

DRAFT DATED
FEB 22 2021
**FOR MANAGEMENT DISCUSSION
PURPOSES ONLY**

PRESBYTERY OF NEWARK

FINANCIAL STATEMENTS

DECEMBER 31, 2019

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(With Independent Accountants' Review Report)

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PRESBYTERY OF NEWARK

DECEMBER 31, 2019

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INDEPENDENT ACCOUNTANTS' REVIEW REPORT

Presbytery of Newark
Bloomfield, New Jersey

We have reviewed the accompanying financial statements of Presbytery of Newark (a nonprofit organization), which comprise the statement of financial position as of December 31, 2019, and the related statements of activities, 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 company 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 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.

Accountants' 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 AICPA. 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 that the results of our procedures provide a reasonable basis for our conclusion.

Accountants' 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 accordance with accounting principles generally accepted in the United States of America.

Fairfield, New Jersey
_____, 2021

PRESBYTERY OF NEWARK
STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2019

ASSETS

| | |
|---|-----------------------------------|
| ASSETS: | |
| Cash | \$ 125,850 |
| Investments | 4,489,113 |
| Beneficial interest in perpetual trusts | 582,357 |
| Accounts receivable | 5,228 |
| Accrued interest receivable - church loans | 60,235 |
| Prepaid expenses and other assets | 20,027 |
| Church loans receivable | 302,896 |
| Mortgages receivable | 1,121,127 |
| Property and equipment, net of accumulated depreciation | <u>165,155</u> |
| TOTAL ASSETS | <u><u>\$ 6,871,988</u></u> |

LIABILITIES AND NET ASSETS

| | |
|---------------------------------------|------------|
| LIABILITIES: | |
| Accounts payable and accrued expenses | \$ 29,687 |
| Deferred revenue | 1,216 |
| Exchange payables | 50 |
| Credit card liability | <u>133</u> |

TOTAL LIABILITIES 31,086

NET ASSETS:

| | |
|-----------------------------|----------------|
| Without donor restrictions: | |
| Undesignated | 4,278,662 |
| Board designated | 1,492,575 |
| With donor restrictions: | |
| Purpose restricted | 106,614 |
| Restricted in perpetuity | <u>963,051</u> |

TOTAL NET ASSETS 6,840,902

TOTAL LIABILITIES AND NET ASSETS **\$ 6,871,988**

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

PRESBYTERY OF NEWARK
STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2019

| | Without Donor Restrictions | | With Donor Restrictions | | Total |
|---|----------------------------|---------------------|-------------------------|--------------------------|---------------------|
| | Undesignated | Board Designated | Purpose Restricted | Restricted in Perpetuity | |
| SUPPORT AND REVENUES: | | | | | |
| Churches - per capita | \$ 121,753 | \$ - | \$ - | \$ - | \$ 121,753 |
| Churches - mission pledges | 93,262 | - | - | - | 93,262 |
| Interest and dividend income | 187,551 | - | 13,252 | 27,798 | 228,601 |
| Church loans interest income | 10,641 | - | - | - | 10,641 |
| Mortgage interest income | 82,273 | - | - | - | 82,273 |
| Trust grant income | 42,000 | - | - | - | 42,000 |
| Youth Triennium - grant | - | 3,000 | - | - | 3,000 |
| Individual donations | - | - | 33,601 | - | 33,601 |
| Other income | 741 | 38,613 | - | - | 39,354 |
| Net assets released from restriction | 464,825 | (408,163) | (35,439) | (21,223) | - |
| TOTAL REVENUES | 1,003,046 | (366,550) | 11,414 | 6,575 | 654,485 |
| FUNCTIONAL EXPENSES: | | | | | |
| Program services: | | | | | |
| Governance committees | 7,593 | - | - | - | 7,593 |
| Ministry leadership team | 94,025 | - | - | - | 94,025 |
| Ecclesiastical matters | 356,475 | - | - | - | 356,475 |
| Per capita - general assembly | 46,379 | - | - | - | 46,379 |
| Per capita - Synod | 21,246 | - | - | - | 21,246 |
| Mission - general assembly | 33,488 | - | - | - | 33,488 |
| Mission - Synod | 6,301 | - | - | - | 6,301 |
| Wolf Memorial | 37,949 | - | - | - | 37,949 |
| Mission trip | 29,977 | - | - | - | 29,977 |
| Youth ministries triennium | 13,739 | - | - | - | 13,739 |
| | 647,172 | - | - | - | 647,172 |
| Support services: | | | | | |
| Salaries - administration | 148,875 | - | - | - | 148,875 |
| Payroll taxes | 11,361 | - | - | - | 11,361 |
| Employee benefits | 52,800 | - | - | - | 52,800 |
| Travel, meetings and conferences | 6,576 | - | - | - | 6,576 |
| Professional expenses | 37,023 | - | - | - | 37,023 |
| Continuing education | 3,156 | - | - | - | 3,156 |
| Office supplies | 4,482 | - | - | - | 4,482 |
| Utilities | 7,866 | - | - | - | 7,866 |
| Payroll processing fees | 1,838 | - | - | - | 1,838 |
| Repairs and maintenance | 16,164 | - | - | - | 16,164 |
| Bank charges and brokerage fees | 19,480 | - | - | - | 19,480 |
| Insurance | 2,325 | - | - | - | 2,325 |
| Technology and communications | 7,721 | - | - | - | 7,721 |
| Miscellaneous expense | 3,621 | - | - | - | 3,621 |
| | 323,288 | - | - | - | 323,288 |
| Depreciation | 10,583 | - | - | - | 10,583 |
| TOTAL FUNCTIONAL EXPENSES | 981,043 | - | - | - | 981,043 |
| CHANGE IN NET ASSETS FROM OPERATIONS | 22,003 | (366,550) | 11,414 | 6,575 | (326,558) |
| OTHER CHANGES: | | | | | |
| Realized and unrealized gains on investments | 479,292 | - | - | 86,737 | 566,029 |
| CHANGE IN NET ASSETS | 501,295 | (366,550) | 11,414 | 93,312 | 239,471 |
| NET ASSETS - beginning of year | 3,782,182 | 1,666,743 | 80,793 | 1,057,306 | 6,587,024 |
| Prior period adjustment | 187,567 | - | 14,407 | (187,567) | 14,407 |
| NET ASSETS - beginning of year, restated | 3,969,749 | 1,666,743 | 95,200 | 869,739 | 6,601,431 |
| Interfund transfers | (192,382) | 192,382 | - | - | - |
| NET ASSETS - end of year | \$ 4,278,662 | \$ 1,492,575 | \$ 106,614 | \$ 963,051 | \$ 6,840,902 |

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

PRESBYTERY OF NEWARK
STATEMENT OF CASH FLOWS
YEAR ENDED DECEMBER 31, 2019

| | |
|--|-------------------|
| CASH FLOWS FROM OPERATING ACTIVITIES: | |
| Change in net assets | \$ 239,471 |
| Adjustments to reconcile change in net assets to net cash provided by operating activities: | |
| Depreciation | 10,583 |
| Net realized and unrealized gains on investments | (566,029) |
| Changes in operating assets and liabilities: | |
| Accounts receivable | 7,641 |
| Prepaid expenses and other assets | 7,579 |
| Accounts payable and accrued expenses | (31,180) |
| Accrued interest receivable | (9,589) |
| Deferred revenue | 787 |
| Exchange payables | (4,204) |
| Credit card liability | (17) |
| | <hr/> |
| NET CASH USED BY OPERATING ACTIVITIES | (344,958) |
| CASH FLOWS FROM INVESTING ACTIVITIES: | |
| Investment Purchases (Proceeds from sales and redemptions) - net | (33,954) |
| Church loans receivables - net | (28,955) |
| Mortgage receivables - net | 106,563 |
| | <hr/> |
| NET CASH PROVIDED BY INVESTING ACTIVITIES | 43,654 |
| NET DECREASE IN CASH | (301,304) |
| CASH - beginning | 427,154 |
| | <hr/> |
| CASH - ending | \$ 125,850 |
| | <hr/> <hr/> |

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

PREBYTERY OF NEWARK
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019

NOTE 1 - NATURE OF ACTIVITIES

The Presbytery of Newark (the Presbytery) is a non-profit corporation and an integral part of the Presbyterian Church (USA). It is a member Presbytery of the Synod of the Northeast. Presbytery's jurisdiction extends over 36 churches located within its geographic bounds. Each member church is assessed a per capita apportionment which supports the operating budget. In addition, member churches make contributions or grants towards the Presbytery's mission or program budget.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of presentation

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with U.S. generally accepted accounting principles ("US GAAP"), which require the Presbytery to report information regarding its financial position and activities according to the following net asset classifications:

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 Presbytery. 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, where by 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 restrictions expires, net assets are reclassified from net assets with donor restrictions to net assets without donor restrictions in the statement of activities.

Beneficial Interest in Perpetual Trusts

The Presbytery beneficial interest in a perpetual trust was recorded as net assets with donor restrictions when the Presbytery was notified of the trust's existence. The beneficial interest is reported at fair value. Changes in the fair value of the beneficial interest are reflected in net assets with donor restrictions. Distributions from the trust are reflected as reductions in the beneficial interest and reclassified from net assets with donor restrictions restricted in perpetuity, to net assets without donor restrictions or to net assets with donor restrictions purpose restricted, if additional restrictions are imposed on the distributions received.

Revenue Recognition

The financial statements are prepared on the accrual basis of accounting, whereby income is recorded when earned and expenses when incurred.

PREBYTERY OF NEWARK
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Income Taxes

The Presbytery is a not-for-profit organization exempt from taxes under section 501(c)(3) of the Internal Revenue Code and as a religious organization is not required to file form 990. Management believes the Presbytery has met the requirements to maintain its tax-exempt status and has no income subject to unrelated business income tax, therefore, no provision for income taxes has been provided in these financial statements.

Functional Expenses

Expenses are charged to program and support activities based on a specific identification. There are no functional expenses that require allocation between activities.

Accounting Estimates

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

Contributions

Contributions received are recorded as net assets without donor restrictions or net assets with donor restrictions, depending on the existence and/or nature of any donor-imposed restrictions. Contributions that are restricted by the donor are reported as an increase in net assets without donor restrictions if the restriction expires in the reporting period in which the contribution is recognized. All other donor restricted contributions are reported as an increase in net assets with donor restrictions, depending on the nature of restriction. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities as net assets released from restrictions.

Cash and Cash Equivalents

The Presbytery considers all investments with an initial maturity of three (3) months or less to be a cash equivalent.

Property and Equipment

Property and equipment over \$1,000 are recorded at cost or if donated as support at their estimated fair value. Such donations are reported as unrestricted support unless the donor has restricted the donated assets to a specific purpose. Assets donated with explicit restrictions regarding their use and contributions of cash that must be used to acquire property and equipment are reported as restricted support. Absent donor stipulations regarding how long those donated assets must be maintained, the Presbytery reports expirations of donor restrictions when the donated or acquired assets are placed in service as instructed by the donor. The Presbytery reclassifies temporarily restricted net assets to unrestricted net assets at that time. Property and equipment are depreciated using the straight-line method over the estimated useful lives of the various assets.

PREBYTERY OF NEWARK
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Investments

Investments are recorded at fair value using the hierarchy established by the Fair Value Measurement and Disclosures Topic of the FASB Accounting Standards Codification. The hierarchy gives the highest priority to Level 1 measurements and the lowest priority to Level 3 measurements. Donated securities are recorded at market value on the date of the gift. Interest and dividend income and the realized and unrealized gain or loss on investments is reported as unrestricted investment income in the statement of activities, unless a donor or law temporarily or permanently restricts its use.

Fair Value Hierarchy

Fair value is defined 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. FASB ASC 820-10, Fair Value Measurements establishes a fair value hierarchy, which requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. The standard describes three levels of inputs that may be used to measure fair value:

Level 1: Quoted prices in active markets for identical assets or liabilities. Level 1 assets and liabilities include debt and equity securities that are traded in an active exchange market, as well as U.S. Treasury securities.

Level 2: Observable inputs other than Level 1 prices such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities. Level 2 assets and liabilities include debt securities with quoted market prices that are traded less frequently than exchange-traded instruments. This category generally includes certain U.S. Government and agency mortgage-backed debt securities, corporate-debt securities and alternative investments.

Level 3: Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the asset or liabilities. Level 3 assets and liabilities include financial instruments whose value is determined using pricing models, discounted cash flow methodologies, or similar techniques, as well as instruments for which the determination of fair value requires significant management judgment or estimation. This category generally includes certain private debt and equity instruments and alternative investments.

Fair value estimates are made at a specific point in time, based on available market information and judgments about the financial asset, including estimates of timing, amount of expected future cash flows and the credit standing of the issuer. In some cases, the fair value estimates cannot be substantiated by comparison to independent markets.

PREBYTERY OF NEWARK
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fair Value Hierarchy (Continued)

In addition, the disclosed fair value may not be realized in the immediate settlement of the financial asset. In addition, the disclosed fair values do not reflect any premium or discount that could result from offering for sale at one time an entire holding of a particular financial asset. Potential taxes and other expenses that would be incurred in an actual sale or settlement are not reflected in amounts disclosed.

Subsequent Events

The Presbytery has evaluated subsequent events for potential recognition or disclosure through _____, 2021, the date the financial statements were available to be issued.

Recently Issued Accounting Pronouncements

In August 2016, the FASB released ASU 2016-14, Presentation of Financial Statements of Not-for-Profit Entities (Topic 958). The update amends the current reporting model for nonprofit organizations and enhances their required disclosures. The major changes relate to: (a) presentation of classes of net assets, (b) the presentation of underwater endowment funds and related disclosures, (c) recognition of the expirations of restrictions on gifts used to acquire or construct long-lived assets absent explicit donor stipulations otherwise, (d) statement of functional expense, (e) disclosure of quantitative and qualitative information regarding liquidity and availability of resources, and a few smaller items. The ASU is effective for fiscal years beginning after December 15, 2017. The Presbytery has adjusted the presentation of these statements accordingly.

NOTE 3 – AVAILABILITY AND LIQUIDITY

The following represents The Presbytery's financial assets at December 31, 2019:

| | |
|---|--------------------|
| Financial assets at year-end: | |
| Cash | \$ 125,850 |
| Investments | 4,489,113 |
| Accounts receivable | <u>5,228</u> |
| Total financial assets | 4,620,191 |
| Less amounts not available to be used within one year: | |
| Net assets with donor restrictions | 487,308 |
| Board designated net assets | <u>1,492,575</u> |
| | 1,979,883 |
| Financial assets available to meet general expenditures over the next twelve months | <u>\$2,640,308</u> |

The Presbytery regularly monitors liquidity required to meet its operational needs and other obligations. In general, the Presbytery maintains sufficient financial assets on hand to meet normal operating expenses over the next twelve months.

PREBYTERY OF NEWARK
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019

NOTE 4 - CHURCH LOANS RECEIVABLE

Church loans receivable consists of loans to member churches which are unsecured. Interest income is recognized over the life of the receivable and is determined using the effective interest rate. On a periodic basis, the Presbytery evaluates the loans receivable and adjusts for loan losses, when deemed necessary, based on a historic review of collections and current status of the member churches.

NOTE 5 - MORTGAGE RECEIVABLE

Board of Trustees approved a non-interest mortgage of \$85,000 to a former employee with a nominal due date of August 1, 2019 for property located at 790 Valley Street, Orange, NJ. The mortgage was paid in full in August of 2019.

Board of Trustees approved various mortgage notes to member churches at various interest rates and terms as follows:

- An interest bearing mortgage note of \$650,000 with a due date of May 1, 2018 for property at 36 Kearny Avenue, Kearny, NJ and an annual interest rate of three percent (3%). On February 28, 2019 a new modified agreement was entered into increasing the annual interest rate to four (4) percent and extending the due date to February 28, 2022. The outstanding balance as of December 31, 2019 was \$636,318.
- An interest bearing mortgage note of \$525,000 with a due date of August 1, 2018 for property at 761-767 Clinton Avenue, Newark, NJ and an annual interest rate of four percent (4%). Subsequent to year end on August 15, 2020 a new modified agreement was entered into extending the due date to March 1, 2025. The outstanding balance as of December 31, 2019 was \$484,809.

NOTE 6 - INVESTMENTS

Investments consist of the following:

| | |
|--|---------------------------|
| Money market | \$ 35,846 |
| Stock funds | 2,240,652 |
| Mutual funds | 143,260 |
| Bond funds | 1,994,355 |
| Presbyterian Church USA Investment & Loan | <u>75,000</u> |
| | <u><u>\$4,489,113</u></u> |

Net realized and unrealized gains (losses) on these accounts consist of the following:

| | |
|----------------------------|--------------------------|
| Realized gains | \$ 28,463 |
| Change in unrealized gains | <u>465,055</u> |
| | <u><u>\$ 493,518</u></u> |

PREBYTERY OF NEWARK
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019

NOTE 7 – BENEFICIAL INTEREST IN PERPETUAL TRUSTS

The Presbytery is a beneficial interest in two (2) perpetual trust funds named Sarah K. Eldridge Fund and Edmund R. Hopper Memorial Fund. The assets of the funds are held and managed by the Presbyterian Foundation (trustee). The Presbytery receives income, which is the interest and dividends of these funds as the beneficiary every quarter. The income is set on a spending formula established by the Presbyterian Foundation board. The income received is restricted for specific purposes.

The funds in the beneficial interest in perpetual trusts consist of the following:

| | |
|--------------------------------|-------------------|
| Presbyterian Foundation: | |
| Edmund R. Hopper Memorial Fund | \$ 32,052 |
| Sarah K. Eldridge Fund | <u>550,305</u> |
| | <u>\$ 582,357</u> |

Net realized and unrealized gains (losses) on these accounts consist of the following:

| | |
|----------------------------|---------------|
| Realized gains | \$ - |
| Change in unrealized gains | <u>72,511</u> |
| | \$ 72,511 |

NOTE 8 - PROPERTY AND EQUIPMENT

A summary of property and equipment at December 31, 2019, is as follows:

| | |
|----------------------------------|-------------------|
| Land | \$ 92,000 |
| Building | 339,119 |
| Office equipment | 17,040 |
| Office furniture and furnishings | <u>10,249</u> |
| | 458,408 |
| Less: Accumulated depreciation | <u>293,253</u> |
| | <u>\$ 165,155</u> |

NOTE 9 - PENSION PLAN

The Presbytery provides pension benefits to its full time employees by contributing to the defined contribution plan administered by the Board of Pensions of the Presbyterian Church (USA). Contributions to the plan amounted to \$51,117 for 2019.

PREBYTERY OF NEWARK
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019

NOTE 10 - NET ASSETS – WITH DONOR RESTRICTIONS

Changes in purpose restricted net assets are as follows:

| DESCRIPTION: | Beginning | Additions | Net | Investment | Net assets | Ending |
|--------------------------------------|--------------------|------------------|--------------------------------|------------------|--------------------|-------------------|
| | January 1, 2019 | | Appreciation (Depreciation) | | | |
| Synod - Innovative Advocacy Ministry | \$ 50,766 | \$ - | \$ - | \$ - | \$ (5,000) | \$ 45,766 |
| Pastor Retooling - NJPPG Grant | 14,812 | - | - | - | - | 14,812 |
| Inquirers / candidates | 13,606 | - | - | 1,236 | - | 14,842 |
| Church designated givings | 801 | 33,601 | - | - | (30,439) | 3,963 |
| Lusk Memorial Fund - income | 2,637 | - | - | 2,082 | - | 4,719 |
| Susan H. Poor Fund - income | 12,578 | - | - | 9,934 | - | 22,512 |
| TOTAL | \$ 95,200 | \$ 33,601 | \$ - | \$ 13,252 | \$ (35,439) | \$ 106,614 |

Changes in restricted in perpetuity net assets are as follows:

| DESCRIPTION: | Beginning | Additions | Net | Investment | Other | Net assets | Ending |
|------------------------------------|--------------------|-------------|--------------------------------|------------------|-------------------|--------------------|-------------------|
| | January 1, 2019 | | Appreciation (Depreciation) | | | | |
| Wyoming Church Revolving Loan Fund | \$ 101,957 | \$ - | \$ 14,209 | \$ 6,568 | \$ - | \$ - | \$ 122,734 |
| Lusk Memorial Fund | 44,697 | - | - | 2,082 | (2,082) | - | 44,697 |
| Susan H. Poor Fund | 213,263 | - | - | 9,934 | (9,934) | - | 213,263 |
| Edmund R. Hopper Memorial Fund | 28,060 | - | 3,992 | 1,236 | (1,236) | - | 32,052 |
| Sarah K. Eldridge Endowment Fund | 481,762 | - | 68,536 | 21,230 | - | (21,223) | 550,305 |
| TOTAL | \$ 869,739 | \$ - | \$ 86,737 | \$ 41,050 | \$(13,252) | \$ (21,223) | \$ 963,051 |

NOTE 11 – NET ASSETS – WITHOUT DONOR RESTRICTIONS - BOARD DESIGNATED

Changes in Board Designated net assets are as follows:

| DESCRIPTION: | Beginning | Additions | Interfund | Net assets | Ending |
|--|--------------------|------------------|-------------------|---------------------|---------------------|
| | January 1, 2019 | | | | |
| Reserved for Ecclesiastical matters | \$ 61,684 | \$ - | \$ 200,000 | \$ (356,475) | \$ (94,791) |
| Reserved Sanford Heights property sale | 629,829 | - | - | - | 629,829 |
| Reserved Orange First property sale | 582,607 | - | - | - | 582,607 |
| Reserved Clinton Avenue sale | 15,845 | - | - | - | 15,845 |
| Reserved Kearny Knox sale | 64,195 | - | - | - | 64,195 |
| Reserved Youth Ministries Triennium | 24,573 | 3,000 | - | (13,739) | 13,834 |
| Reserved for maintenance | 7,618 | - | (7,618) | - | - |
| Reserved for Pleasantdale / Caldwell Mission Grant | 283,000 | - | - | - | 283,000 |
| Reserved for Wolff Memorial Discernment | (2,608) | 38,613 | - | (37,949) | (1,944) |
| TOTAL | \$1,666,743 | \$ 41,613 | \$ 192,382 | \$ (408,163) | \$ 1,492,575 |

PREBYTERY OF NEWARK
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019

NOTE 12 - FAIR VALUE OF FINANCIAL INSTRUMENTS

At December 31, 2019, Fair values of assets measured on a recurring basis are as follows:

| | Level 1 | Level 2 | Level 3 | Total |
|---|---------------------|---------------------|-------------|---------------------|
| Money market | \$ 35,846 | \$ - | \$ - | \$ 35,846 |
| Stock funds: | | | | |
| Large blend | 803,866 | - | - | 803,866 |
| Large growth | 253,373 | - | - | 253,373 |
| Large value | 252,527 | - | - | 252,527 |
| Diversified Emerging Mkts | 178,021 | - | - | 178,021 |
| Small growth | 216,533 | - | - | 216,533 |
| Foreign large blend | 450,862 | - | - | 450,862 |
| Multialternative | 41,169 | - | - | 41,169 |
| Managed futures | 44,301 | - | - | 44,301 |
| | <u>2,240,652</u> | <u>-</u> | <u>-</u> | <u>2,240,652</u> |
| Mutual funds: | | | | |
| Balance growth | 122,734 | - | - | 122,734 |
| Ultrashort bond | 6,131 | - | - | 6,131 |
| Intermediate Government | 4,703 | - | - | 4,703 |
| Intermediate-term bond | 9,692 | - | - | 9,692 |
| | <u>143,260</u> | <u>-</u> | <u>-</u> | <u>143,260</u> |
| Bond funds: | | | | |
| Ultrashort bond | - | 297,075 | - | 297,075 |
| High yield bond | - | 39,758 | - | 39,758 |
| Intermediate-term bond | - | 1,594,292 | - | 1,594,292 |
| Nontraditional bond | - | 28,344 | - | 28,344 |
| Commodities broad bskt | - | 34,886 | - | 34,886 |
| | <u>-</u> | <u>1,994,355</u> | <u>-</u> | <u>1,994,355</u> |
| Beneficial interest in perpetual trusts: | | | | |
| Cash | 1,873 | - | - | 1,873 |
| Money market | 3,745 | - | - | 3,745 |
| Presbyterian Endowment Funds | 576,739 | - | - | 576,739 |
| | <u>582,357</u> | <u>-</u> | <u>-</u> | <u>582,357</u> |
| Presbyterian Church USA Investment & Loan Fund | 75,000 | - | - | 75,000 |
| Total assets at fair value | <u>\$ 3,077,115</u> | <u>\$ 1,994,355</u> | <u>\$ -</u> | <u>\$ 5,071,470</u> |

PREBYTERY OF NEWARK
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019

NOTE 13 - CONCENTRATIONS AND CREDIT RISK

Cash

The Presbytery maintains a bank account with a financial institution which is insured by the Federal Deposit Insurance Corporation up to \$250,000. At December 31, 2019, no cash balances exceeded the insured limits.

Investments

The Presbytery has investments in various types of securities. These investments are exposed to various risks such as interest rate, market, and credit risks. Due to these risks, it is possible that changes in the values of the investments will occur in the near term, and that such changes could have a material effect on the fair market value of the amounts as stated on the statement of financial position.

COVID-19 Pandemic

The extent of the impact of the COVID-19 outbreak on the financial performance of the Presbytery's investments will depend on future developments, including the duration and spread of the outbreak and related advisories and restrictions and the impact of COVID-19 on the financial markets and the overall economy, all of which are highly uncertain and cannot be predicted. If the financial markets and / or the overall economy are impacted, the Presbytery's investment results may be materially adversely affected.

NOTE 14 - PRIOR PERIOD ADJUSTMENTS

Certain errors were discovered during the current year as follows:

- Overstatement of previously reported liabilities and understatement of net assets with donor restrictions. Accordingly, an adjustment of \$14,407 was made to reclassify liabilities to the proper net assets with donor restrictions account as of the beginning of the year.
- Reclassification of previously reported net assets with donor restrictions due to the misclassification of beneficial interest in perpetual trusts reported as endowment funds in the previous years. Accordingly, an adjustment of \$187,567 was made to reclassify the amount from net assets with donor restrictions to net assets without donor restricts as of the beginning of the year.

The effect of these understatements was an increase the beginning net assets by \$14,407.