,342,488
Mutual funds:				
Macro trading	104,012	-	-	104,012
Managed futures	190,466	-	-	190,466
Mixed asset fund	162,440	-	-	162,440
Options-based	117,010	-	-	117,010
Real estate	19,284	-	-	19,284
Systematic trend	147,348	-	-	147,348
Gold	55,631	-	-	55,631
Total investments at fair value	<u>\$ 2,649,694</u>	<u>\$ 1,348,618</u>	<u>\$ -</u>	<u>\$ 3,998,312</u>

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

DECEMBER 31, 2023  
(SEE INDEPENDENT ACCOUNTANT'S REVIEW REPORT)

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**Note 12—Commitments and contingencies**

The Presbytery is contingently liable as guarantor for notes payable of several member churches as of December 31, 2023, which are as follows:

Westminster - Richmond Presbyterian Church	\$ 74,753
Tappahannock Presbyterian Church	271,186
Summit Presbyterian Church	271,532
Lord Jesus Korean Church	1,481,232
	<u>\$ 2,098,703</u>

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 10. 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, 2023 was \$108,000 and is recorded as a grants and awards expense in the statement of functional expenses within management and general support services.

The following is a schedule, by year, of the future payments to be provided by the Presbytery under the Covenant Agreement with Camp Hanover, Inc. as of December 31, 2023:

2024	<u>\$ 102,000</u>
	<u>\$ 102,000</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 13—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 14—Subsequent events**

In the preparation of its financial statements, the Presbytery considered subsequent events for potential recognition and/or disclosure in the December 31, 2023 financial statements through July 8, 2024, which was the date the Presbytery's financial statements were available to be issued.