

Presbytery of Lake Michigan

FINANCIAL STATEMENTS

Years ended December 31, 2023 (Unaudited) and 2022 (Audited)

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INDEPENDENT ACCOUNTANT'S REVIEW REPORT

Board of Trustees
Presbytery of Lake Michigan
Portage, Michigan

We have reviewed the accompanying financial statements of The Presbytery of Lake Michigan (a nonprofit organization), which comprise the statements of financial position as of December 31, 2023 and 2022, and the related statements of activities, cash flows, and functional expenses for the years 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 Presbytery 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 the financial statements that are free from material misstatement, whether due to fraud or error.

Accountant's Responsibility

Our responsibility is to conduct the review engagements 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.

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 reviews, 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.

April 10, 2024

FINANCIAL STATEMENTS

The Presbytery of Lake Michigan

STATEMENTS OF FINANCIAL POSITION

December 31, 2023 (Unaudited) and 2022 (Audited)

	<u>2023</u>	<u>2022</u>
ASSETS		
Current assets:		
Cash	\$ 36,906	\$ 22,374
Investments	3,329,552	2,160,089
Contributions receivable	9,303	3,758
Note receivable	<u>-</u>	<u>53,379</u>
Total current assets	<u>3,375,761</u>	<u>2,239,600</u>
Noncurrent assets:		
Fixed assets (net of accumulated depreciation and amortization of \$265,544 and \$263,027)	<u>2,558</u>	<u>5,075</u>
Total noncurrent assets	<u>2,558</u>	<u>5,075</u>
Total assets	<u>\$ 3,378,319</u>	<u>\$ 2,244,675</u>
LIABILITIES AND NET ASSETS		
Current liabilities:		
Accounts payable	\$ 24,085	\$ 3,327
Due to national and regional affiliates	<u>28,453</u>	<u>28,133</u>
Total liabilities	<u>52,538</u>	<u>31,460</u>
Net assets:		
With donor restrictions:		
Perpetual in nature	134,663	134,663
Purpose restricted	80,507	67,175
Time restricted	-	12,886
Without donor restrictions	<u>3,110,611</u>	<u>1,998,491</u>
Total net assets	<u>3,325,781</u>	<u>2,213,215</u>
Total liabilities and net assets	<u>\$ 3,378,319</u>	<u>\$ 2,244,675</u>

See notes to financial statements and accountant's report

STATEMENTS OF ACTIVITIES

Year ended December 31, 2023 (Unaudited)

	2023		
	Without donor restrictions	With donor restrictions	Total
REVENUES AND OTHER SUPPORT			
Contributions	\$ 686,217	\$ 11,301	\$ 697,518
Investment return (loss), net	294,250	17,865	312,115
Amounts received upon member church dissolution	1,031,874	-	1,031,874
Net assets released from restrictions	28,720	(28,720)	-
Total revenues and other support	<u>2,041,061</u>	<u>446</u>	<u>2,041,507</u>
EXPENSES			
Program activities:			
Budget and finance	9,696	-	9,696
Congregational support	268,285	-	268,285
Dynamic leaders	21,932	-	21,932
Leadership	75	-	75
Mission and outreach:			
Campus ministries	54,000	-	54,000
Mission and relief	83,218	-	83,218
GA shared and other missions	175,091	-	175,091
Synod mission	3,229	-	3,229
Supporting activities:			
Administrative and support	195,079	-	195,079
Unallocated payments to national and regional affiliates	118,336	-	118,336
Total expenses	<u>928,941</u>	<u>-</u>	<u>928,941</u>
CHANGES IN NET ASSETS	1,112,120	446	1,112,566
NET ASSETS - BEGINNING	<u>1,998,491</u>	<u>214,724</u>	<u>2,213,215</u>
NET ASSETS - ENDING	<u>\$ 3,110,611</u>	<u>\$ 215,170</u>	<u>\$ 3,325,781</u>

See notes to financial statements and accountant's report

STATEMENTS OF ACTIVITIES (Continued)

Year ended December 31, 2022 (Audited)

	2022		
	Without donor restrictions	With donor restrictions	Total
REVENUES AND OTHER SUPPORT			
Contributions	\$ 767,338	\$ 17,622	\$ 784,960
Investment return, net	(385,329)	(4,508)	(389,837)
Gain on sale of capital assets	305,412	-	305,412
Net assets released from restrictions	58,137	(58,137)	-
	<u>745,558</u>	<u>(45,023)</u>	<u>700,535</u>
Total revenues and other support			
EXPENSES			
Program activities:			
Budget and finance	6,031	-	6,031
Congregational support	266,251	-	266,251
Dynamic leaders	17,227	-	17,227
Leadership	899	-	899
Mission and outreach:			
Campus ministries	65,600	-	65,600
Covenant partners	10,050	-	10,050
Mission and relief	51,386	-	51,386
GA shared and other missions	232,898	-	232,898
Synod mission	6,645	-	6,645
Supporting activities:			
Administrative and support	225,238	-	225,238
Unallocated payments to national and regional affiliates	119,162	-	119,162
	<u>1,001,387</u>	<u>-</u>	<u>1,001,387</u>
Total expenses			
CHANGES IN NET ASSETS	(255,829)	(45,023)	(300,852)
NET ASSETS - BEGINNING	<u>2,254,320</u>	<u>259,747</u>	<u>2,514,067</u>
NET ASSETS - ENDING	<u>\$ 1,998,491</u>	<u>\$ 214,724</u>	<u>\$ 2,213,215</u>

See notes to financial statements and accountant's report

The Presbytery of Lake Michigan

STATEMENTS OF CASH FLOWS

Years ended December 31, 2023 (Unaudited) and 2022 (Audited)

	<u>2023</u>	<u>2022</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from:		
Member churches	\$ 691,973	\$ 784,329
Investment income	57,200	33,406
Payments to:		
Outside agencies, vendors, and suppliers	(504,125)	(567,740)
National and regional affiliates	(118,016)	(123,098)
Employees	(283,205)	(315,446)
Net cash provided by (used in) operating activities	<u>(156,173)</u>	<u>(188,549)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Collections on note receivable	53,379	-
Issuance of note receivable	-	(53,379)
Proceeds from dissolution of member churches, net of closing costs	1,031,874	-
Sales of fixed assets, net of closing costs	-	532,783
Purchases of fixed assets	-	(585)
Sales of investments	1,768,805	819,208
Purchase of investments	(2,683,353)	(1,133,633)
Net cash provided by (used in) investing activities	<u>170,705</u>	<u>164,394</u>
NET INCREASE (DECREASE) IN CASH	14,532	(24,155)
CASH - BEGINNING	<u>22,374</u>	<u>46,529</u>
CASH - ENDING	<u>\$ 36,906</u>	<u>\$ 22,374</u>

See notes to financial statements and accountant's report

STATEMENTS OF CASH FLOWS (Continued)

Years ended December 31, 2023 (Unaudited) and 2022 (Audited)

	<u>2023</u>	<u>2022</u>
RECONCILIATION OF CHANGES IN NET ASSETS TO NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES		
Changes in net assets	\$ 1,112,566	\$ (300,852)
Adjustments to reconcile changes in net assets to net cash provided by (used in) operating activities:		
Net (appreciation) depreciation in fair value of investments	(254,915)	423,243
Depreciation	2,517	2,458
Church dissolutions	(1,031,874)	-
Gain on sales of fixed assets	-	(305,412)
(Increase) decrease in contributions receivable	(5,545)	(631)
Increase (decrease) in:		
Accounts payable and accrued expenses	20,758	(3,419)
Due to national and regional affiliates	<u>320</u>	<u>(3,936)</u>
Net cash provided by (used in) operating activities	<u>\$ (156,173)</u>	<u>\$ (188,549)</u>

See notes to financial statements and accountant's report

STATEMENTS OF FUNCTIONAL EXPENSES

Year ended December 31, 2023 (Unaudited)

	Program activities									Supporting activities	Total Expenses
	Budget and finance	Congregational support	Dynamic leaders	Leadership	Mission and outreach					Administrative and support	
					Campus ministries	Covenant partners	Mission and relief	GA shared and other missions	Synod mission		
OPERATING EXPENSES											
Wages	\$ -	\$ 107,700	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 108,905	\$ 216,605
Housing	-	66,600	-	-	-	-	-	-	-	-	66,600
Payroll taxes	-	867	-	-	-	-	-	-	-	8,331	9,198
Fringe benefits	-	59,689	-	-	-	-	-	-	-	4,540	64,229
Organization support and grants	-	21,193	-	-	54,000	-	83,218	175,091	3,229	-	336,731
Scholarships and financial assistance	-	-	4,681	-	-	-	-	-	-	-	4,681
Administration	81	2,333	4,807	-	-	-	-	-	-	5,022	12,243
Meetings, conferences, and counseling	-	8,741	12,444	75	-	-	-	-	-	11,010	32,270
Professional services	9,615	1,162	-	-	-	-	-	-	-	-	10,777
Supplies	-	-	-	-	-	-	-	-	-	2,402	2,402
Postage and printing	-	-	-	-	-	-	-	-	-	1,414	1,414
Technology and support	-	-	-	-	-	-	-	-	-	7,828	7,828
Phone	-	-	-	-	-	-	-	-	-	7,029	7,029
Utilities	-	-	-	-	-	-	-	-	-	2,759	2,759
Insurance	-	-	-	-	-	-	-	-	-	3,125	3,125
Building repairs and maintenance	-	-	-	-	-	-	-	-	-	14,227	14,227
Depreciation	-	-	-	-	-	-	-	-	-	2,517	2,517
Vouchered expenses	-	-	-	-	-	-	-	-	-	15,970	15,970
Total expenses, by function	\$ 9,696	\$ 268,285	\$ 21,932	\$ 75	\$ 54,000	\$ -	\$ 83,218	\$ 175,091	\$ 3,229	\$ 195,079	810,605

UNALLOCATED PAYMENTS TO AFFILIATED ORGANIZATIONS

G.A. Per Capita	88,980
Synod Per Capita	29,356

Total unallocated payments to affiliated organizations 118,336

Total expenses \$ 928,941

STATEMENTS OF FUNCTIONAL EXPENSES

Year ended December 31, 2022 (Audited)

	Program activities									Supporting activities	Total Expenses
	Budget and finance	Congregational support	Dynamic leaders	Leadership	Mission and outreach				Synod mission	Administrative and support	
					Campus ministries	Covenant partners	Mission and relief	GA shared and other missions			
OPERATING EXPENSES											
Wages	\$ -	\$ 129,361	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 117,835	\$ 247,196
Housing	-	68,250	-	-	-	-	-	-	-	-	68,250
Payroll taxes	-	312	-	-	-	-	-	-	-	9,014	9,326
Fringe benefits	-	40,462	-	-	-	-	-	-	-	4,197	44,659
Organization support and grants	-	21,226	-	-	65,600	10,050	51,386	232,898	6,645	-	387,805
Scholarships and financial assistance	-	-	4,875	-	-	-	-	-	-	2,500	7,375
Administration	544	171	5,125	-	-	-	-	-	-	5,428	11,268
Meetings, conferences, and counseling	-	3,400	7,227	899	-	-	-	-	-	9,898	21,424
Professional services	5,487	899	-	-	-	-	-	-	-	21,347	27,733
Supplies	-	-	-	-	-	-	-	-	-	3,497	3,497
Postage and printing	-	-	-	-	-	-	-	-	-	1,621	1,621
Technology and support	-	-	-	-	-	-	-	-	-	8,084	8,084
Phone	-	-	-	-	-	-	-	-	-	6,556	6,556
Utilities	-	-	-	-	-	-	-	-	-	2,837	2,837
Insurance	-	-	-	-	-	-	-	-	-	3,504	3,504
Building repairs and maintenance	-	-	-	-	-	-	-	-	-	14,171	14,171
Depreciation	-	-	-	-	-	-	-	-	-	2,458	2,458
Transition and disposal costs	-	-	-	-	-	-	-	-	-	-	-
Vouchered expenses	-	2,170	-	-	-	-	-	-	-	12,291	14,461
Total expenses, by function	\$ 6,031	\$ 266,251	\$ 17,227	\$ 899	\$ 65,600	\$ 10,050	\$ 51,386	\$ 232,898	\$ 6,645	\$ 225,238	882,225
UNALLOCATED PAYMENTS TO AFFILIATED ORGANIZATIONS											
G.A. Per Capita 87,497											
Synod Per Capita 31,665											
Total unallocated payments to affiliated organizations 119,162											
Total expenses \$ 1,001,387											

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

This summary of significant accounting policies of the Presbytery of Lake Michigan (the Presbytery) is presented to assist in understanding the Presbytery's financial statements. The financial statements and notes are representations of the Presbytery's management, who is responsible for their integrity and objectivity. These accounting policies conform to accounting principles generally accepted in the United States of America (hereinafter referred to as generally accepted accounting principles) and have been consistently applied in the preparation of the financial statements. Management has evaluated subsequent events through April 10, 2024, the date the financial statements were available to be issued.

Nature of operations and reporting entity:

The Presbytery is the governing body that has jurisdiction over the sessions of all Presbyterian Church (U.S.A.) congregations within its bounds and all its minister members. In addition to its formal responsibilities (to organize new congregations; to merge or to divide congregations; to dismiss a congregation to another denomination or dissolve a congregation; ordain, receive, dismiss, install, remove, and discipline ministers; and to participate in the deliberations of synod and of the General Assembly), the Presbytery receives and distributes contributions for local, national, and international mission and relief programs. These financial statements include only the operations of the Presbytery.

Classes of net assets:

Presbytery resources are classified and reported in the accompanying financial statements as separate classes of net assets based on the existence or absence of donor-imposed restrictions as follows:

Net assets without donor restriction are the amounts currently available for use in the Presbytery's activities under the direction of the Executive Board and those resources invested in fixed assets.

Net assets with donor restriction are the amounts stipulated by donors for specific operating purposes. The Presbytery reports donor restricted contributions whose restrictions are met in the same reporting period as unrestricted support.

Contributions:

Pledges receivable for contributions are recognized upon notification of a donor's unconditional promise to give to the Presbytery. An allowance for uncollectible promises to give is recorded based on an analysis of collection histories and on reviews of the credit worthiness of major donors. When a donor 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 are reported in the statement of activities as net assets released from restrictions.

Donated materials and services:

Donated land, buildings, equipment, investments, and other noncash donations are recorded as contributions at their fair value at their date of acquisition. The Presbytery reports the donations as unrestricted support, unless explicit donor stipulations specify how the donated assets must be used. Gifts of long-lived assets with explicit restrictions that specify how the assets must be used and gifts of cash or other assets that must be used to acquire long-lived assets are reported as restricted support. Absent explicit donor stipulations about how long those long-lived assets must be maintained, the Presbytery reports expirations of donor restrictions when the donated or acquired long-lived assets are placed in service.

Donated services that do not require specialized skills or enhance nonfinancial assets are not recorded in the accompanying financial statements because no objective basis is available to measure the value of such services. A substantial number of volunteers have donated significant amounts of their time to the Presbytery's program services, the value of which is not recorded in the accompanying financial statements.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Investments:

Investments consist of assets primarily invested in registered mutual funds. The Presbytery accounts for investments in accordance with Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 958-320 and subsections. This standard requires that investments in equity securities with readily determinable fair values and all investments in debt securities be measured at fair value in the statement of financial position.

Investments are exposed to various risks, such as significant world events, interest rate, credit, and overall market volatility risks. Due to the level of risk associated with certain investment securities, it is reasonably possible that changes in the fair value of investments will occur in the near term and that such changes could materially affect the amounts reported in the statement of financial position.

Fixed assets and depreciation:

Fixed assets are recorded at cost. Depreciation is provided on fixed assets using the straight-line method over the estimated useful lives of the respective assets. Maintenance and minor repairs and replacements are charged to earnings. Upon sale or retirement, the related cost and accumulated depreciation are removed with the resulting gain or loss reflected in earnings.

Income taxes:

The Presbytery is affiliated with the Presbyterian Church (U.S.A.) (PCUSA) and has, therefore, qualified under Section 501(c)(3) of the Internal Revenue Code as exempt from federal taxation. A similar exemption is granted for state tax purposes. However, the Presbytery is subject to federal and state income tax on any unrelated business taxable income. For 2022 and 2021, The Presbytery did not have any unrelated business taxable income.

Management believes that the Presbytery continues to operate in accordance with regulations governing demonstration of its exempt purpose and identification of the nature and extent of unrelated business taxable income.

Use of estimates:

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

Functional allocation of expenses:

The costs of providing various programs and other activities have been summarized on a functional basis in the statement of activities. Costs that are not directly associated with providing specific services have been allocated based upon the relative time spent by employees of the Presbytery providing those services. Certain payments to national and regional affiliates are not allocable as to function.

NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 2 - NOTES RECEIVABLE

Notes receivable at December 31, 2023 and 2022, consists of the following:

	<u>2023</u>	<u>2022</u>
Mt. Hope Presbyterian Church, due upon sale of property, with no interest, projected in summer 2023.	\$ -	\$ 53,379

NOTE 3 - INVESTMENTS

Investments at December 31, 2023 and 2022, consist of the following, with identification of those investments that represent 5% or more of total assets:

	<u>2023</u>		<u>2022</u>	
	<u>Units</u>	<u>Fair value</u>	<u>Units</u>	<u>Fair value</u>
Mutual funds:				
DFA Intermediate Govt Fixed Income	20,023	\$ 221,252	11,366	\$ 122,979
PRAXIS Impact Bond Fund Class 1	30,905	290,512	14,118	129,183
TIAA-CREF Social Choice Bond	32,186	289,993	15,856	140,003
Calvert US Large Cap Core Resp Index	7,336	306,068	7,301	241,795
TIAA Social Choice Equity Fund	11,091	285,589	-	-
DFA Int'l Sustainability Core 1	15,281	187,034	11,747	124,870
Calvert Int'l Responsible Index Fund Class 1	6,541	188,319	5,029	123,120
Vanguard Social Index Fund	-	-	9,537	238,629
Vanguard Short-term Federal Fund	-	-	12,018	120,779
DFA US Sustainability Core 1	-	-	4,023	121,396
Praxis Value Index Fund	-	-	8,066	121,400
Other		<u>552,630</u>		<u>400,999</u>
Total mutual funds		<u>2,321,397</u>		<u>1,885,153</u>
Money market funds:				
Fidelity Inst. Gov't	759,670	756,530	33,590	45,176
Fidelity Inst.	25,260	<u>28,400</u>	25,293	<u>18,586</u>
Total money market funds		<u>784,930</u>		<u>63,762</u>
Certificates of deposit		<u>48,504</u>		<u>47,904</u>
Funds with Presbyterian Foundation		<u>174,721</u>		<u>163,270</u>
Total investments		<u>\$ 3,329,552</u>		<u>\$ 2,160,089</u>

NOTE 3 - INVESTMENTS (Continued)

Changes in investments for the years ended December 31, 2023 and 2022, were as follows:

	<u>2023</u>	<u>2022</u>
Balance, beginning of year	\$ 2,160,089	\$ 2,268,907
Investment return:		
Interest and dividends	75,202	50,913
Agent fees	(18,002)	(17,507)
Net appreciation (depreciation) in fair value	<u>254,915</u>	<u>(423,243)</u>
Net investment return	<u>312,115</u>	<u>(389,837)</u>
Net amounts appropriated from (to) operations	<u>857,348</u>	<u>281,019</u>
Balance, end of year	<u>\$ 3,329,552</u>	<u>\$ 2,160,089</u>

Investment income and net appreciation in fair value of investments for the years ended December 31, 2023 and 2022, are included in the accompanying statements of activities as follows:

<u>2023</u>				
<u>Changes in:</u>	<u>Investment</u> <u>income</u>	<u>Agent</u> <u>fees</u>	<u>Net depreciation</u> <u>in fair value</u>	<u>Totals</u>
Net assets without donor restrictions	\$ 68,765	\$ (18,000)	\$ 243,485	\$ 294,250
Net assets with donor restrictions	<u>6,437</u>	<u>(2)</u>	<u>11,430</u>	<u>17,865</u>
	<u>\$ 75,202</u>	<u>\$ (18,002)</u>	<u>\$ 254,915</u>	<u>\$ 312,115</u>
<u>2022</u>				
<u>Changes in:</u>	<u>Investment</u> <u>income</u>	<u>Agent</u> <u>fees</u>	<u>Net depreciation</u> <u>in fair value</u>	<u>Totals</u>
Net assets without donor restrictions	\$ 44,698	\$ (17,505)	\$ (384,914)	\$ (357,721)
Net assets with donor restrictions	<u>6,215</u>	<u>(2)</u>	<u>(38,329)</u>	<u>(32,116)</u>
	<u>\$ 50,913</u>	<u>\$ (17,507)</u>	<u>\$ (423,243)</u>	<u>\$ (389,837)</u>

NOTE 4 - SUMMARY OF FAIR VALUE EXPOSURE

Investments are reported at fair value in the accompanying statements of financial position. The basis for fair values at December 31, 2023 and 2022, were determined as follows:

	<u>2023</u>			
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Totals</u>
Investments:				
Mutual funds	\$ 2,321,397	\$ -	\$ -	\$ 2,321,397
Certificates of deposit	-	48,504	-	48,504
Funds with Presbyterian Foundation	-	-	174,721	174,721
Money market account	<u>784,930</u>	<u>-</u>	<u>-</u>	<u>784,930</u>
	<u>\$ 3,106,327</u>	<u>\$ 48,504</u>	<u>\$ 174,721</u>	<u>\$ 3,329,552</u>
	<u>2022</u>			
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Totals</u>
Investments:				
Mutual funds	\$ 1,885,153	\$ -	\$ -	\$ 1,885,153
Certificates of deposit	-	47,904	-	47,904
Funds with Presbyterian Foundation	-	-	163,270	163,270
Money market account	<u>63,762</u>	<u>-</u>	<u>-</u>	<u>63,762</u>
	<u>\$ 1,948,915</u>	<u>\$ 47,904</u>	<u>\$ 163,270</u>	<u>\$ 2,160,089</u>

The FASB *Fair Value Measurement* Standard clarifies the definition of fair value for financial reporting, establishes a framework for measuring fair value, and requires additional disclosure about the use of fair value measurements in an effort to make the measurement of fair value more consistent and comparable. The Presbytery has adopted this standard for its financial assets and liabilities measured on a recurring basis (ASC 820-10).

Fair value is defined as the amount that would be received from the sale of an asset or paid for the transfer of a liability in an orderly transaction between market participants, i.e., an exit price. To estimate an exit price, a three-tier hierarchy is used to prioritize the inputs:

- *Level 1* - Quoted prices in active and inactive markets for identical securities.
- *Level 2* - Other significant observable inputs (including quoted prices for similar securities, interest rates, prepayment spreads, credit risk, etc.).
- *Level 3* - Significant unobservable inputs (including the Presbytery’s own assumptions) in determining the fair value of investments.

The inputs and methodology used for valuing the Presbytery’s financial assets are not indicators of the risks associated with those instruments.

NOTE 4 - SUMMARY OF FAIR VALUE EXPOSURE (Continued)

The following methods and assumptions were used to estimate the fair values of the assets in the schedule above:

Level 1 Fair value measurements

The fair values of all registered mutual funds and money market accounts are based on quoted market values at year end.

Level 2 Fair value measurements

The fair values of all certificates of deposit are valued based on recent sales prices when those issues trade frequently, corroborated market data, indices, and/or yield curves.

Level 3 Fair value measurements

The fair value of funds within the Presbytery Foundation are valued based on the most recent information available from management of the Foundation and considers subsequent transactions, such as drawdowns or distributions, as well as other reliable information that reports or indicates valuation changes, including realizations and other portfolio foundation events.

The following schedule reconciles the Presbytery's assets and liabilities classified as Level 3 measurements during the years ended December 31, 2023 and 2022.

	<i>Investments</i>	
	<u>2023</u>	<u>2022</u>
Balance, beginning of year	\$ 163,270	\$ 201,596
Purchases, issuances, and settlements	21	3
Net realized and unrealized gains (losses) included in earnings	<u>11,430</u>	<u>(38,329)</u>
Balance, end of year	<u>\$ 174,721</u>	<u>\$ 163,270</u>
Net unrealized holding gains on Level 3 securities held at end of year	<u>\$ 30,664</u>	<u>\$ 17,057</u>

NOTE 5 - FIXED ASSETS

Fixed assets at December 31, 2023 and 2022, consist of:

	<u>2023</u>	<u>2022</u>
Buildings and improvements, including leased assets of \$210,844	\$ 210,844	\$ 210,844
Equipment, vehicles, and furnishings	<u>57,258</u>	<u>57,258</u>
	268,102	268,102
Less accumulated depreciation and amortization	<u>265,544</u>	<u>263,027</u>
	<u>\$ 2,558</u>	<u>\$ 5,075</u>

NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 6 - NET ASSETS WITH DONOR RESTRICTIONS

The following schedules set forth changes in net assets with donor restriction for 2023 and 2022:

<u>Description</u>	<u>Balance January 1, 2023</u>	<u>Contributions</u>	<u>Investment return</u>	<u>Releases</u>	<u>Balance December 31, 2023</u>
Perpetual in nature	\$ 134,663	\$ -	\$ -	\$ -	\$ 134,663
Purpose restrictions:					
Mission and relief programs	66,500	8,159	17,865	(12,834)	79,690
Church growth and evangelism	475	-	-	-	475
Theological and church leadership	200	3,142	-	(3,000)	342
	<u>67,175</u>	<u>11,301</u>	<u>17,865</u>	<u>(15,834)</u>	<u>80,507</u>
Time restrictions	<u>12,886</u>	<u>-</u>	<u>-</u>	<u>(12,886)</u>	<u>-</u>
	<u>\$ 214,724</u>	<u>\$ 11,301</u>	<u>\$ 17,865</u>	<u>\$ (28,720)</u>	<u>\$ 215,170</u>

<u>Description</u>	<u>Balance January 1, 2022</u>	<u>Contributions</u>	<u>Investment return</u>	<u>Releases</u>	<u>Balance December 31, 2022</u>
Perpetual in nature	\$ 134,663	\$ -	\$ -	\$ -	\$ 134,663
Purpose restrictions:					
Mission and relief programs	109,019	20,126	(4,508)	(58,137)	66,500
Church growth and evangelism	475	-	-	-	475
Theological and church leadership	200	-	-	-	200
	<u>109,694</u>	<u>20,126</u>	<u>(4,508)</u>	<u>(58,137)</u>	<u>67,175</u>
Time restrictions	<u>15,390</u>	<u>-</u>	<u>-</u>	<u>(2,504)</u>	<u>12,886</u>
	<u>\$ 259,747</u>	<u>\$ 20,126</u>	<u>\$ (4,508)</u>	<u>\$ (60,641)</u>	<u>\$ 214,724</u>

NOTE 7 - ENDOWMENTS

The Presbytery’s endowment currently includes both board designated amounts and monies subject to donor-imposed restrictions.

The Presbytery’s Board has interpreted the Uniform Prudent Management of Institutional Funds Act (MI-UPMIFA) requiring the preservation of the fair value of the original gift as of the gift date 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 - perpetual in nature: (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified in net assets with donor restrictions - perpetual in nature is classified as net assets with donor restrictions - purpose restrictions until those amounts are appropriated for expenditure by the Presbytery in a manner consistent with the standard of prudence prescribed by MI-UPMIFA.

Due to its limited size, return objectives and risk parameters, strategies to achieve objectives, spending policies, and the relationship of investment objectives to its spending policies have not yet been established for the endowment.

Changes in endowment net asset for the year December 31, 2023 and 2022, is as follows:

<u>2023</u>			
	<i>Without donor restrictions</i>	<i>With donor restrictions</i>	<i>Totals</i>
Balance, beginning of year	\$ -	\$ 163,269	\$ 163,269
Deposits/(Withdrawals)	-	(6,414)	(6,414)
Investment return:			
Interest and dividends	-	6,436	6,436
Net appreciation (depreciation) in fair value	-	11,430	11,430
Balance, end of year	<u>\$ -</u>	<u>\$ 174,721</u>	<u>\$ 174,721</u>
<u>2022</u>			
	<i>Without donor restrictions</i>	<i>With donor restrictions</i>	<i>Totals</i>
Balance, beginning of year	\$ -	\$ 201,596	\$ 201,596
Deposits/(Withdrawals)	-	(6,211)	(6,211)
Investment return:			
Interest and dividends	-	6,213	6,213
Agent fees	-	-	-
Net appreciation (depreciation) in fair value	-	(38,329)	(38,329)
Balance, end of year	<u>\$ -</u>	<u>\$ 163,269</u>	<u>\$ 163,269</u>

NOTE 8 - PENSION

The Board of Pensions of the Presbyterian Church (U.S.A.) administers a defined benefit pension plan (the Plan) that covers employees of the Presbyterian Church (U.S.A.) and any board, agency (including the Presbytery), or local church under the jurisdiction of the Presbyterian Church (U.S.A.). The Plan is a church plan, as defined in Section 414(c) of the Internal Revenue Code and in Title I of the Employee Retirement Income Security Act of 1974 (ERISA), as amended. The Plan has not elected to be subject to ERISA.

The Presbytery made pension contributions of 8.5% covered compensation for the fiscal years 2023 and 2022. Pension contributions for 2023 and 2022 totaled \$16,561 and \$12,662, respectively.

NOTE 9 - LEASES

The Presbytery leases office space from Westminster Presbyterian Church of Portage, Michigan. The current agreement, which is being accounted for as an operating lease, expired June 30, 2022, with the option to renew for an additional 2 years, expiring June 30, 2024. The agreement calls for the Presbytery to directly pay for utilities, insurance, and maintenance and repairs attributable to the leased space. In 2023 and 2022, the Presbytery's lease payments were \$13,602 and \$13,238, respectively.

NOTE 10 - CONTINGENCIES AND COMMITMENTS

From time to time, member congregations incur debt for which the Presbytery is a guarantor. At December 31, 2023, the Presbytery was a guarantor on approximately \$483,000 of member congregation debt.

NOTE 11 - AVAILABILITY AND LIQUIDITY

The following represents the Presbytery's financial assets at December 31, 2023:

Financial assets at year end:	
Cash	\$ 36,906
Investments	3,329,552
Contributions receivable	<u>9,303</u>
Total financial assets	3,375,761
Less those unavailable for general expenditures within one year due to:	
Donor-imposed restrictions	<u>(215,170)</u>
Financial assets available to meet general expenditures within one year	<u>\$ 3,160,591</u>

As part of the Presbytery's liquidity management, it has a policy to structure its financial resources to be available as its general expenditures, liabilities, and other obligations come due. No investments contain lock-up provision that would reduce the total investments that could be made available.