

**THE TRUSTEES OF THE PRESBYTERY OF
MIDDLE TENNESSEE,
PRESBYTERIAN CHURCH (U.S.A.)**

**FINANCIAL STATEMENTS
& INDEPENDENT ACCOUNTANTS' REVIEW
REPORT**

DECEMBER 31, 2021

**THE TRUSTEES OF THE PRESBYTERY OF MIDDLE TENNESSEE,
PRESBYTERIAN CHURCH (U.S.A)**

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MULLINS CLEMMONS & MAYES, PLLC

CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT ACCOUNTANT'S REVIEW REPORT

To the Trustees of the Presbytery of Middle Tennessee,
Presbyterian Church (U.S.A):

We have reviewed the accompanying financial statements of The Trustees of the Presbytery of Middle Tennessee, Presbyterian Church (U.S.A.) (a nonprofit organization), which comprise the statement of financial position as of December 31, 2021, and the related statements of activities, changes in net assets, cash flows and functional expenses 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 taken 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 generally accepted accounting standards; 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 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.

We are required to be independent of The Trustees of the Presbytery of Middle Tennessee, Presbyterian Church (U.S.A.) and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements related to our review.

Basis for Qualified Conclusion

Accounting principles generally accepted in the United States of America require unconditional promises to give to be recorded as contribution revenue in the year the promise is made. As disclosed in Note 11 to the financial statements, unconditional promises to give for future years are not recorded in the financial statements. The effects of this departure from accounting principles generally accepted in the United States of America on the accompanying financial statements have not been determined.

Qualified Conclusion

Based on our review, except for the effect of the matter described in the Basis for Qualified Conclusion paragraph, 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 accounting principles generally accepted in the United States of America.

Mullins Clemmons + Mages, PLLC

Brentwood, Tennessee
July 27, 2022

**THE TRUSTEES OF THE PRESBYTERY OF MIDDLE TENNESSEE,
PRESBYTERIAN CHURCH (U.S.A.)**

**STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2021**

ASSETS

Cash and cash equivalents	\$ 946,954
Promises to give	147,115
Investments	1,028,112
Property and equipment, net	<u>-</u>
TOTAL ASSETS	<u>\$ 2,122,181</u>

LIABILITIES AND NET ASSETS

Accounts payable	\$ 104,288
Total liabilities	<u>104,288</u>
NET ASSETS:	
Without donor restrictions	1,802,383
With donor restrictions	<u>215,510</u>
Total net assets	<u>2,017,893</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 2,122,181</u>

SEE INDEPENDENT ACCOUNTANT'S REVIEW REPORT.

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

**THE TRUSTEES OF THE PRESBYTERY OF MIDDLE TENNESSEE,
PRESBYTERIAN CHURCH (U.S.A.)**

**STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS
FOR THE YEAR ENDED DECEMBER 31, 2021**

	Without Donor Restrictions	With Donor Restrictions	Total
REVENUE, SUPPORT AND GAINS:			
Church mission giving	\$ 532,354	\$ -	\$ 532,354
Special offerings, gifts and grants	200	199,730	199,930
Synod campus ministry support	26,417	-	26,417
Paycheck Protection Program	7,500	-	7,500
Manse and church rental	3,800	-	3,800
Interest income	28,332	-	28,332
Investment gains, net	146,025	-	146,025
Total	744,628	199,730	944,358
Net assets released due to satisfaction of restrictions	106,042	(106,042)	-
Total revenue, support and gains	850,670	93,688	944,358
EXPENSES:			
Program services	615,743	-	615,743
Management and general	140,680	-	140,680
Total expenses	756,423	-	756,423
CHANGE IN NET ASSETS BEFORE OTHER CHANGES	94,247	93,688	187,935
OTHER CHANGES IN NET ASSETS:			
Transfer from First United Presbyterian Church, Sparta	1,556	-	1,556
Net other changes	1,556	-	1,556
CHANGE IN NET ASSETS	95,803	93,688	189,491
NET ASSETS:			
Beginning	1,706,580	121,822	1,828,402
Ending	\$ 1,802,383	\$ 215,510	\$ 2,017,893

SEE INDEPENDENT ACCOUNTANT'S REVIEW REPORT.

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

**THE TRUSTEES OF THE PRESBYTERY OF MIDDLE TENNESSEE,
PRESBYTERIAN CHURCH (U.S.A.)**

**STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2021**

CASH FLOWS FROM OPERATING ACTIVITIES:

Change in net assets	\$ 189,491
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Net realized and unrealized investment gains	(146,025)
Net changes in other operating assets and liabilities:	
Promises to give	(127,062)
Accounts payable	97,272
Net cash provided by operating activities	<u>13,676</u>

CASH FLOWS FROM INVESTING ACTIVITIES:

Proceeds from sales of investments	<u>470,000</u>
Net cash provided by investing activities	<u>470,000</u>

NET CHANGE IN CASH AND CASH EQUIVALENTS 483,676

CASH AND CASH EQUIVALENTS, BEGINNING 463,278

CASH AND CASH EQUIVALENTS, ENDING \$ 946,954

SEE INDEPENDENT ACCOUNTANT'S REVIEW REPORT.

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

**THE TRUSTEES OF THE PRESBYTERY OF MIDDLE TENNESSEE,
PRESBYTERIAN CHURCH (U.S.A.)**

**STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2021**

	Program Services	Management and General	Total
Salaries and employee benefits	\$ 145,303	\$ 95,300	\$ 240,603
General assembly missions and per capita	140,851	-	140,851
Synod missions and per capita	62,426	-	62,426
Committee on church transformation	45,028	-	45,028
Committee on mutual support	79,570	-	79,570
Other committee mission expenses	3,243	-	3,243
Restricted mission expenses	109,473	-	109,473
Occupancy	9,100	16,900	26,000
Equipment rental and maintenance	5,440	2,929	8,369
Insurance	1,146	2,128	3,274
Office expense	2,307	1,550	3,857
Telephone	1,463	984	2,447
Professional fees	-	16,637	16,637
Miscellaneous	10,393	4,252	14,645
Total expenses	<u>\$ 615,743</u>	<u>\$ 140,680</u>	<u>\$ 756,423</u>

SEE INDEPENDENT ACCOUNTANT'S REVIEW REPORT.

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

**THE TRUSTEES OF THE PRESBYTERY OF MIDDLE TENNESSEE,
PRESBYTERIAN CHURCH (U.S.A)**

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021**

NOTE 1 – THE ENTITY

The Trustees of the Presbytery of Middle Tennessee, Presbyterian Church (U.S.A.) (the "Presbytery") is a non-profit organization representing the Presbyterian Churches (U.S.A.) in the Middle Tennessee region. The Presbytery is funded by contributions from member churches, affiliated Presbyterian organizations and private contributions located in Middle Tennessee. Revenues are used to meet the Presbytery's per capita obligation to the Synod of Living Waters, to the General Assembly of the Presbyterian Church (U.S.A.) and to provide support to various missions and programs dictated by the Presbytery.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Accounting Periods

All references to 2021 in these financial statements refer to the year ended December 31, 2021 unless otherwise noted.

Basis of Accounting

In accordance with accounting principles generally accepted in the United States of America, the Presbytery uses the accrual basis of accounting; therefore, revenue is recognized when earned and expenses are recognized when incurred.

Financial Statement Presentation

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 – This class includes net assets that are not subject to any 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 Board.

Net assets with donor restrictions – This class includes net assets whose use by the Presbytery is subject to donor-imposed restrictions. Some donor restrictions are temporary in nature; those restrictions will be fulfilled by actions of the Presbytery pursuant to those restrictions or by the passage of time. Other donor restrictions are perpetual in nature, whereby the donor has stipulated the funds be maintained in perpetuity.

Donor restricted contributions are reported as increases in net assets without donor restrictions if the restrictions expire in the reporting period in which the revenue is recognized.

SEE INDEPENDENT ACCOUNTANTS' REVIEW REPORT.

**THE TRUSTEES OF THE PRESBYTERY OF MIDDLE TENNESSEE,
PRESBYTERIAN CHURCH (U.S.A)**

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2021**

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial Statement Presentation (Continued)

All other donor-restricted contributions are reported as increases in net assets with donor restrictions, depending on the nature of the restrictions. When a restriction expires, net assets are reclassified from net assets with donor restrictions to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions.

Cash and Cash Equivalents

For purposes of the statement of cash flows, cash and cash equivalents consist of cash held in bank accounts, money market funds and bank certificates of deposit with original maturities of ninety days or less, which are neither held for nor restricted by donors for long-term purposes. The Presbytery may, at times, maintain bank account balances in excess of federally insured limits. However, the Presbytery has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk related to cash and cash equivalents.

Contributions and Promises to Give

Contributions are recognized when cash, securities or other assets, an unconditional promise to give or notification of a beneficial interest is received. Contributions restricted by the donor are reported as increases in net assets without donor restrictions if the restrictions expire in the calendar year in which the contributions are recognized. All other donor-restricted contributions are reported as increases in net assets with donor restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions.

Promises to give are recorded at fair value. Promises to give are recorded only for the year ended December 31, 2021 that had not been collected for the year then ended. The fair value of promises to give, which are payable within one year, is generally considered to be the same as the net realizable value of the promises.

The Presbytery uses the allowance method to determine uncollectible unconditional promises to give. The allowance is based on historical experience, an assessment of economic conditions and management's analysis of specific promises made. Promises to give are written off when deemed uncollectible. At December 31, 2021, management deemed all promises to give to be fully collectible, and, therefore, no allowance has been recorded.

SEE INDEPENDENT ACCOUNTANT'S REVIEW REPORT.

**THE TRUSTEES OF THE PRESBYTERY OF MIDDLE TENNESSEE,
PRESBYTERIAN CHURCH (U.S.A)**

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2021**

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Investments

The Presbytery's investments at December 31, 2021 consisted entirely of marketable FDIC insured certificates of deposit (CDs) and stock funds. The CDs, with face values ranging from \$50,000 to \$150,000, are typically marketable and callable by the issuing financial institution. Market is calculated based on the instrument's interest rate compared with the Treasury bill interest rate at a given time. Unrealized gain or loss is recognized based on the calculated market price from past to current measurement dates.

Under generally accepted accounting principles, investments are valued at fair value using various inputs. Level 1 inputs consist of unadjusted quoted market prices within active markets. Level 2 inputs consist primarily of quoted prices for similar assets in active or inactive markets. Level 3 inputs consist of significant unobservable inputs. The Presbytery's investments are reported at fair value based on Level 1 inputs. Gains and losses, whether realized or unrealized, are included in the statement of activities and changes in net assets.

See Note 4 for further details related to investments.

Property and Equipment

Expenditures for additions, major renewals and betterment of property and equipment with a cost in excess of \$1,000 are capitalized. The fair value of donated property and equipment is similarly capitalized. Costs of maintenance and repairs that do not improve or extend the useful lives of the respective assets are charged to expense as incurred. Depreciation is computed by using the straight-line method over the estimated useful lives of the individual assets. When assets are sold or otherwise disposed of, the cost and related accumulated depreciation are removed from the accounts, and any resulting gain or loss is included in the statement of activities.

See Note 5 for further details.

Property Held for Sale

In accordance with the Constitution of the Presbyterian Church (U.S.A.), the Presbytery is granted reversionary rights with respect to the physical properties of its members' churches in the event of a terminal event. Upon the terminal event and approval by the Presbytery, these properties are recognized at their net realizable value and are classified as property held for sale on the Statement of Financial Position. The Presbytery was not holding any property for sale at December 31, 2021.

See Note 12 for further details.

SEE INDEPENDENT ACCOUNTANT'S REVIEW REPORT.

**THE TRUSTEES OF THE PRESBYTERY OF MIDDLE TENNESSEE,
PRESBYTERIAN CHURCH (U.S.A)**

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2021**

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Real Estate Acquired for New Church Development

The Presbytery periodically acquires real property for new church development. Although the property is deeded to the Presbytery, the property is acquired for the benefit of a new church in the future. Since the Presbytery anticipates no benefit from the acquired property, it is the Presbytery's policy to expense such acquisitions. The Presbytery was not holding any uncapitalized property at December 31, 2021.

Compensated Absences

Employees of the Presbytery earn paid vacation, sick days and personal days off, depending on job classification, length of service and other factors. Management has elected not to accrue compensated absences since the amounts do not materially affect the financial statements. The Presbytery's policy is to recognize the cost of compensated absences when actually paid to employees.

Income Taxes

The Presbytery is exempt from federal and state income taxes, accordingly, no provision for income taxes is made in the financial statements. In addition, certain nonprofit corporations are subject to income tax on net income that is derived from business activities that are unrelated to their exempt purposes. Management has determined that the Presbytery is not subject to unrelated business income tax. Accordingly, no provision for income taxes is included in the accompanying financial statements.

Functional Allocation of Expenses

The costs of program and supporting services activities have been summarized on a functional basis in the statement of activities. The statement of functional expenses presents the natural classification detail of expenses by function. Accordingly, certain costs have been allocated among the programs and supporting services benefited. See Note 10 for further details.

Estimates

The preparation of financial statements in conformity with U.S. 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, and those differences could be material.

SEE INDEPENDENT ACCOUNTANT'S REVIEW REPORT.

**THE TRUSTEES OF THE PRESBYTERY OF MIDDLE TENNESSEE,
PRESBYTERIAN CHURCH (U.S.A)**

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2021**

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Events Occurring after Reporting Date

The Presbytery has evaluated events and transactions that occurred between December 31, 2021 and July 27, 2022, which is the date that the financial statements were available to be issued, for possible recognition or disclosure in the financial statements.

NOTE 3 – LIQUIDITY

Financial assets available for general expenditures within one year of December 31, 2021, consist of the following:

Cash and cash equivalents	\$ 946,954
Promises to give	147,115
Investments	<u>1,028,112</u>
Total financial assets	<u>\$ 2,122,181</u>
Less amounts not available to be used within one year:	
Net assets with donor restrictions	<u>(215,510)</u>
Financial assets not available to be used within one year	<u>(215,510)</u>
Financial assets available to meet general expenditures within one year	<u>\$ 1,906,671</u>

The Administrative and Finance Committees of the Presbytery of Middle Tennessee monitor financial assets to ensure funds are available to meet operating, per capita obligations (see Note 1) and other financial commitments. Expenses are funded primarily by donations (reported as Church mission giving in the Statement of Activities) from Presbytery of Middle Tennessee congregations. In addition, Presbytery is the reversionary beneficiary of proceeds derived from the sale of property and other assets of closed churches, most of which is invested. Investment assets are available to augment operational needs, if necessary. Invested assets are monitored by an Investment Task Force, a sub-committee of the Finance Committee.

SEE INDEPENDENT ACCOUNTANT'S REVIEW REPORT.

**THE TRUSTEES OF THE PRESBYTERY OF MIDDLE TENNESSEE,
PRESBYTERIAN CHURCH (U.S.A)**

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2021**

NOTE 4 – INVESTMENTS

Investments are recorded at fair value using Level 1 inputs based on the quoted market prices. The Presbytery had no investments that required the use of Level 2 or Level 3 inputs. The fair value and cost of investments consist of the following at December 31, 2021:

	Fair Value	Cost
Certificates of deposits	\$ 180,977	180,000
Stock funds	847,135	530,377
Total	<u>\$ 1,028,112</u>	<u>\$ 710,377</u>

NOTE 5 – PROPERTY AND EQUIPMENT

Property and equipment consisted of the following:

Computers	\$ 2,165
Total cost	2,165
Less accumulated depreciation	(2,165)
Property and equipment, net	<u>\$ -</u>

The Presbytery had an arrangement with Westminster Presbyterian Church for dedicated office space through June 2021. The estimated fair value of office space in the amount of \$19,000 has been reported in the accompanying Statement of Activities.

NOTE 6 – LEASES

The Presbytery entered into an operating lease agreement for a copier in July 2018. The lease agreement requires monthly lease payments of \$253 for a term of forty-eight months.

The Presbytery entered into an operating lease agreement for a postage machine in July 2016. The lease agreement requires monthly lease payments of \$157 for a term of sixty-three months. Rent expense totaled \$4,918 for both leases for 2021.

Future minimum lease payments under the terms of these operating leases as of December 31, 2021 are as follows:

Year Ending December 31,	Future Payments
2022	\$ 1,674

SEE INDEPENDENT ACCOUNTANT'S REVIEW REPORT.

**THE TRUSTEES OF THE PRESBYTERY OF MIDDLE TENNESSEE,
PRESBYTERIAN CHURCH (U.S.A)**

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2021**

NOTE 7 – BENEFITS DATA

Substantially all Presbytery employees participate in the Benefits Plan of the PCUSA (the "Benefits Plan") which administered by the Board of Pensions of the PCUSA (the "Board of Pensions"). The Benefits Plan is a comprehensive benefits program, which provides a defined benefit plan, a long-term disability plan, a death benefit plan, and a medical plan. The assets of the Benefits Plan are commingled for investment purposes, however, accounting for each plan is separately maintained.

The defined benefit pension plan's total assets available for benefits, as reported by the Board of Pensions, were \$10,835,791 at December 31, 2021. The defined benefit pension plan's total Accumulated Plan Benefit Obligations, as reported by the Board of Pensions, were \$7,528,982 at December 31, 2021.

Since the Benefits Plan is a Church Plan under the Internal Revenue Code, the Presbytery has no financial interest in the Benefits Plan assets nor does it have any liability for benefits payable, contingent or otherwise, under the Benefits Plan or its components.

The Presbytery pays the entire cost for employee participation in the defined benefit pension plan, long-term disability plan, death benefit plan and employee-only coverage associated with the medical plan. There is employee cost sharing for employee elected levels of coverage related to spouse and/or dependents. Employees have the option to purchase additional benefits on a voluntary basis such as dental, long-term disability and life insurance.

The Presbytery contributed 37.00% of eligible employees' annual salary to the Board of Pensions of the Presbyterian Church (U.S.A.) on behalf of eligible employees for the year ended December 31, 2021. Contributions provide for participants' retirement, death and disability and medical insurance benefits. The contribution percentage may be increased at the discretion of the Board of Pensions. Total related expenses were \$43,287 for the years ended December 31, 2021.

The Presbytery also allows employees the option to participate in the Retirement Savings Plan of the Presbyterian Church (U.S.A.) (the "Savings Plan"), a church retirement plan income account plan described in section 403(b)(9) of the Internal Revenue Code. The Savings Plan provides that all employees of the Presbytery are eligible to make salary deferral contributions to the Savings Plan. Total contributions made by the Presbytery during 2021 totaled \$4,000.

SEE INDEPENDENT ACCOUNTANT'S REVIEW REPORT.

**THE TRUSTEES OF THE PRESBYTERY OF MIDDLE TENNESSEE,
PRESBYTERIAN CHURCH (U.S.A)**

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2021**

NOTE 8 – NET ASSETS

The State of Tennessee has passed the Uniform Prudent Management of Institutional Funds Act ("UPMIFA"). The Presbytery has interpreted the UPMIFA as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit restrictions to the contrary. The Presbytery classifies as permanently restricted net assets the sum of (a) the original value of gifts donated to the permanent endowments (b) the original value of subsequent gifts to the permanent endowments, and (c) accumulations to the permanent endowments made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. At the current time, none of the endowment funds have donor-imposed instructions that specify accumulations, as noted in item (c) of the preceding sentence.

Donor-restricted endowment funds are classified as net assets with donor restrictions until those amounts are appropriated for expenditure by the Presbytery in a manner consistent with the standard of prudence prescribed by UPMIFA.

In accordance with UPMIFA, the Presbytery considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- (1) General economic conditions;
- (2) The possible effect of inflation and deflation;
- (3) The expected tax consequences, if any, of investment decisions or strategies;
- (4) The role that each investment or course of action plays within the overall investment portfolio;
- (5) The expected total return from income and appreciation of investments;
- (6) Other resources of the Presbytery;
- (7) The needs of the Presbytery and the endowment funds to make distributions and to preserve capital; and
- (8) An asset's special relationship or special value, if any, to the charitable purposes of the Presbytery.

The Presbytery has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowments while seeking to maintain the purchasing power of the endowment assets. Endowment assets include those assets of donor-restricted funds that the Presbytery must hold in perpetuity or for a donor-specified period as well as any entity-designated funds.

To satisfy its long-term return objectives, the Presbytery relies on a total return strategy in which the investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends).

Original donor-restricted gift amount required to be maintained in perpetuity by the donor were \$10,750 at December 31, 2021.

SEE INDEPENDENT ACCOUNTANT'S REVIEW REPORT.

**THE TRUSTEES OF THE PRESBYTERY OF MIDDLE TENNESSEE,
PRESBYTERIAN CHURCH (U.S.A)**

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2021**

NOTE 8 – NET ASSETS (CONTINUED)

Net assets with donor restrictions have been restricted for the following purposes at December 31, 2021:

Subject to expenditure for a specified purpose:	
St. Andrews fund (small church repairs)	\$ 56,596
Technology grant	35,000
Disaster assistance	21,889
Mburu family fund	12,441
Guatemalan missions	19,220
Pastoral care	1,650
Triennium	3,063
Women in ministry	1,290
LEAD event	4,231
Sabbatical assistance	4,626
Hispanic new church development	25,856
CPM scholarships	4,388
Pastor to Pastor	2,289
Matthew 25 food project	7,221
Miscellaneous restricted funds	5,000
Perpetual net assets:	
Joe E. Hutton fund	10,750
Total net assets with donor restrictions	<u>\$ 215,510</u>

SEE INDEPENDENT ACCOUNTANT'S REVIEW REPORT.

**THE TRUSTEES OF THE PRESBYTERY OF MIDDLE TENNESSEE,
PRESBYTERIAN CHURCH (U.S.A)**

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2021**

NOTE 8 – NET ASSETS (CONTINUED)

Net assets with donor restrictions were released from restrictions by incurring expenses satisfying the restrictions during 2021 as follows:

Subject to expenditure for specified purpose:	
Disaster assistance	\$ 23,029
Centsability	14,769
Guatemalan missions	10,244
Peacemaking	282
Pastor to Pastors	1,278
Matthew 25 food project	17,172
Small church fund	7,927
Hispanic new church development	24,803
Other miscellaneous	6,538
Total net assets released from restrictions	<u>\$ 106,042</u>

Board designated net assets consist of the following at December 31, 2021:

Without donor restrictions:	
Designated by the Trustees for:	
Allowance for defaults on church obligations	\$ 200,000
New church development from sale of properties	335,442
Other church funds	22,550
Youth & Young Adult Support	10,000
Connectional Development	10,000
Social Media & Technology	30,000
Leadership Dev & Education	20,000
Mediation Fund	20,000
Designation Matthew 25	100,000
Hunger including Centsability	20,769
Undesignated	<u>1,033,622</u>
Total net assets without donor restrictions	<u>\$1,802,383</u>

The allowance for defaults on church obligations was established and funded to incrementally - over a period of years - provide designated financial resources to accommodate defaults on obligations of churches to lenders. The Administrative and Finance Committees elected to cease funding but retain the designation based on their evaluation of its sufficiency to address its original purpose. Proceeds from sales of reverted properties were designated by Presbytery to fund new church development and revitalization efforts. Losses attributable to these activities are applied to reduce these designated fund balances.

SEE INDEPENDENT ACCOUNTANT'S REVIEW REPORT.

**THE TRUSTEES OF THE PRESBYTERY OF MIDDLE TENNESSEE,
PRESBYTERIAN CHURCH (U.S.A)**

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2021**

NOTE 9 – FUNCTIONAL EXPENSES

The financial statements report certain categories of expenses attributed to more than one program or supporting function. Therefore, expenses require allocation on a reasonable basis that is consistently applied. Such expenses are allocated using three overall methods. Salaries and employee benefits are allocated on the basis of estimates of time and effort; office, postage and telephone are allocated based on review of individual cost items, with any costs that were not specifically identifiable allocated based on estimates of time and effort; occupancy is allocated on the basis of square footage.

NOTE 10 – CONCENTRATIONS OF CREDIT RISK

Financial instruments which potentially subject the Presbytery to concentrations of credit risk principally consist of cash and cash equivalents, certificates of deposit and promises to give. Promises to give were collected in full subsequent to December 31, 2021, so there is no risk of loss.

During 2021, two churches individually accounted for at least 10% of total church mission giving. Together, both churches represented 39% of total church mission giving.

NOTE 11 – DEPARTURE FROM ACCOUNTING PRINCIPLES GENERALLY ACCEPTED IN THE UNITED STATES OF AMERICA

The Trustees of the Presbytery of Middle Tennessee, Presbyterian Church (U.S.A.), have determined that the financial statements are more meaningful to their users if unconditional promises to give for future years are omitted. Accounting principles generally accepted in the United States of America require that unconditional promises to give be recorded as contribution revenue in the year the promise is made. The effect on the financial statements is unknown since the pledge cards are not dated.

NOTE 12 – COMMITMENTS AND CONTINGENCIES

Loan Guarantees

The Presbytery has guaranteed loans of certain PCUSA Churches in Middle Tennessee. The Trustees believe that such loans are fully collateralized by underlying assets, protecting the Presbytery from significant loss if called upon to fulfill their obligation as guarantor and/or cosigner. The total amount of loans guaranteed by Presbytery at December 31, 2021 is \$262,681. Presbytery maintains a reserve fund for defaults that is sufficient to cover the amount of the guaranteed loans.

SEE INDEPENDENT ACCOUNTANT'S REVIEW REPORT.

**THE TRUSTEES OF THE PRESBYTERY OF MIDDLE TENNESSEE,
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**NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2021**

NOTE 12 – COMMITMENTS AND CONTINGENCIES (CONTINUED)

Church Loans

Although many of its member churches must obtain Presbytery approval before encumbering their property to obtain a loan, Presbytery does not believe it assumes any liability as a result of such approval unless it cosigns or expressly guarantees the loan. Likewise, even though Presbytery has certain rights in the property of its member churches, particularly in the event a church is dissolved or becomes extinct or leaves the denomination, exercising these rights would not cause Presbytery to assume any liabilities other than those it has expressly agreed to.

Church Property Reversionary Rights

As disclosed in Note 2, the Presbytery is granted reversionary rights with respect to the physical properties of its member churches in the event of a terminal event. Upon exercising its reversionary rights with respect to a specific property, the Presbytery appoints an Administrative Commission consisting of representatives from the Presbytery and a member of the closing church.

The Administrative Commission retains control of books and records and all properties including bank and investment accounts and physical properties and facilities. Commission may also make recommendations to Presbytery respecting use of properties or proceeds from dispositions of properties. Such recommendations or amendments thereto, upon approval by Presbytery, are considered designations or unrestricted net assets. Presbytery may accept, modify or reject the recommendations of an Administrative Commission. Upon termination of respective Administration Commission and related Presbytery action, the Finance Committee of Presbytery assumes control, on behalf of Presbytery, relating to property disposition.

In October 2020, the Presbytery created an administrative commission for the dissolution of the congregation of First United Presbyterian Church, Sparta. The funds in the Sparta Church bank account were transferred to the Presbytery and are reported on the Statement of Activities as other changes in net assets. The real and personal property of the First United Presbyterian Church, Sparta will be held in trust by the Presbytery until the final disposition.

SEE INDEPENDENT ACCOUNTANT'S REVIEW REPORT.