

PRESBYTERY OF SOUTHERN NEW ENGLAND, INC.

FINANCIAL STATEMENTS AND
INDEPENDENT AUDITOR'S REPORT

YEAR ENDED DECEMBER 31, 2020

PRESBYTERY OF SOUTHERN NEW ENGLAND, INC.

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Independent Auditor's Report

To the Board of Trustees of
Presbytery of Southern New England, Inc.
Chester, Connecticut

We have audited the accompanying financial statements of the Presbytery of Southern New England, Inc. (a nonprofit organization), which comprise the statement of financial position as of December 31, 2020, and the related statement of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Presbytery of Southern New England, Inc. as of December 31, 2020, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Mahoney Sabol + Company, LLP

Certified Public Accountants
Glastonbury, Connecticut
August 11, 2021

PRESBYTERY OF SOUTHERN NEW ENGLAND, INC.

STATEMENT OF FINANCIAL POSITION

DECEMBER 31, 2020

ASSETS

Cash and cash equivalents	\$	244,824
Investments		891,117
Dismissal agreements receivable, net		166,515
Property and equipment, net		<u>300</u>
	\$	<u><u>1,302,756</u></u>

LIABILITIES AND NET ASSETS

LIABILITIES:

Accounts payable and accrued expenses	\$	<u>2,943</u>
TOTAL LIABILITIES		2,943

NET ASSETS:

Without donor restrictions		821,753
With donor restrictions		<u>478,060</u>
TOTAL NET ASSETS		<u><u>1,299,813</u></u>
	\$	<u><u>1,302,756</u></u>

See notes to financial statements.

PRESBYTERY OF SOUTHERN NEW ENGLAND, INC.

STATEMENT OF ACTIVITIES

YEAR ENDED DECEMBER 31, 2020

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
CHANGE IN NET ASSETS:			
Revenue and support:			
Grants and contributions	\$ 341,900	\$ 14,257	\$ 356,157
Member contributions - per capita	222,321	-	222,321
Member contributions - mission	52,800	-	52,800
Interest	150	359	509
Net assets released from restriction	25,150	(25,150)	-
TOTAL REVENUE AND SUPPORT	<u>642,321</u>	<u>(10,534)</u>	<u>631,787</u>
OPERATING EXPENSES:			
Program expenses	357,785	-	357,785
Supporting expenses	243,866	-	243,866
TOTAL OPERATING EXPENSES	<u>601,651</u>	<u>-</u>	<u>601,651</u>
Increase (decrease) in net assets before other income (expense)	40,670	(10,534)	30,136
OTHER INCOME (EXPENSE):			
Net investment income	2,308	-	2,308
Depreciation expense	(200)	-	(200)
TOTAL OTHER INCOME (EXPENSE)	<u>2,108</u>	<u>-</u>	<u>2,108</u>
CHANGE IN NET ASSETS	42,778	(10,534)	32,244
NET ASSETS:			
Beginning of year	<u>778,975</u>	<u>488,594</u>	<u>1,267,569</u>
End of year	<u>\$ 821,753</u>	<u>\$ 478,060</u>	<u>\$ 1,299,813</u>

See notes to financial statements.

PRESBYTERY OF SOUTHERN NEW ENGLAND, INC.

STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED DECEMBER 31, 2020

	<u>Program</u>	<u>Supporting</u>	<u>Total</u>
Salaries and benefits	\$ 32,500	\$ 212,315	\$ 244,815
General Assembly and Synod fees	85,274	-	85,274
Repairs and maintenance	67,636	-	67,636
Mission fees	65,418	-	65,418
Other expenses	47,986	500	48,486
Immigrant ministry	47,277	-	47,277
Office operations	-	16,732	16,732
Trustee expense	-	9,632	9,632
Travel	1,246	4,687	5,933
Ministry relief	5,675	-	5,675
Committee on ministry	4,323	-	4,323
Presbytery council	450	-	450
	<u>\$ 357,785</u>	<u>\$ 243,866</u>	<u>\$ 601,651</u>

See notes to financial statements.

PRESBYTERY OF SOUTHERN NEW ENGLAND, INC.

STATEMENT OF CASH FLOWS

YEAR ENDED DECEMBER 31, 2020

CASH FLOWS FROM OPERATING ACTIVITIES:	
Increase in net assets	\$ 32,244
Adjustments to reconcile increase in net assets to net cash provided by operating activities:	
Depreciation	200
Decrease in dismissal agreements receivable	30,222
Increase in accounts payable and accrued expenses	(111)
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>62,555</u>
CASH FLOWS FROM INVESTING ACTIVITIES:	
Reinvestment of dividend	<u>(2,308)</u>
NET CASH USED IN INVESTING ACTIVITIES	<u>(2,308)</u>
INCREASE IN CASH AND CASH EQUIVALENTS	60,247
CASH AND CASH EQUIVALENTS:	
Beginning of year	<u>184,577</u>
End of year	<u>\$ 244,824</u>

See notes to financial statements.

PRESBYTERY OF SOUTHERN NEW ENGLAND, INC.

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2020

NOTE 1 – ORGANIZATION:

The Presbytery of Southern New England, Inc. (the Presbytery) was organized on June 27, 1977 and is the middle governing body of the Presbyterian Church (U.S.A.). The Presbytery is a nonprofit organization and is dedicated to establishing and maintaining the teaching of the word of God and the public worship of God, and to erecting and maintaining houses of worship and such other buildings as may be necessary. The Presbytery is responsible for the oversight of churches within the State of Connecticut, State of Rhode Island and certain portions of the Commonwealth of Massachusetts. The Presbytery is supported primarily through transfers of funds from the churches as well as investment income generated from management of cash flows.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

Basis of Accounting:

The financial statements have been prepared on the accrual basis of accounting in conformity with accounting principles generally accepted in the United States of America (US GAAP).

Financial Statement Presentation:

The Presbytery reports information regarding its financial position and activities according to two classes of net assets, as follows:

Net Assets without Donor Restrictions – These net assets generally result from revenues generated by receiving contributions that have no donor restrictions, providing services, and receiving interest from operating investments, less expenses incurred in provided program-related services, raising contributions, and performing administrative functions. From time to time the Board of Trustees designates a portion of these net assets for specific purposes which makes them unavailable for use at management's discretion (see Note 7).

Net Assets with Donor Restrictions – These net assets result from gifts of cash and other assets that are received with donor stipulations that limit the use of the donated assets, either temporarily or permanently, until the donor restriction expires, that is until the stipulated time restriction ends or the purpose of the restriction is accomplished, the net assets are restricted (see Note 7).

Recently Adopted Accounting Pronouncements:

In 2020, the Presbytery adopted the Financial Accounting Standards Board's (FASB) Accounting Standards Update (ASU) No. 2014-09, *Revenue from Contracts with Customers* (Topic 606), and additional ASUs issued to clarify the guidance in ASU 2014-09 (collectively, the new revenue standard), which amends the existing accounting standards for revenue recognition. The Presbytery adopted the new revenue standard utilizing the modified retrospective transition method. The adoption of the new revenue standard did not have a material impact on previously reported amounts or amounts recognized for the year ended December 31, 2020 as the Presbytery receives substantially all of its support from contributions and grants (including member contributions), which are not within the scope of the new revenue standard.

PRESBYTERY OF SOUTHERN NEW ENGLAND, INC.

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2020

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

Revenue Recognition:

The Presbytery derives and recognizes revenue as follows:

Grants and contributions (including member contributions) – Grants and contributions (including member contributions) are defined as voluntary, nonreciprocal transfers. Member contributions are deemed to be voluntary as the Presbyterian Church (U.S.A.)’s constitution does not mandate the payment of per capita and mission by individual congregations. Unrestricted and unconditional contributions are recognized as support when received or pledged, if applicable. Grants are recognized as support upon notification of award. Contributions and grants are reported as support with donor restrictions if they are received with donor stipulations that limit the use of such assets. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions. Donor restricted contributions whose restrictions are met in the same reporting period are reported as unrestricted support. Unconditional promises to give that are expected to be collected within one year are recorded at net realizable value. Unconditional promises to give that are expected to be collected in future years are recorded at the present value of their estimated future cash flows. The discount on those amounts is computed using a rate reflecting the risk involved and is amortized based on the expected receipt date of the gift. Amortization of the discount is included in contribution support. Certain Government grants received by a not-for-profit organization are generally considered contributions rather than exchange transactions since there was not commensurate value transferred between the resource provider and the Presbytery. Promises to give that are subject to donor imposed conditions are recognized when the conditions on which they depend are substantially met, that is, when the conditional promise becomes unconditional. Unconditional contributions are recognized when promised or received, as applicable, and are considered to be available for unrestricted use unless specifically restricted by the donor (see Note 6).

Contributed Goods and Services - Donations of goods and services are recorded as support at their estimated market value at the date of donation to the extent that they create or enhance nonfinancial assets or require specialized skills which, if not provided by donation, would have to be purchased by the Presbytery. 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. In the absence of donor stipulations regarding how long these 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 net assets with donor restrictions to net assets without donor restrictions at that time.

PRESBYTERY OF SOUTHERN NEW ENGLAND, INC.

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2020

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

Use of Estimates:

The preparation of financial statements in conformity with US GAAP requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Cash and Cash Equivalents:

The Presbytery considers all highly liquid debt and equity instruments with an original maturity of three months or less to be cash equivalents. Cash and cash equivalents consist of cash on hand, on deposit and cash management accounts. The Presbytery has an arrangement with Liberty Bank for overnight investments of operating cash through a daily sweep account. The sweep amounts are backed by government securities. At December 31, 2020, the sweep amount included in cash and cash equivalents was \$87,342.

Federal Deposit Insurance Company (FDIC) coverage is \$250,000 per institution. At various times during the year ended December 31, 2020, cash balances exceeded the FDIC coverage. At December 31, 2020 cash and cash equivalents did not exceed the FDIC coverage and the Presbytery believes that its cash and cash equivalents are not exposed to significant credit risk.

Investments:

The Presbytery measures its investments at their fair values based on quoted prices in active markets in the statement of financial position. Unrealized gains and losses are included in the change in net assets in the accompanying statement of activities as increases or decreases in net assets without restriction unless the income, expense, gains or losses are restricted by the donor, the board, or law. See Note 10 for discussion of fair value measurements.

Dismissal Agreements Receivable:

Dismissal agreements receivable consists of amounts owed to the Presbytery from former member churches. The Presbytery performs an analysis of the collectability of dismissal agreements receivable and considers such factors as prior collection experience. Management believes the dismissal agreements receivable are fully collectible and no allowance has been provided for possible losses. Amounts due within one year are recorded at net realizable value. Amounts due in future years are recorded at the present value of estimated future cash flows (see Note 4).

PRESBYTERY OF SOUTHERN NEW ENGLAND, INC.

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2020

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

Property and Equipment:

Property and equipment of the Presbytery are recorded at cost. Depreciation and amortization is computed using the straight-line method over the estimated useful lives of the assets, which range from three to five years. Expenditures for major renewals and betterments that extend the useful lives of property and equipment are capitalized; expenditures for maintenance and repairs are charged to expense as incurred. When items of property and equipment are sold or retired, the related cost and accumulated depreciation are eliminated from the accounts and the resulting gain or loss is reflected in the accompanying statement of activities.

Fair Value of Financial Instruments:

The Presbytery has a number of financial instruments and none are held for trading purposes. The Presbytery estimates that the fair value of all financial instruments as of December 31, 2020 does not differ materially from the aggregate carrying values of its financial instruments recorded in the accompanying statement of financial position. The Presbytery, using available market information and appropriate valuation methodologies, has determined the estimated fair value amounts. Considerable judgment is required in interpreting market data to develop the estimates of fair value and, accordingly, the estimates are not necessarily indicative of the amounts that the Presbytery could realize in a current market exchange.

Leases:

Leases, which meet certain criteria, are classified as capital leases and assets and liabilities are recorded at amounts equal to the lesser of the present value of the minimum lease payments or the fair value of the leased properties at the beginning of the respective lease terms. Leases that do not meet such criteria are classified as operating leases and related rentals are charged to expense as incurred. There are no material operating or capital leases at December 31, 2020.

Income Taxes:

The Presbytery is tax exempt under Internal Revenue Code section 501(c)(3), and is not required to file Form 990 with the Internal Revenue Service. Accordingly, no provision for income taxes has been provided in the accompanying financial statements, nor does the Presbytery have any tax years subject to examination.

Functional Allocation of Expenses:

The financial statements present expenses by function and natural classification. Expenses directly attributable to a specific function of the Presbytery are reported as expenses of those function areas. A portion of general and administrative costs that benefit multiple functional areas (indirect cost) have been allocated across programs and other support services based on the proportion of full-time employee equivalents of a program or other supporting service versus the total organizational full-time employee equivalents.

PRESBYTERY OF SOUTHERN NEW ENGLAND, INC.

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2020

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

Subsequent Events:

The Presbytery has evaluated subsequent events through August 11, 2021, the date the financial statements were available to be issued.

NOTE 3 – INVESTMENTS:

Investments totaling \$891,117 are shown in the statement of financial position at fair market value (FMV) and consist of Government Money Market Funds (see Note 10). Net investment income of \$2,308 for the year ended December 31, 2020 is comprised solely of dividends and interest, all of which was reinvested during the year ended December 31, 2020.

NOTE 4 – DISMISSAL AGREEMENTS:

In previous years, the Presbytery received notice from three member churches, the First Presbyterian Church of Newport, RI (FPCN), the Presbyterian Church of Old Greenwich, CT (PCOG) and the Calvary Presbyterian Church, Enfield, CT (CPC), collectively the Churches, requesting permission to be dismissed from the Presbytery.

The Churches all reached a dismissal agreement (the Dismissal Agreements) with the Presbytery. The Dismissal Agreements call for full and final release of the Presbytery's interest in the Churches' real property, which is conditioned upon payment by the Churches to the Presbytery.

The FPCN dismissal agreement calls for a payment of \$120,000, which shall be paid in 10 equal annual installments of \$12,000, interest free if paid by December 31 each year, beginning with December 31, 2017. The FPCN dismissal agreement is restricted for the Emerging Ministries program and is included in net assets with donor restrictions at December 31, 2020.

The PCOG dismissal agreement calls for a payment of \$200,000, which shall be paid in 16 equal annual installments of \$12,000, and a final payment of \$8,000, with no interest charged, the first of which shall be paid by December 31, 2016, with each successive payment due and payable by December 31 of the following year. The PCOG dismissal agreement is restricted for New Church Development (NCD) and is included in net assets with donor restrictions at December 31, 2020.

The CPC dismissal agreement calls for a payment of \$39,280 which shall be paid in 10 equal annual installments of \$3,928 with no interest charged, the first payment of which shall be paid by December 31, 2016 with each successive payment due and payable by December 31 of the following year. The CPC dismissal agreement is restricted for the Emerging Ministries program and is included in net assets with donor restrictions at December 31, 2020.

During the year ended December 31, 2020, the Presbytery received all required payments due under the Dismissal Agreements.

PRESBYTERY OF SOUTHERN NEW ENGLAND, INC.

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2020

NOTE 4 – DISMISSAL AGREEMENTS (Continued):

Amounts to be collected within one year are recorded at net realizable value. Amounts to be collected in future years are recorded at the present value of estimated future cash flows. The discounts on these amounts are computed using risk-free interest rates (approximately 2.75% at December 31, 2020) applicable to the years in which the amounts are expected to be collected.

Dismissal agreements receivable consist of the following at December 31, 2020:

FPCN	\$ 72,000
PCOG	140,000
CPC	11,783
	<u>223,783</u>
Less: discount to present value	<u>(57,268)</u>
Dismissal agreements receivable, net	<u>\$ 166,515</u>

Amortization of the discounts will be included in revenue and support in future years. Future receipts under such agreements are expected to be as follows:

<u>Year</u>	<u>Amount</u>
2021	\$ 27,928
2022	27,928
2023	27,927
2024	24,000
2025	24,000
Thereafter	<u>92,000</u>
	<u>\$ 223,783</u>

NOTE 5 – PROPERTY AND EQUIPMENT:

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

Office equipment and furnishings	\$ 4,179
Less: accumulated depreciation	<u>(3,879)</u>
	<u>\$ 300</u>

PRESBYTERY OF SOUTHERN NEW ENGLAND, INC.

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2020

NOTE 6 – PAYCHECK PROTECTION PROGRAM:

In May 2020, the Presbytery was granted a loan of \$65,662 from Liberty Bank, pursuant to the Paycheck Protection Program (the PPP) under Division A, Title I of the Coronavirus Aid, Relief, and Economic Security (CARES) Act, which was enacted March 27, 2020. The loan contains repayment terms, interest rates and no prepayment penalties and also includes full or partial forgiveness provisions if the loan proceeds are used for qualifying expenditures as described in the CARES Act. These expenditures include payroll costs, group health care benefits, mortgage payments, rent, utilities, and interest on other debt obligations. Pursuant to government grant accounting (see Note 2), the Presbytery used \$65,662 of the loan amount for qualifying expenditures and has recorded that amount in grant revenue in these financial statements. The loan was forgiven by Liberty Bank in April 2021.

NOTE 7 – NET ASSETS:

The Presbytery's net assets without donor restrictions are comprised of undesignated and Board designated amounts as follows at December 31, 2020:

Undesignated	\$ 410,004
Board designated	<u>411,749</u>
	<u>\$ 821,753</u>

Net assets with donor restrictions consist of the following at December 31, 2020:

PCOG NCD reserve	\$ 200,000
Emerging ministries	159,280
Simsbury NCD reserve	77,883
Relief fund	20,425
Latinas in action	10,000
Immigrant ministry	5,083
Coaching	4,226
Anti-racism/reparation	832
IC & AJC roundtable	<u>331</u>
	<u>\$ 478,060</u>

PRESBYTERY OF SOUTHERN NEW ENGLAND, INC.

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2020

NOTE 8 – RETIREMENT PLAN:

The Presbytery offers certain employees the opportunity for participation in the Benefits Plan of the Presbyterian Church (U.S.A.) (the Plan), a multiple employer plan. The Plan, as defined by Section 414(e) of the Internal Revenue Code, includes retirement, disability and medical benefit provisions. For the year ended December 31, 2020, the Presbytery contributed \$7,103 to the Plan. The Presbytery also offers a 403(b) plan under the Benefits Plan of the Presbyterian Church (U.S.A.) which covers all eligible employees, and is also a multiple employer plan. The Presbytery currently does not make contributions to the 403(b) plan.

The risks of participating in multi-employer plans are different from single employer plans as assets contributed are available to provide benefits to employees of other employers and unfunded obligations from an employer that discontinues contributions are the responsibility of all remaining employers. In addition, in the event of a plan's termination or the Presbytery's withdrawal from a plan, the Presbytery may be liable for a portion of the plan's unfunded vested benefits. The Presbytery does not anticipate withdrawal from the plans, nor is the Presbytery aware of any expected plan terminations. The Presbytery's contributions to these plans were less than 5% of each such plan's total contributions.

NOTE 9 – COMMITMENTS AND CONTINGENCIES:

As a part of the Presbytery's operations, it guarantees loans made to member churches. The guaranteed loans from The General Assembly of the Presbyterian Church and Synod of the Northeast, total approximately \$2,289,000. In addition, the Presbytery guarantees certain loans to financial institutions. At December 31, 2020, such guarantees amounted to approximately \$37,000. The amount of other guarantees, if any, has not been determined.

NOTE 10 – FAIR VALUE MEASUREMENTS:

The Presbytery follows FASB ASC 820, which establishes a framework for identifying and measuring fair value. FASB ASC 820 provides a fair value hierarchy, giving the highest priority to quoted prices in active markets, and is expected to be applied to fair value measurements of derivative contracts that are subject to mark to market accounting and other assets and liabilities reported at fair value.

FASB ASC 820 defines fair value, establishes a framework for measuring fair value and expands disclosures about fair value measurements. Fair value is 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.

FASB ASC 820 emphasizes that fair value is a market-based measurement, not an entity-specific measurement, and establishes a fair value hierarchy that distinguishes between assumptions based on market data obtained by independent sources and those based on the entity's own assumptions.

PRESBYTERY OF SOUTHERN NEW ENGLAND, INC.

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2020

NOTE 10 – FAIR VALUE MEASUREMENTS (Continued):

The hierarchy prioritizes the inputs to fair value measurements into three levels:

Level 1 – measurements utilize unadjusted quoted prices in active markets for identical assets or liabilities that the entity has the ability to access. These consist primarily of listed equity securities, exchange traded fixed income, derivatives and certain U.S. government treasury securities.

Level 2 – measurements include quoted prices for similar assets and liabilities in active markets, quoted prices for identical or similar assets or liabilities in markets that are not active, and other observable inputs such as interest rates and yield curves that are observable at commonly quoted intervals. These consist primarily of non-exchange traded derivatives such as swaps, forward contracts of options and most fixed income securities.

Level 3 – measurements use unobservable inputs for assets or liabilities, are based on the best information available and might include the entity's own data.

In some valuations, the inputs used may fall into different levels of the hierarchy. In these cases, the financial instrument's level within the fair value hierarchy is based on the lowest level of input that is significant to the fair value measurement. These consist mainly of assets and liabilities valued through an internal modeling process.

The following section describes the valuation methodologies used by the Presbytery to measure different financial instruments at fair value, including an indication of the level in the fair value hierarchy in which each instrument is generally classified. Where appropriate, the description includes the details of the valuation models, the key inputs to those models, and any significant assumptions.

Government money market funds – funds are invested in short-term obligations of the U.S. government or its agencies. Fair value of the money market fund is based on net asset value (NAV), which is the fund's readily determinable fair value (see Note 3). This investment is categorized as a Level 2 in the fair value hierarchy.

This portfolio represents a commingled fund with an investment objective to seek a high level of current income with the preservation of principal and liquidity. The fund normally invests at least 99.5% of the fund's total assets in cash, U.S. government securities and/or repurchase agreements for those securities.

Transfers between Levels 1 and 2 generally relate to whether a market becomes active or inactive. Transfers between Levels 2 and 3 generally relate to whether, for various reasons, significant inputs become observable or unobservable.

During the year ended December 31, 2020, there were no significant transfers into and out of each level of the fair value hierarchy for assets measured at fair value.

PRESBYTERY OF SOUTHERN NEW ENGLAND, INC.

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2020

NOTE 11 – FINANCIAL ASSETS AND LIQUIDITY RESOURCES:

Financial assets are considered unavailable when illiquid or not convertible to cash within one year, state required annuity reserves, trust assets, assets held for others, perpetual endowments and accumulated earnings net of appropriations within one year, or because the governing board has set aside funds for a specific contingency reserve or a long-term investment as board designated endowments. These board designations could be drawn upon if the board approves that action. The Presbytery has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due.

The following table reflects the Presbytery's financial assets as of December 31, 2020, reduced by amounts not available for general expenditure within one year:

Financial assets:	
Cash and cash equivalents	\$ 244,824
Investments	891,117
Dismissal agreements receivable, net	166,515
Financial assets, at year-end	<u>1,302,456</u>
Less those unavailable for general expenditure within one year, due to:	
Restricted by donors with purpose restrictions, which includes dismissal agreements receivable	(478,060)
Less those unavailable for general expenditure without board approval:	
Board designated	<u>(411,749)</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 412,647</u>

NOTE 12 – RISKS AND UNCERTAINTIES:

In early March 2020, there was a global outbreak of COVID-19 that resulted in an economic downturn, changes in global supply and demand, and the temporary closure of nonessential businesses in many states. In connection with the outbreak, the Presbytery continues to monitor its potential impact, which may materially impact the Presbytery's finances and operations. Due to the uncertainties surrounding COVID-19, the full impact of the outbreak and the scope of any cumulative adverse impact on the Presbytery's finances and operations cannot be fully determined at this time and largely depends on the ongoing severity, duration and spread of COVID-19.