



# *Episcopal Church in Navajoland*

Financial Statements and Independent Auditors' Report

For the Years Ended December 31, 2024 and 2023

Schlenker &

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## **INDEPENDENT AUDITORS' REPORT**

Diocesan Council  
Episcopal Church in Navajoland  
Farmington, New Mexico

### **Opinion**

We have audited the accompanying financial statements of Episcopal Church in Navajoland (a nonprofit organization), which comprise the statement of financial position as of December 31, 2024, and the related statements of activities and changes in net assets, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Episcopal Church in Navajoland as of December 31, 2024, 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.

### **Basis for Opinion**

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Episcopal Church in Navajoland and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### **Responsibilities of Management for the Financial Statements**

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Episcopal Church in Navajoland's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

### **Auditors' Responsibilities for the Audit of the Financial Statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements, including omissions, are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Episcopal Church in Navajoand's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Episcopal Church in Navajoland's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

### **Prior Period Financial Statements**

The 2023 financial statements were reviewed by us, and our report thereon, dated March 25, 2024, stated we were not aware of any material modifications that should be made to those financial statements for them to be in accordance with accounting principles generally accepted in the United States of America. However, a review is substantially less in scope than an audit and does not provide a basis for the expression of an opinion on the financial statements as a whole.

*Schlenker & Cantwell, P.A.*

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SCHLENKER & CANTWELL, P.A.

Certified Public Accountants

March 3, 2025  
Albuquerque, New Mexico

**EPISCOPAL CHURCH IN NAVAJOLAND**

Statements of Financial Position

December 31, 2024 and 2023

**ASSETS**

	<b><u>2024</u></b>	<b><u>2023</u></b>
Current assets		
Cash and cash equivalents	\$ 561,267	\$ 512,393
Loan receivables	2,500	-
Employee advance	775	-
	<hr/>	<hr/>
Total current assets	564,542	512,393
Investments	306,240	394,819
Property and equipment, net	<hr/> 18,157,950	<hr/> 18,214,846
	<hr/>	<hr/>
Total assets	<u>\$ 19,028,732</u>	<u>\$ 19,122,058</u>

**LIABILITIES AND NET ASSETS**

Current liabilities		
Accounts payable	\$ 10,289	\$ 3,808
Pension payable	5,878	2,189
Funds held for others	126,208	186,797
	<hr/>	<hr/>
Total current liabilities	142,375	192,794
	<hr/>	<hr/>
Total liabilities	142,375	192,794
Net assets		
Without donor restrictions	18,297,163	18,448,964
With donor restrictions	589,194	480,300
	<hr/>	<hr/>
Total net assets	18,886,357	18,929,264
	<hr/>	<hr/>
Total liabilities and net assets	<u>\$ 19,028,732</u>	<u>\$ 19,122,058</u>

See independent auditors' report and notes to the financial statements

**EPISCOPAL CHURCH IN NAVAJOLAND**  
Statement of Activities and Changes in Net Assets  
For the Year Ended December 31, 2024  
(With comparative totals for the year ended December 31, 2023)

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>2024 Total</u>	<u>2023 Total</u>
Revenue and support				
Domestic and Foreign Missionary Society apportionment	\$ 517,500	\$ -	\$ 517,500	\$ 354,209
Contributions	213,506	123,162	336,668	741,878
Investment income	19,559	16,272	35,831	65,056
Other income	10,491	-	10,491	3,199
DFMS revenues	279,072	-	279,072	274,532
Net assets released from restrictions	30,540	(30,540)	-	-
	<u>1,070,668</u>	<u>108,894</u>	<u>1,179,562</u>	<u>1,438,874</u>
Total revenue and support				
Expenses				
Church operations	640,427	-	640,427	1,041,428
Management and general	252,781	-	252,781	192,734
Personnel expense	329,261	-	329,261	307,982
	<u>1,222,469</u>	<u>-</u>	<u>1,222,469</u>	<u>1,542,144</u>
Total expenses				
Changes in net assets	(151,801)	108,894	(42,907)	(103,270)
Net assets, beginning of year	<u>18,448,964</u>	<u>480,300</u>	<u>18,929,264</u>	<u>19,032,534</u>
Net assets, end of year	<u>\$ 18,297,163</u>	<u>\$ 589,194</u>	<u>\$ 18,886,357</u>	<u>\$ 18,929,264</u>

See independent auditors' report and notes to the financial statements

# EPISCOPAL CHURCH IN NAVAJOLAND

## Statement of Functional Expenses

For the Year Ended December 31, 2024

(With comparative totals for the year ended December 31, 2023)

	<u>Church Operations</u>	<u>Management and General</u>	<u>Personnel Expense</u>	<u>2024 Total</u>	<u>2023 Total</u>
Congregational support	\$ 596,155	\$ -	\$ -	\$ 596,155	\$ 471,256
Salaries and wages	-	-	241,233	241,233	237,310
Payroll taxes and benefits	-	-	88,028	88,028	70,672
Depreciation	-	58,411	-	58,411	60,518
Travel	-	49,808	-	49,808	43,920
Meetings and conferences	-	44,845	-	44,845	5,188
Missions expense	27,226	-	-	27,226	539,123
Telephone and communications	-	26,745	-	26,745	18,495
Other operating expenses	-	22,055	-	22,055	3,940
Insurance	-	19,768	-	19,768	27,849
Bishop's discretionary expense	13,706	-	-	13,706	24,502
Professional fees	-	8,244	-	8,244	11,515
Utilities	-	7,026	-	7,026	7,022
Office expenses	-	5,877	-	5,877	5,213
Taxes, licenses and fees	-	3,880	-	3,880	2,185
Supplies	-	3,769	-	3,769	3,362
TEC Commitment	3,340	-	-	3,340	6,000
Repairs and maintenance	-	1,817	-	1,817	1,579
Hospitality	-	452	-	452	128
Dues and subscriptions	-	84	-	84	1,820
Development and education	-	-	-	-	547
<b>Total expenses</b>	<b>\$ 640,427</b>	<b>\$ 252,781</b>	<b>\$ 329,261</b>	<b>\$ 1,222,469</b>	<b>\$ 1,542,144</b>

See independent auditors' report and notes to the financial statements

**EPISCOPAL CHURCH IN NAVAJOLAND**  
 Statements of Cash Flows  
 For the Years Ended December 31, 2024 and 2023

	<b>2024</b>	<b>2023</b>
Cash flows from operating activities		
Changes in net assets	\$ (42,907)	\$ (103,270)
Adjustments to reconcile changes in net assets to net cash (used) provided by operating activities:		
Depreciation	58,411	60,518
Decrease (increase) in operating assets:		
Unrealized loss (gain) on investments	3,863	(51,431)
Decrease (increase) in operating assets and liabilities:		
Accounts payable	6,481	2,715
Pension payable	3,689	(20,886)
Employee advance	(775)	-
Loan receivable	(2,500)	-
Funds held for others	(60,589)	123,934
Due to grant account	-	(30,000)
Due to Restricted	-	30,000
	(34,327)	11,580
Net cash (used) provided by operating activities		
Cash flows from investing activities		
Sale (purchases) of investments	84,716	(16,435)
Purchases of property and equipment	(1,515)	(41,734)
	83,201	(58,169)
Net cash provided (used) by investing activities		
Net increase (decrease) in cash	48,874	(46,589)
Cash and cash equivalents, beginning of year	512,393	558,982
Cash and cash equivalents, end of year	\$ 561,267	\$ 512,393

See independent auditors' report and notes to the financial statements

## EPISCOPAL CHURCH IN NAVAJOLAND

Notes to the Financial Statements

December 31, 2024 and 2023

### **NOTE 1 - NATURE OF ORGANIZATION**

Episcopal Church in Navajoland (the Church) is a nonprofit organization serving the Southwestern and Western regions of the United States. In 1978, the Church founded the Area Mission on 27,000 square miles in Arizona, New Mexico, and Utah which are contiguous with the Navajo Nation. The Church has developed projects to protect the planet and to help put indigenous peoples on the road to self-sufficiency.

### **NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Significant accounting policies applied in the preparation of the accompanying financial statements are as follows:

#### Basis of Accounting

The financial statements of the Church have been prepared on the accrual basis of accounting. Accordingly, certain revenues are recognized when earned rather than when received and certain expenses and purchases of assets are recognized when the obligation is incurred rather than when cash is disbursed.

#### Basis of Presentation

The Church's financial statements are presented in accordance with the Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 2016-14, *Not-for-Profit Entities, Presenting Financial Statements*. Under ASC 2016-14, the Church is required to report information regarding its financial position and activities according to two classes of net assets: without donor restrictions and with donor restrictions. In addition, the Church is required to present a statement of cash flows and a statement of functional expenses.

#### Contributed Nonfinancial Assets

In September 2020, FASB issued amended guidance for contributed nonfinancial assets with ASU 2020-07, *Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets* (Topic 958). The guidance requires the presentation of contributed nonfinancial assets as a separate line item in the statement of activities, disclosure of the disaggregated amount by type, and disclosure of qualitative information about whether the contributed nonfinancial assets were monetized or utilized during the reporting period as well as a description of the programs or other activities in which the assets were used. The guidance also requires disclosure of any donor-imposed restrictions and a description of valuation techniques.

## EPISCOPAL CHURCH IN NAVAJOLAND

Notes to the Financial Statements

December 31, 2024 and 2023

### **NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

#### Revenue Recognition

The Church's financial statements are presented in accordance with FASB Accounting Standards Update (ASU) 2014-09, *Revenue from Contracts with Customers*. Under ASC 2014-09, the Church is required to recognize revenue to transfer of goods or services to customers in an amount that reflects the consideration to which the Church expects to be entitled in exchange for those goods or services.

Revenue recognition for the Church is as follows:

#### Contributions and Grants

Unconditional promises to give are recognized as revenue in the period the promise was made. Contributions, grants, and bequests are recognized as net assets with donor restrictions if they are received with donor stipulations that limit the use of the donated assets. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both. We report contributions restricted by donors as increases in net assets without donor restrictions if the restrictions expire (that is, when a stipulated time restriction ends or purpose restriction is accomplished) in the reporting period in which the revenue is recognized.

Conditional grants and contract funds are recorded as revenue when earned. Revenue is earned when eligible expenditures or deliverables, as defined in each contract, are met. Funds received but not yet earned are shown as deferred revenue. Expenditures under contracts are subject to review by the granting authority. To the extent, if any, that such a review reduces expenditures allowable under these contracts, the Church will record such disallowance at the time the final assessment is made.

#### Contributions Received and Contributions Made

The Church adopted FASB ASU No. 2018-08 – *Not for Profit Entities (Topic 958): Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. This update provides a more robust framework for determining whether a transaction should be accounted for as a contribution or an exchange transaction. To accomplish this, the ASU clarifies how a not-for-profit organization determines whether a resource provider is receiving value in return for the resources transferred based on the following criteria:

- A resource provider (including a private foundation, a government agency, or other) is not synonymous with the general public. Indirect benefit received by the public as a result of the assets transferred is not equivalent to commensurate value received by the resource provider.

## EPISCOPAL CHURCH IN NAVAJOLAND

Notes to the Financial Statements

December 31, 2024 and 2023

### **NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

#### Contributions Received and Contributions Made (continued)

- Execution of a resource provider's mission or the positive sentiment from acting as a donor would not constitute commensurate value received by a resource provider for purposes of determining whether a transfer of assets is a contribution or an exchange.

In addition, this ASU also requires an organization to determine whether a contribution is conditional based on whether the agreement includes a barrier that must be overcome or whether a right of return of assets transferred or a right of release of a promisor's obligation to transfer assets.

#### Use of Estimates

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

#### Financial Instruments

The carrying amounts of cash, payables, and other liabilities approximate fair value due to the short maturity periods of these instruments.

#### Cash and Cash Equivalents

The Church defines cash and cash equivalents to be all highly liquid investments with an original maturity of three months or less.

#### Investments

Investments are carried at fair value. 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. Realized gains and losses are recorded on a specific identification method upon the sale of investment assets. Realized and unrealized gains and losses on investments are included in return on investments in the accompanying consolidated statements of activities and changes in net assets. Investment income and gains (losses) restricted by donors are reported as increases (decreases) in net assets without donor restrictions unless donor-imposed restrictions have not been met in the reporting period in which the income and gains are recognized. The fair market value of investments is subject to ongoing fluctuation. The amount ultimately realized upon disposition may differ than the amounts reported in these consolidated financial statements.

## EPISCOPAL CHURCH IN NAVAJOLAND

Notes to the Financial Statements

December 31, 2024 and 2023

### **NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

#### Leases

In February 2016, FASB issued Accounting Standards Update 2016-02, *Leases* (ASC 842). This new standard increases transparency and comparability among organizations by requiring the recognition of right-of-use (ROU) assets and lease liabilities on the statement of financial position. Most prominent among the changes in the standard is the recognition of ROU assets and lease liabilities by lessees for those leases classified as operating leases. Under the standard, disclosures are required to meet the objective of enabling users of financial statements to assess the amount, timing, and uncertainty of cash flows arising from leases.

The Church determines if an arrangement is a lease at inception. Operating leases are included in right-of-use ("ROU") assets – operating and lease liability – operating, and finance leases are included in right-of-use ("ROU") assets – financing and lease liability – financing in the statements of financial position.

ROU assets represent the Church's right to use an underlying asset for the lease term and lease liabilities represent the Church's obligation to make lease payments arising from the lease. ROU assets and liabilities are recognized at the lease commencement date based on the present value of lease payments over the lease term. Lease terms may include options to extend or terminate the lease when it is reasonably certain that the Church will exercise that option. Lease expense for operating lease payments is recognized on a straight-line basis over the lease term. The Church has elected to recognize payments for short-term leases with a lease term of 12 months or less as an expense as incurred and these leases are not included as lease liabilities or right-of-use assets on the statements of financial position.

The individual lease contracts do not provide information about the discount rate implicit in the lease. Therefore, the Church has elected to use a risk-free discount rate determined using a period comparable with that of the lease term for computing the present value of lease liabilities. There were no leases that met the requirements of capitalization for ASC-842.

#### Property and Equipment

Property and equipment are carried at cost or, if donated, at the approximate fair value at the date of donation. Purchased or donated property in excess of \$1,000 is capitalized. Assets donated with explicit restrictions regarding their use and contributions of cash that must be used to acquire property and equipment are reported as support with donor restrictions. Property and equipment is depreciated using the straight-line method over the estimated useful lives of the assets, which range from five to forty years.

## EPISCOPAL CHURCH IN NAVAJOLAND

Notes to the Financial Statements

December 31, 2024 and 2023

### **NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

#### Net Assets

Net assets, revenues, gains, and losses are classified based on the existence or absence of donor or grantor-imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

*Net Assets Without Donor Restrictions* – Net assets available for use in general operations and not subject to donor restrictions.

*Net Assets With Donor Restrictions* – Net assets subject to donor-imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both.

#### Income Taxes

The Church is tax-exempt under section 501(c)(3) of the Internal Revenue Code. The Church has adopted accounting principles generally accepted in the United States of America as they relate to uncertain tax positions for the year ended December 31, 2024, and has evaluated its tax positions taken for all open tax years. Management believes that the activities of the Church are within their tax-exempt purpose and that there are no uncertain tax positions.

#### Advertising

The Church expenses advertising costs as incurred. Advertising expense was zero for the years ended December 31, 2024, and 2023.

#### Functional Expense Allocation

Expenses and support services that can be identified with a specific program are allocated directly according to their natural expenditure classification. Common costs are allocated among the classifications benefited based upon estimated usage.

**EPISCOPAL CHURCH IN NAVAJOLAND**

Notes to the Financial Statements

December 31, 2024 and 2023

**NOTE 3 - INVESTMENTS**

The cost, fair value, and unrealized appreciation of investments in marketable securities as of December 31, 2024, are as follows:

<u>Description</u>	<u>Cost</u>	<u>Fair Value</u>	<u>Unrealized Depreciation</u>
DFMS Pooled investments	\$ 310,103	\$ 306,240	\$ (3,863)
Total fair market value	<u>\$ 310,103</u>	<u>\$ 306,240</u>	<u>\$ (3,863)</u>

Investment income consists of the following for the year ended December 31, 2024:

Dividends and interest income	\$ 39,694
Unrealized loss	<u>(3,863)</u>
Total investment income	<u>\$ 35,831</u>

The cost, fair value, and unrealized appreciation of investments in marketable securities as of December 31, 2023, are as follows:

<u>Description</u>	<u>Cost</u>	<u>Fair Value</u>	<u>Unrealized Appreciation</u>
DFMS Pooled investments	\$ 343,388	\$ 394,819	\$ 51,431
Total fair market value	<u>\$ 343,388</u>	<u>\$ 394,819</u>	<u>\$ 51,431</u>

Investment income consists of the following for the year ended December 31, 2023:

Dividends and interest income	\$ 13,625
Unrealized gain	<u>51,431</u>
Total investment income	<u>\$ 65,056</u>

## EPISCOPAL CHURCH IN NAVAJOLAND

Notes to the Financial Statements

December 31, 2024 and 2023

### **NOTE 4 – FAIR VALUE MEASUREMENT**

Accounting principles generally accepted in the United States of America establish a framework for measuring fair value. The framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value.

The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurements) and the lowest priority to unobservable inputs (level 3 measurements). The three levels of the fair value hierarchy are described as follows:

Level 1: Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Church has the ability to access.

Level 2 - Inputs to the valuation methodology include:

- Quoted prices for similar assets or liabilities in active markets
- Quoted prices for identical or similar assets or liabilities in inactive markets
- Inputs other than quoted prices that are observable for the asset or liability
- Inputs that are derived principally from or corroborated by observable market data by correlation or other means

If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.

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

The asset or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

Following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in the methodologies used as of December 31, 2024.

The Church's investments consist of pooled investments with other churches into The Domestic and Foreign Missionary Society (DFMS) and previously with the Episcopal Church Foundation. The underlying investments of these funds are a blend of mutual funds, exchange-traded funds, U.S. large-cap, mid-cap, small-cap equities, real estate funds, investment-grade bonds, and U.S. treasuries. These pooled funds consist of assets with inputs that are derived from observable market data and the church classifies them as level two funds.

**EPISCOPAL CHURCH IN NAVAJOLAND**

Notes to the Financial Statements

December 31, 2024 and 2023

**NOTE 4 – FAIR VALUE MEASUREMENT (continued)**

The methods described above may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while management believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

The following table sets forth by level, within the fair value hierarchy, the Church's assets at fair value as of December 31, 2024:

<u>Description</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
DFMS Pooled investments	<u>\$ -</u>	<u>\$ 306,240</u>	<u>\$ -</u>	<u>\$ 306,240</u>
Total fair market value	<u><u>\$ -</u></u>	<u><u>\$ 306,240</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 306,240</u></u>

The following table sets forth by level, within the fair value hierarchy, the Church's assets at fair value as of December 31, 2023:

<u>Description</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
DFMS Pooled investments	<u>\$ -</u>	<u>\$ 394,819</u>	<u>\$ -</u>	<u>\$ 394,819</u>
Total fair market value	<u><u>\$ -</u></u>	<u><u>\$ 394,819</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 394,819</u></u>

The availability of observable market data is monitored to assess the appropriate classification of financial instruments within the fair value hierarchy. Changes in economic conditions or model-based valuation techniques may require the transfer of financial instruments from one fair value level to another. In such instances, the transfer is reported at the beginning of the reporting period.

Management evaluated the significance of transfer between levels based on the nature of the financial instrument and size of the transfer relative to total assets. There were no significant transfers for the year ended December 31, 2024.

**EPISCOPAL CHURCH IN NAVAJOLAND**

Notes to the Financial Statements

December 31, 2024 and 2023

**NOTE 5 - PROPERTY AND EQUIPMENT**

Property and equipment consist of the following as of December 31:

	<u>2024</u>	<u>2023</u>
Buildings	\$ 16,169,723	\$ 16,169,723
Land	1,739,247	1,739,247
Furniture and equipment	251,671	250,156
Vehicles	<u>287,840</u>	<u>287,840</u>
Total property and equipment	18,448,481	18,446,966
Accumulated depreciation	<u>(290,531)</u>	<u>(232,120)</u>
Property and equipment, net	<u><u>\$ 18,157,950</u></u>	<u><u>\$ 18,214,846</u></u>

Depreciation expense was \$58,411 and \$60,518 for the years ended December 31, 2024, and 2023, respectively.

**NOTE 6 - NET ASSETS WITH DONOR RESTRICTIONS**

Nets assets with donor restrictions consist of the following as of December 31:

	<u>2024</u>	<u>2023</u>
Purpose restrictions	<u>\$ 589,194</u>	<u>\$ 480,300</u>
Total net assets with donor restrictions	<u><u>\$ 589,194</u></u>	<u><u>\$ 480,300</u></u>

**NOTE 7 - NET ASSETS RELEASED FROM RESTRICTIONS**

Nets assets released from restrictions consist of the following for the years ended December 31:

	<u>2024</u>	<u>2023</u>
Purpose restrictions	<u>\$ 30,540</u>	<u>\$ 742,629</u>
Total net assets released from donor restrictions	<u><u>\$ 30,540</u></u>	<u><u>\$ 742,629</u></u>

**EPISCOPAL CHURCH IN NAVAJOLAND**

Notes to the Financial Statements

December 31, 2024 and 2023

**NOTE 8 - PENSION PLAN**

All regular employees are eligible to participate in retirement plans administered by the Church Pension Group. All Clergy, even if employed in a Lay position, are covered under a defined benefit plan. Contributions paid by the Church are calculated at a rate of 18% of stipend, housing, and utilities. Lay employees must work more than 1,000 hours per year in order to participate and are covered under a defined contribution plan. Contributions paid by the Church are 5% of salary, with a match of employee contributions up to a total of 9%. Contributions made by the Church totaled \$20,777 and \$24,772 for the years ended December 31, 2024, and 2023, respectively, and are included in “Payroll taxes and benefits” on the statements of functional expenses.

**NOTE 9 - OPERATING LEASE COMMITMENT**

The Church has an operating lease for a copier which will expire in September of 2029. The lease requires minimum payments of \$129 per month. Total rent paid for the years ended December 31, 2024, and 2023 was \$1,825 and \$1,296, respectively, and is included in “Office expenses” on the statements of functional expenses. This lease did not meet the requirements of ASC-842.

Future required minimum lease payments are as follows for the s year ended December 31:

2025	\$	1,552
2026		1,552
2027		1,552
2028		1,552
2029		1,164
Total	\$	<u>7,372</u>

**NOTE 10 - CONCENTRATION**

The Church receives a substantial amount of support from grants. During 2024 and 2023, DFMS provided 44% and 25% of total revenue and support for the years ended December 31, 2024, and 2023, respectively. There was a receivable balance of zero as of December 31, 2024, and 2023.

**NOTE 11- LIQUIDITY AND AVAILABILITY**

The Church receives contributions with donor restrictions to be used in accordance with the associated purpose restrictions. In addition, the Church receives support without donor restrictions which have represented approximately 88% and 67% of annual program funding in 2024 and 2023, respectively.

**EPISCOPAL CHURCH IN NAVAJOLAND**

Notes to the Financial Statements

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**NOTE 11- LIQUIDITY AND AVAILABILITY (continued)**

The Church considers contributions without donor restrictions and contributions with donor restrictions for use in current programs which are ongoing, major, and central to its annual operations to be available to meet cash needs for general expenditures. General expenditures include administrative and general expenses expected to be paid in the subsequent year. Annual operations are defined as activities occurring during the Church's fiscal year.

As part of the Church's liquidity management, it ensures its financial assets are available as its general expenditures, liabilities, and other obligations become due. As of December 31, 2024, and 2023, the Church had average days cash on hand of 165 days and 120 days, respectively.

The Church manages its cash available to meet general expenditures following three guiding principles:

- Operating within a prudent range of financial soundness and stability,
- Maintaining adequate liquid assets, and,
- Maintaining sufficient reserves to provide reasonable assurance that mission fulfillment will continue to be met, ensuring the sustainability of the Church.

Financial assets available for general expenditures within one year as of December 31 are as follows:

	<u>2024</u>	<u>2023</u>
Financial assets as of year end:		
Cash and cash equivalents	\$ 561,267	\$ 512,393
Loan receivables	2,500	-
Employee advance	775	-
Investments - Sustainability Trust	<u>30,119</u>	<u>169,271</u>
Total financial assets	594,661	681,664
Less amounts not available to be used within one year:		
Net assets with donor restrictions	(589,194)	(480,300)
Plus net assets with purpose restrictions expected to be met within one year	<u>350,000</u>	<u>350,000</u>
Total financial assets available for general expenditures within one year	<u>\$ 355,467</u>	<u>\$ 551,364</u>

**EPISCOPAL CHURCH IN NAVAJOLAND**

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**NOTE 12 - SUBSEQUENT EVENTS**

Management has evaluated subsequent events through March 3, 2025, the date the financial statements were available for issuance, to determine whether such events should be recorded or disclosed in the financial statements for the year ended December 31, 2024.