

John Calvin Presbytery

Independent Accountants' Review Report

and Financial Statements

Years Ended December 31, 2019 and 2018

DRAFT

Independent Accountants' Review Report

To the Board of Directors
John Calvin Presbytery
Springfield, Missouri

We have reviewed the accompanying financial statements of John Calvin Presbytery (a nonprofit organization), which comprise the statement of assets, liabilities, and net assets – modified cash basis as of December 31, 2019, and the related statement of revenues, expenses and other changes in net assets – modified cash basis 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 these financial statements in accordance with the modified cash basis of accounting; this includes determining the modified cash basis of accounting is an acceptable basis for the preparation of the financial statements in the circumstances. Management is also responsible for 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 the modified cash basis of accounting. 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 the modified cash basis of accounting.

Summarized Comparative Information

We previously reviewed John Calvin Presbytery's 2018 financial statements and in our conclusion dated December 31, 2019, stated that based on our review, we were not aware of any material modifications that should be made to the 2018 financial statements in order for them to be in accordance with the modified cash basis of accounting. We are not aware of any material modifications that should be made to the summarized comparative information presented herein as of and for the year ended December 31, 2018, for it to be consistent with the reviewed financial statements from which it has been derived.

Basis of Accounting

We draw attention to Note 2 of the financial statements, which describes the basis of accounting. The financial statements are prepared in accordance with the modified cash basis of accounting, which is a basis other than accounting principles generally accepted in the United States of America. Our conclusion is not modified with respect to this matter.

KPM CPAs, PC
Springfield, Missouri
DATE

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John Calvin Presbytery

Statements of Assets, Liabilities, and Net Assets – Modified Cash Basis

December 31, 2019 and 2018

	<u>2019</u>	<u>2018</u>
Assets		
Current Assets		
Cash and cash equivalents	\$ 149,763	\$ 149,264
Certificates of deposit	14,305	-
Investments	76,628	66,864
Beneficial interest in CFO	1,145,311	1,043,091
Total assets	<u>\$ 1,386,007</u>	<u>\$ 1,259,219</u>
Liabilities and Net Assets		
Current Liabilities		
Payroll taxes payable	\$ 1,633	\$ 2,096
Net assets		
Net assets without donor restrictions		
Operating	692,415	637,876
Board designated funds	605,853	556,514
Total net assets without donor restrictions	1,298,268	1,194,390
Net assets with donor restrictions	86,106	62,733
Total net assets	1,384,374	1,257,123
Total liabilities and net assets	<u>\$ 1,386,007</u>	<u>\$ 1,259,219</u>

See independent accountants' review report
The accompanying notes are an integral part of these financial statements

John Calvin Presbytery

Statements of Revenues, Expenses, and Other Changes in Net Assets—Modified Cash Basis

Year Ended December 31, 2019

With Summarized Financial Information for the Year Ended December 31, 2018

	2019			2018
	Without Donor Restrictions	With Donor Restrictions	Total	Total
Revenues, Support and Reclassifications				
General mission	\$ 99,248	\$ -	\$ 99,248	\$ 109,250
Per capita income	86,681	-	86,681	99,534
Contributions	10,091	67,465	77,556	40,591
Investment income (loss)	124,843	2,745	127,588	(50,020)
Other revenue	72,580	-	72,580	1,391
Total revenues and support	393,443	70,210	463,653	200,746
Net assets released from restriction	46,837	(46,837)	-	-
Total revenues, support and reclassifications	440,280	23,373	463,653	200,746
Expenses				
Program				
Mission, ministry and church support	154,635	-	154,635	130,189
Church transformation/NWC grants	15,493	-	15,493	110,000
Salaries and related expenses	45,531	-	45,531	43,798
Medical and pension expense	19,485	-	19,485	10,530
Total program expenses	235,144	-	235,144	294,517
Administrative				
Salaries and related expenses	73,023	-	73,023	55,807
Medical and pension expense	16,308	-	16,308	11,385
Offices supplies	1,445	-	1,445	1,868
Insurance	2,495	-	2,495	2,493
Professional fees	4,250	-	4,250	4,375
Council and committee expenses	3,737	-	3,737	1,202
Total administrative expenses	101,258	-	101,258	77,130
Total expenses	336,402	-	336,402	371,647
Decrease in net assets	103,878	23,373	127,251	(170,901)
Net assets, beginning of year	1,194,390	62,733	1,257,123	1,428,024
Net assets, end of year	\$ 1,298,268	\$ 86,106	\$ 1,384,374	\$ 1,257,123

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John Calvin Presbytery

Notes to Financial Statements

Years Ended December 31, 2019 and 2018

1. Nature of the Organization

John Calvin Presbytery (the Presbytery) is a nonprofit organization consisting of active members of Presbyterian churches located in Missouri and Kansas under the Presbytery's jurisdiction. The Presbytery was established under the Constitution of the Presbyterian Church (USA) and provides support and assistance to the churches within the presbytery. The Presbytery is also active in development of new churches in the region and promotes growth in church membership.

The Presbytery receives funding from member churches for per capita assessments, special gifts, resource fees, and contributions. Also, the Presbytery receives funding from the Synod of Mid-America in the form of general funds and designated peacemaking funds. The Presbytery advises member churches on personnel issues and has funds established to provide loans to churches and ministers in need.

2. Summary of Significant Accounting Policies

Accounting Pronouncement Adopted: During the year ended December 31, 2018, the Presbytery adopted the Financial Accounting Standards Board (FASB) Accounting Standards Update (ASU) 2016-14 *Not-For-Profit Entities (Topic 985) Presentation of Financial Statements of Not-For-Profit Entities*. The ASU amended the current reporting model for nonprofit organizations and enhances required disclosures including net asset classification, the functional allocation of expenses and information about liquidity, financial performance, and cash flows. The ASU has been applied retrospectively to all periods presented.

Basis of presentation: The accompanying financial statements have been prepared on the modified cash basis of accounting, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. The modified cash basis of accounting differs from generally accepted accounting principles primarily because the Presbytery recognizes revenues when received instead of when the revenue is earned and payments to vendors are recognized when paid instead of when goods and services are received.

The Presbytery is required 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 organization. These net assets may be used at the discretion of the Presbytery's management and the board of directors.

Net assets with donor restrictions: Net assets subject to stipulations imposed by donors. 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. As of December 31, 2019 and 2018, the Presbytery did not have any donor funds restricted in perpetuity.

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Contributions received are recorded as increases in net assets with donor restrictions or net assets without donor restrictions, depending on the existence and/or nature of any restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and are reported in the statements of revenues, expenses and other changes in net assets - modified cash basis as net assets released from restrictions.

Comparative financial information: The financial statements include certain prior year summarized comparative information in total, but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with the modified cash basis of accounting. Such information should be read in conjunction with the Presbytery's financial statements for the year ended December 31, 2018, from which the summarized information was derived.

Accounting estimates: Management uses estimates and assumptions in preparing these financial statements in accordance with the modified cash basis of accounting. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenues and expenses. Actual results could vary from the estimates used.

Investments: Investments in marketable securities with readily determinable fair values are reported at their fair values in the statements of assets, liabilities, and net assets - modified cash basis. Unrealized gains and losses are included in the change in net assets. Investment income and gains restricted by a donor are reported as increases in net assets without donor restrictions if the restrictions are met (either passage of time or by use) in the reporting period in which the income and gains are recognized.

Tax-exempt status: The Presbytery has been classified as an exempt organization under Internal Revenue Code Section 501(c)(3).

The Presbytery has analyzed tax positions taken and has concluded that as December 31, 2019 and 2018, there are no uncertain positions taken, or expected to be taken, that would require disclosure in the financial statements. The Presbytery is subject to routine audits by taxing jurisdictions; however, there are currently no audits for any tax periods in progress. The Presbytery does not believe it likely that changes will occur within the next fiscal year that will have a material impact on the financial statements.

Cash equivalents: The Presbytery's cash and cash equivalents include cash on hand, money market funds, and investments with original maturities of three months or less.

Fair value measurement: The definition of fair value focuses on the exit price (i.e., the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date) not the entry price (i.e., the price that would be paid to acquire the asset or received to assume the liability at the measurement date). Fair value is a market-based measurement; not an entity-specific measurement. Therefore, the fair value measurement should be determined based on the assumptions that market participants would use in pricing the asset or liability.

Functional allocation of expenses: The costs of providing the various programs and other activities have been summarized on a functional basis in the statements of revenues, expenses, and other changes in

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net assets – modified cash basis. Accordingly, certain costs have been allocated among the programs and supporting services benefited. Such allocations are determined by management on an equitable basis.

The expenses that are allocated include the following:

<u>Expense</u>	<u>Method of Allocation</u>
Salaries and related expenses	Time and effort
Medical and pension expense	Time and effort

Reclassification: Certain reclassifications have been made to the 2018 financial statements to conform to the 2019 financial statement presentation. These reclassifications had no effect on the change in net assets.

Subsequent events: Management has evaluated subsequent events between the end of the most recent fiscal year and **DATE**, the date the financial statements were available to be issued. See Note 3 for further discussion of risks related to the coronavirus pandemic.

3. Risks and Uncertainties

Subsequent to year end, a strain of coronavirus (COVID-19) was identified as a global pandemic and began affecting the health of large portions of the global population. The detrimental impact of this virus is not yet fully determinable but will likely be significant for both the local and global economy. The effects of COVID-19 on the Presbytery are also not yet determinable. However, COVID-19 has been identified as a significant risk and uncertainty that could impact future operations and result in changes in estimates and assumptions made in the financial statements.

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4. Availability and Liquidity

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of December 31, 2019, comprise the following:

	<u>2019</u>	<u>2018</u>
Financial assets at year end		
Cash and cash equivalents	\$ 149,763	\$ 149,264
Certificates of deposit	14,305	-
Investments	76,628	66,864
Beneficial interest in CFO	1,145,311	1,043,091
Total financial assets	<u>1,386,007</u>	<u>1,259,219</u>
Less amounts not available to be used within one year		
Net assets with donor restrictions greater than one year	35,684	18,654
Board designated net assets	605,853	556,514
Total amount not available to be used within one year	<u>641,537</u>	<u>575,168</u>
Financial assets available to meet general expenditures over the next twelve months	<u>\$ 744,470</u>	<u>\$ 684,051</u>

The Presbytery's goal is to maintain financial assets to meet six months of operating expenses. As part of its liquidity plan, excess cash is invested in short-term investments, including money market accounts.

5. Investments

The carrying value and estimated market value of donated investments and investment securities are as follows:

	<u>2019</u>			<u>2018</u>		
	<u>Cost</u>	<u>Unrealized Gain</u>	<u>Market Value</u>	<u>Cost</u>	<u>Unrealized Gain</u>	<u>Market Value</u>
Marketable equity securities	<u>\$ 61,443</u>	<u>\$ 15,185</u>	<u>\$ 76,628</u>	<u>\$ 58,357</u>	<u>\$ 8,507</u>	<u>\$ 66,864</u>

6. Beneficial Interest in Community Foundation

Beneficial interest in community foundation, as presented in the statements of assets, liabilities, and net assets – modified cash basis, consists of funds held at the Community Foundation of the Ozarks. The Presbytery has legally enforceable rights and claims to the assets, including rights to the income

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produced by said assets. The investment structure of the assets is to seek higher returns than a cash account, while providing reasonable stability of principal.

7. Net Assets

Net assets with donor restrictions were as follows for the years ended December 31, 2019 and 2018:

	<u>2019</u>	<u>2018</u>
Specific Purpose		
Disaster Relief Funds	\$ 16,327	\$ 15,397
Endowment Fund	21,379	18,654
CVI Grant	9,895	9,895
Candidate Aid	7,020	6,584
New Church Development	4,945	4,945
Resource Center	4,788	4,788
Peacemaking	6,871	1,892
Pentecost	576	578
College Scholarship	14,305	-
Total net assets with donor restrictions	<u>\$ 86,106</u>	<u>\$ 62,733</u>

Net assets without donor restrictions that have been designated with a specific purpose by the General Council were are follows as of December 31, 2019 and 2018:

	<u>2019</u>	<u>2018</u>
Church Development	\$ 516,136	\$ 464,297
Church Emergency Fund	37,500	37,500
Lay Academy	150	150
Pension	365	365
Scholarships	16,075	16,075
Trustee	32,378	34,878
Youth Connection	3,249	3,249
Total net assets released from donor restrictions	<u>\$ 605,853</u>	<u>\$ 556,514</u>

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Net assets released from donor restrictions are as follows:

	<u>2019</u>	<u>2018</u>
Satisfaction of purpose restrictions		
Disaster Relief Funds	\$ 356	\$ 1,820
Peacemaking	-	4,450
Youth Council and Rallies	12,983	1,363
Special Offerings	33,498	32,663
Total net assets released from donor restrictions	<u>\$ 46,837</u>	<u>\$ 40,296</u>

8. Use of Property Not Owned or Leased

The Presbytery uses office space that it does not own or lease. Employees use property they own personally for office space. In addition, member churches provide temporary office and meeting space for use by the Presbytery employees and board members.

9. Contingent Liabilities

The Presbytery is contingently liable as guarantor for member churches' mortgages for facilities at various locations. At December 31, 2019, the balance of these mortgages amounted to \$579,700. The maturity dates of the mortgages range up to April 2034.

In addition, prior to 1975, certain member churches received mortgage grants that do not require payment of principal or interest so long as the church remains a part of the Presbyterian Church (USA). The Presbytery is contingently liable as guarantor on grants under this program totaling \$25,200.

10. Pension (Medical/Retirement) Plan

John Calvin Presbytery is a participant in a defined contribution plan that combines retirement, health, death and disability benefits. The plan is contributory and covers employees who are at least 21 years old and work 20 hours per week. For the plan years 2019 and 2018, John Calvin Presbytery contributed 37% of each eligible employee's salary for each year. For the years ended December 31, 2019 and 2018, contributions totaled \$35,793 and \$21,915, respectively.

11. Fair Value Measurement

The Presbytery has an established process for determining fair values. Fair value is based upon quoted market prices, where available. If listed prices or quotes are not available, fair value is based upon internally developed models or processes that use primarily market-based or independently sourced market data, including interest rate yield curves, option volatilities and third-party information. Valuation adjustments may be made to ensure that financial instruments are recorded at fair value.

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Furthermore, while 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 estimate of fair value at the reporting date.

Valuation Hierarchy:

The Presbytery uses a three-level valuation hierarchy for disclosure of fair value measurements. The valuation hierarchy is based upon the transparency of inputs to the valuation of an asset or liability as of the measurement date. The three levels are defined as follows:

Level 1: inputs to the valuation methodology are quoted prices (unadjusted) for identical assets or liabilities in active markets.

Level 2: inputs to the valuation methodology include quoted prices for similar assets and liabilities in active markets, and inputs that are observable for the asset or liability, either directly or indirectly, for substantially the full term of the financial instrument.

Level 3: inputs to the valuation methodology are unobservable and significant to the fair value measurement.

A financial instrument's categorization within the valuation hierarchy is based upon the lowest level of input that is significant to the fair value measurement. The following is a description of the valuation methodologies used for instruments measured at fair value, as well as the general classification of such instruments pursuant to the valuation hierarchy.

Marketable equity securities and beneficial interest in community foundation – The Presbytery uses quoted market prices from actively traded markets to estimate the fair value of the equity securities that it holds. These securities are classified within Level 1 of the valuation hierarchy above. If quoted market prices were not available, then fair values would be estimated by using pricing models, quoted prices of securities with similar characteristics, or discounted cash flows and would be classified within Level 2 of the valuation hierarchy. In certain cases where there is limited activity or less transparency around inputs to the valuation, securities would be classified within level 3 of the valuation hierarchy.

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The following table presents the financial instruments carried at fair value on a recurring basis as of December 31, 2019 and 2018.

	<u>Carrying value</u>	<u>Quoted market prices in an active market (Level 1)</u>	<u>Internal models with significant observable market parameters (Level 2)</u>	<u>Internal models with significant unobservable market parameters (Level 3)</u>
December 31, 2019				
Assets held at CFO	\$ 1,145,311	\$ -	\$ 1,145,311	\$ -
Marketable equity securities	76,628	76,628	-	-
Total	<u>\$ 1,221,939</u>	<u>\$ 76,628</u>	<u>\$ 1,145,311</u>	<u>\$ -</u>
December 31, 2018				
Assets held at CFO	\$ 1,043,091	\$ -	\$ 1,043,091	\$ -
Marketable equity securities	66,864	66,864	-	-
Total	<u>\$ 1,109,955</u>	<u>\$ 66,864</u>	<u>\$ 1,043,091</u>	<u>\$ -</u>

During the years ended December 31, 2019 and 2018, the Presbytery had no financial instruments classified within Level 3 of the valuation hierarchy for assets and liabilities measured at fair value on a recurring basis.

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