

ST. COLUMBA'S EPISCOPAL CHURCH

FINANCIAL STATEMENTS

June 30, 2020 (Audited) and 2019 (Compiled)

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INDEPENDENT AUDITOR'S REPORT

To the Members of the Vestry
St. Columba's Episcopal Church
Washington, DC

We have audited the accompanying financial statements of St. Columba's Episcopal Church, which comprise the statement of financial position as of June 30, 2020, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of St. Columba's Episcopal Church as of June 30, 2020, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Correction of Error

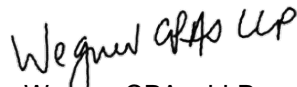
As discussed in Note 16 to the financial statements, certain errors resulting in an overstatement of amounts previously reported for net assets with donor restrictions and contributions receivable as of June 30, 2019, were discovered by management during the current year. Accordingly, amounts reported for net assets with donor restrictions and contributions receivable have been restated in the 2019 financial statements now presented, and an adjustment has been made to net assets without donor restrictions as of June 30, 2019, to correct the error.

Report on Compiled 2019 Financial Statements

Management is responsible for the accompanying financial statements of St. Columba's Episcopal Church, which comprise the statement of financial position as of June 30, 2019, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements in accordance with accounting principles generally accepted in the United States of America. We have performed a compilation engagement in accordance with Statements on Standards for Accounting and Review Services promulgated by the Accounting and Review Services Committee of the AICPA. We did not audit or review the financial statements nor were we required to perform any procedures to verify the accuracy or completeness of the information provided by management. Accordingly, we do not express an opinion, a conclusion, nor provide any form of assurance on these financial statements.

Adoption of New Accounting Guidance

As discussed in Note 1 to the financial statements, St. Columba's Episcopal Church adopted the Financial Accounting Standards Board's Accounting Standards Update (ASU) No. 2014-09, *Revenue from Contracts with Customers (Topic 606)*, and all subsequently issued clarifying ASUs and ASU No. 2018-08, *Not-For-Profit Entities (Topic 958): Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*, as of July 1, 2019. Our opinion is not modified with respect to this matter.


Wegner CPAs, LLP
Madison, Wisconsin
October 16, 2020

ST. COLUMBA'S EPISCOPAL CHURCH
STATEMENTS OF FINANCIAL POSITION
June 30, 2020 (Audited) and 2019 (Compiled)

	2020	2019
ASSETS		
Cash	\$ 756,689	\$ 717,022
Investments	2,013,889	1,979,628
Contributions receivable, net	879,581	1,225,061
Accounts receivable	3,333	23,133
Prepaid expenses	28,906	54,752
Art, antiques, and collectibles	109,815	109,815
Shared equity interest	375,000	375,000
Property and equipment, net	7,689,658	7,972,377
Total assets	\$ 11,856,871	\$ 12,456,788
LIABILITIES AND NET ASSETS		
LIABILITIES		
Accounts payable and accrued liabilities	\$ 405,186	\$ 340,544
Deferred revenue	197,260	590,731
Capital lease obligation	14,267	18,584
Notes payable	1,105,446	1,199,068
Total liabilities	1,722,159	2,148,927
NET ASSETS		
Without donor restrictions	9,576,884	9,815,943
With donor restrictions	557,828	491,918
Total net assets	10,134,712	10,307,861
Total liabilities and net assets	\$ 11,856,871	\$ 12,456,788

See accompanying notes.

ST. COLUMBA'S EPISCOPAL CHURCH
STATEMENT OF ACTIVITIES
Year Ended June 30, 2020 (Audited)

	Without Donor Restrictions	With Donor Restrictions	Total
REVENUES			
Contributions	\$ 2,777,174	\$ 213,538	\$ 2,990,712
Tuition and fees, net	1,713,422	-	1,713,422
Program and event income	163,535	-	163,535
Investment income, net	64,653	-	64,653
Paycheck Protection Program income	596,100	-	596,100
Other income	6,326	-	6,326
	<u>5,321,210</u>	<u>213,538</u>	<u>5,534,748</u>
EXPENSES			
Program services			
Church	2,756,694	-	2,756,694
Nursery school	2,109,090	-	2,109,090
	<u>4,865,784</u>	<u>-</u>	<u>4,865,784</u>
Management and general	768,486	-	768,486
Fundraising	73,627	-	73,627
	<u>5,707,897</u>	<u>-</u>	<u>5,707,897</u>
NET ASSETS RELEASED FROM RESTRICTIONS			
Satisfaction of purpose restrictions	147,628	(147,628)	-
Change in net assets	(239,059)	65,910	(173,149)
Net assets at beginning of year - as restated	<u>9,815,943</u>	<u>491,918</u>	<u>10,307,861</u>
Net assets at end of year	<u>\$ 9,576,884</u>	<u>\$ 557,828</u>	<u>\$ 10,134,712</u>

See accompanying notes.

ST. COLUMBA'S EPISCOPAL CHURCH
STATEMENT OF ACTIVITIES
Year Ended June 30, 2019 (Compiled)

	Without Donor Restrictions	With Donor Restrictions	Total
REVENUES			
Contributions	\$ 3,346,344	\$ 285,254	\$ 3,631,598
Tuition and fees, net	1,755,729	-	1,755,729
Program and event income	163,362	-	163,362
Investment income, net	134,351	-	134,351
Other income	17,210	-	17,210
Total revenues	5,416,996	285,254	5,702,250
EXPENSES			
Program services			
Church	2,719,673	-	2,719,673
Nursery school	2,058,007	-	2,058,007
Total program services	4,777,680	-	4,777,680
Management and general	607,331	-	607,331
Fundraising	71,513	-	71,513
Total expenses	5,456,524	-	5,456,524
NET ASSETS RELEASED FROM RESTRICTIONS			
Satisfaction of purpose restrictions	89,921	(89,921)	-
Change in net assets	50,393	195,333	245,726
Net assets at beginning of year	9,765,550	296,585	10,062,135
Net assets at end of year	\$ 9,815,943	\$ 491,918	\$ 10,307,861

See accompanying notes.

ST. COLUMBA'S EPISCOPAL CHURCH
STATEMENT OF FUNCTIONAL EXPENSES
Year Ended June 30, 2020 (Audited)

	Program Services			Supporting Activities			Total Expenses
	Church	Nursery School	Total Program Services	Management and General	Fundraising	Total Supporting Activities	
Salaries and benefits	\$ 1,376,913	\$ 1,699,496	\$ 3,076,409	\$ 234,393	\$ 65,011	\$ 299,404	\$ 3,375,813
Professional fees	106,966	25,301	132,267	189,611	117	189,728	321,995
Contributions	182,708	2,270	184,978	-	-	-	184,978
Hospitality	52,276	5,950	58,226	629	-	629	58,855
Insurance	40,835	11,629	52,464	1,078	360	1,438	53,902
Utilities	96,254	29,678	125,932	2,532	843	3,375	129,307
Dues and subscriptions	11,480	7,891	19,371	9,499	17	9,516	28,887
Repairs and maintenance	352,793	129,459	482,252	498	3,090	3,588	485,840
Office expenses	25,685	10,055	35,740	3,356	44	3,400	39,140
Music	11,124	-	11,124	-	-	-	11,124
Travel and lodging	26,552	3,584	30,136	28	-	28	30,164
Supplies	107,181	53,921	161,102	5,929	1,422	7,351	168,453
Depreciation and amortization	309,294	120,450	429,744	8,165	2,723	10,888	440,632
Bad debts	-	-	-	273,936	-	273,936	273,936
Other expenses	42,723	-	42,723	-	-	-	42,723
Interest and other fees	13,910	9,406	23,316	38,832	-	38,832	62,148
Total expenses	\$ 2,756,694	\$ 2,109,090	\$ 4,865,784	\$ 768,486	\$ 73,627	\$ 842,113	\$ 5,707,897

See accompanying notes.

ST. COLUMBA'S EPISCOPAL CHURCH
STATEMENT OF FUNCTIONAL EXPENSES
Year Ended June 30, 2019 (Compiled)

	Program Services			Supporting Activities			Total Expenses
	Church	Nursery School	Total Program Services	Management and General	Fundraising	Total Supporting Activities	
Salaries and benefits	\$ 1,552,494	\$ 1,644,210	\$ 3,196,704	\$ 225,891	\$ 64,399	\$ 290,290	\$ 3,486,994
Professional fees	43,750	33,186	76,936	201,317	22	201,339	278,275
Contributions	143,487	13,955	157,442	-	-	-	157,442
Hospitality	66,327	6,179	72,506	465	7	472	72,978
Insurance	39,396	11,220	50,616	1,040	347	1,387	52,003
Utilities	110,656	37,501	148,157	3,233	952	4,185	152,342
Dues and subscriptions	23,533	13,536	37,069	917	140	1,057	38,126
Repairs and maintenance	135,868	60,525	196,393	4,937	1,001	5,938	202,331
Office expenses	35,181	12,726	47,907	2,108	424	2,532	50,439
Music	12,019	-	12,019	-	-	-	12,019
Travel and lodging	37,750	89	37,839	240	484	724	38,563
Supplies	95,305	78,960	174,265	2,586	803	3,389	177,654
Depreciation and amortization	322,436	122,331	444,767	8,512	2,836	11,348	456,115
Bad debts	-	-	-	143,456	-	143,456	143,456
Other expenses	60,342	2,816	63,158	34	-	34	63,192
Interest and other fees	41,129	20,773	61,902	12,595	98	12,693	74,595
Total expenses	\$ 2,719,673	\$ 2,058,007	\$ 4,777,680	\$ 607,331	\$ 71,513	\$ 678,844	\$ 5,456,524

See accompanying notes.

ST. COLUMBA'S EPISCOPAL CHURCH
STATEMENTS OF CASH FLOWS
Years Ended June 30, 2020 (Audited) and 2019 (Compiled)

	2020	2019
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ (173,149)	\$ 245,726
Adjustments to reconcile change in net assets to net cash flows from operating activities		
Depreciation and amortization	440,632	456,115
Allowance for uncollectible pledges	273,936	143,456
Realized and unrealized gains on investments	(3,729)	(114,890)
(Increase) decrease in assets		
Contributions receivable, net	71,544	(635,461)
Accounts receivable	19,800	-
Prepaid expenses	25,846	26,471
Increase (decrease) in liabilities		
Accounts payable and accrued liabilities	64,642	1,152
Deferred revenue	(393,471)	3,024
Net cash flows from operating activities	326,051	125,593
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sale of investments	567,573	426,906
Purchases of investments	(598,105)	(697,806)
Purchases of property and equipment	(157,913)	(52,914)
Net cash flows from investing activities	(188,445)	(323,814)
CASH FLOWS FROM FINANCING ACTIVITIES		
Principal payments of capital lease obligation	(4,317)	-
Payments on notes payable	(93,622)	(90,910)
Net cash flows from financing activities	(97,939)	(90,910)
Change in cash	39,667	(289,131)
Cash at beginning of year	717,022	1,006,153
Cash at end of year	<u>\$ 756,689</u>	<u>\$ 717,022</u>
SUPPLEMENTAL DISCLOSURES		
Cash paid for interest	\$ 39,201	\$ 41,775

See accompanying notes.

ST. COLUMBA'S EPISCOPAL CHURCH
NOTES TO FINANCIAL STATEMENTS
June 30, 2020 (Audited) and 2019 (Compiled)

NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Activities

St. Columba's Episcopal Church (the "Church") is located in Northwest Washington, DC, and was admitted into union with the Convention of the Protestant Episcopal Church of the Diocese of Washington in 1925. St. Columba's is a not-for-profit religious organization. St. Columba's operates the St. Columba's Nursery School (the Nursery School), which is not a separate entity.

Investments

The Church reports investments in equity securities with readily determinable fair values at their fair values in the statements of financial position. Realized and unrealized gains and losses are included in the change in net assets in the accompanying statements of activities.

The Church carries a real-estate investment trust without readily determinable fair values at cost. There is no quoted market price for this investment and the Church has not obtained or developed a valuation model to determine if the fair values of this investment because the cost is not practical.

Investment securities are exposed to various risks such as interest rate, market, and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such change could materially affect the amounts reported in the statements of financial position.

Contributions Receivable

Contributions receivable consist of amounts due from contributors for recent pledges, which are all due within one year. Contributions receivable at June 30, 2020 and 2019 are shown net of an allowance for uncollectible contributions of \$118,470 and \$143,456, respectively. The allowance is based on the dollar amount of pledges received and management's uncollectible estimate of 5% of total pledges. Any additional amount deemed uncollectible during the year are written off directly to bad debt expense.

Accounts Receivable

Accounts receivable primarily represents amounts due from programs and events provided by the Church. Accounts receivable are stated at the amount management expects to be collected from outstanding balances. As of June 30, 2020 and 2019, management has determined, based on historical experience that all amounts are fully collectible and no allowance for doubtful accounts is necessary.

Art, Antiques and Collectibles

The Church's art, antiques and collectibles are recorded based on an independent appraisal for items acquired or received prior to January 1, 1993. All items purchased after January 1, 1993 are recorded at cost. Art, antiques and collectibles are not depreciated. Each of these items is catalogued, preserved and cared for, and activities verifying their existence and assessing their condition are performed continuously. These items were last appraised in 2008, which resulted in no change to the value of the items.

ST. COLUMBA'S EPISCOPAL CHURCH
NOTES TO FINANCIAL STATEMENTS
June 30, 2020 (Audited) and 2019 (Compiled)

NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Shared Equity Interest

The Church has elected to record investments in shared equity interests at cost in the statements of financial position.

Property and Equipment

All acquisitions of property and equipment in excess of \$2,500 are capitalized at cost or, if donated, at the estimated fair value at the date of donation. Furniture and equipment and buildings are depreciated on a straight-line basis over estimated lives of the assets ranging from three to fifty years. Building improvements are capitalized and amortized over the lesser of the useful lives of the improvements or the remaining life of the building.

Contributions

Contributions are recorded as received as the conditions are met. All contributions are recorded as increases in net assets without donor restrictions or net assets with donor restrictions, depending on the existence and/or nature of any donor restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities as net assets released from restrictions.

Donated Services

Donated services are recognized as contributions if the services create or enhance nonfinancial assets or they require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation. Volunteers also provided services assisting the Church throughout the year that are not recognized as contributions in the financial statements since the recognition criteria were not met.

Revenue Recognition

The Church receives tuition revenue, application fees, school fees, and program and event income. The tuition is billed and earned at the beginning of the school year. Advanced billings are deferred until the services are provided. The application fees are earned at the beginning of the school year. School fees are billed each month and earned that month. Each student is required to maintain a deposit with the school while they are enrolled. These are included with deferred revenue until the student withdraws. The program and event income is earned at a point in time and revenue is recognized when the services are provided. It is the policy of the Church not to refund any of these amounts.

ST. COLUMBA'S EPISCOPAL CHURCH
NOTES TO FINANCIAL STATEMENTS
June 30, 2020 (Audited) and 2019 (Compiled)

NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Paycheck Protection Program Loan

The Church received a loan under the Paycheck Protection Program (PPP) established by the Coronavirus Aid, Relief, and Economic Security Act and administered by the U.S. Small Business Administration. The loan will be fully forgiven if the funds are used for payroll costs, interest on mortgages, rent, and utilities. The Church expects to meet the PPP's eligibility criteria and believes the loan is, in substance, a grant that is expected to be forgiven. The Church recognizes amounts expected to be forgiven as revenue when it incurs qualifying expenses.

Expense Allocation

The financial statements report certain categories of expenses that are attributable to more than one program service or supporting activity. Therefore, these expenses require allocation on a reasonable basis that is consistently applied. The expenses that are allocated include salaries and benefits, contributions, hospitality, dues and subscriptions, supplies, office expenses, travel and lodging, and other expenses, which are allocated on the basis of estimates of time and effort. Insurance, utilities, repairs and maintenance expense, depreciation, and interest are allocated on the basis of estimates of square footage.

The following program services and supporting activities are included in the accompanying financial statements:

Church—The Church is engaged in various activities and programs dedicated to its mission and ministry, including worship, music, formation, and outreach.

Nursery School—The Nursery School has operated since 1959 and provides programs for children ages 2-5, embracing play as a child's most natural and effective way of learning. The program is socially focused and is designed to prepare young children for ongoing schooling and healthy, productive lives.

Management and general—Activities relate to the overall direction of the Church and include the functions necessary to ensure proper administrative functioning of the Vestry, manage the financial and budgetary responsibilities, and perform other administrative functions.

Fundraising—Fundraising activities relate to soliciting contributions and any capital campaign activities.

Estimates

Management uses estimates and assumptions in preparing financial statements. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenues and expenses. Actual results could differ from those estimates.

Date of Management's Review

Management has evaluated subsequent events through October 16, 2020, the date which the financial statements were available to be issued.

ST. COLUMBA'S EPISCOPAL CHURCH
NOTES TO FINANCIAL STATEMENTS
June 30, 2020 (Audited) and 2019 (Compiled)

NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Income Tax Status

The Church is exempt from federal income taxes and applicable District of Columbia income tax under Section 501(c)(3) of the Internal Revenue Code (the Code). The Church is classified as other than a private foundation under Section 509(a)(1) of the Code. No provision for income taxes has been recorded in the accompanying financial statements.

The Church believes that it has appropriate support for any tax positions taken, and as such, does not have any uncertain tax positions that are material to the financial statements.

Adoption of New Accounting Guidance

On May 28, 2014, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2014-09, *Revenue from Contracts with Customers (Topic 606)*. The ASU and all subsequently issued clarifying ASUs supersedes the revenue recognition requirements and most industry-specific guidance in U.S. generally accepted accounting principles. The core principle of the new guidance is that an entity recognizes revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The new guidance also includes a cohesive set of disclosure requirements that will provide users of the financial statements with comprehensive information about the nature, amount, timing, and uncertainty of revenue and cash flows arising from the entity's contracts with customers.

The Church adopted the requirements of the new guidance as of July 1, 2019, using the modified retrospective method of transition. In applying the new guidance, the Church elected to use the practical expedient that allows the guidance to be applied only to contracts that were not complete as of July 1, 2019.

The majority of the Church's revenue from contracts with customers is recognized at a point in time based on the transfer of control. Revenue recognized over time primarily consists of performance obligations that are satisfied within one year or less. In addition, the majority of the Church's contracts do not contain variable consideration and contract modifications are generally minimal.

The adoption of the new guidance did not have a significant impact on the Church's financial statements. The majority of the Church's revenue arrangements generally consist of a single performance obligation to transfer promised goods or services. Based on the Church's evaluation process and review of its contracts with customers, the timing and amount of revenue recognized previously is consistent with how revenue is recognized under the new guidance.

Also, on June 21, 2018, the FASB issued ASU No. 2018-08, *Not-for-Profit Entities (Topic 958): Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. The ASU provides a more robust framework for evaluating whether transactions such as grants and similar contracts with government agencies and others should be accounted for as exchange transactions (that is, revenue from contracts with customers) or contributions. The ASU also assists entities in determining whether a contribution is conditional. The Church adopted the requirements of the ASU as of July 1, 2019. The changes in the ASU have been applied on a modified prospective basis, that is, the changes have been applied to agreements that are either not completed as of July 1, 2019, or entered into after that date.

ST. COLUMBA'S EPISCOPAL CHURCH
NOTES TO FINANCIAL STATEMENTS
June 30, 2020 (Audited) and 2019 (Compiled)

NOTE 2—LINE OF CREDIT

The Church has a \$440,000 revolving line of credit with no maturity date. Advances on the credit line are payable on demand and carry an interest rate of 3.75%. The credit line is secured by substantially all assets of the Church. There was no outstanding balance on the line at June 30, 2020 and 2019.

NOTE 3—INVESTMENTS

Investments are comprised of the following:

	2020	2019
Cash and money market accounts	\$ 486,140	\$ 22,289
Real estate investments trust	28,000	-
Mutual funds	1,499,749	1,517,533
Fixed income securities	-	439,806
	\$ 2,013,889	\$ 1,979,628

NOTE 4—FAIR VALUE MEASUREMENTS

Fair values of assets are measured on a recurring basis are as follows:

Assets at Fair Value as of June 30, 2020	
Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)
Mutual funds	\$ 1,499,749
Assets at Fair Value as of June 30, 2019	
Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)
Mutual funds	\$ 1,517,533
Fixed income securities	439,806
	\$ 1,957,339

Fair values for the mutual funds and fixed income securities are determined by reference to quoted market prices and other relevant information generated by market transactions.

ST. COLUMBA'S EPISCOPAL CHURCH
NOTES TO FINANCIAL STATEMENTS
June 30, 2020 (Audited) and 2019 (Compiled)

NOTE 5—PROPERTY AND EQUIPMENT

Property and equipment consists of the following:

	2020	2019
Land	\$ 1,535,600	\$ 1,535,600
Furniture and equipment	1,328,469	1,305,579
Construction in progress	41,514	-
Building improvements	6,274,634	6,181,126
Buildings	5,326,289	5,326,289
Total property and equipment	14,506,506	14,348,594
Less accumulated depreciation	(6,816,848)	(6,376,217)
Property and equipment, net	\$ 7,689,658	\$ 7,972,377

NOTE 6—NOTES PAYABLE

In November 2015, the Church borrowed \$600,000 with a fixed interest rate of 3.30% and a five-year maturity secured by a residential property owned by the Church from United Bank. After the five-year maturity, the loan will be extended for an additional five years with interest calculated on the unpaid principal balance using an interest rate swap. This note is secured by the 4201 Albemarle property. The outstanding balance on this note payable at June 30, 2020 and 2019 was \$349,716 and \$407,624, respectively.

In March 2016, the Church refinanced another mortgage debt with United Bank for \$900,000 with a fixed interest rate of 3.30% and a five-year maturity. The payments of principal and interest are calculated on a 20-year amortization schedule. All outstanding principal and accrued interest will be due at maturity. This note is secured by the 4221 Albemarle property. The outstanding balances on this note payable at June 30, 2020 and 2019 were \$755,730 and \$791,444, respectively.

Interest expense was \$39,201 and \$41,775 for the years ended June 30, 2020 and 2019, respectively.

The future scheduled maturities of notes payable for years ending June 30 are as follows:

2021	\$ 815,727
2022	62,099
2023	64,179
2024	66,330
2025	68,552
Thereafter	28,559
	\$ 1,105,446

ST. COLUMBA'S EPISCOPAL CHURCH
NOTES TO FINANCIAL STATEMENTS
June 30, 2020 (Audited) and 2019 (Compiled)

NOTE 7—LEASES

Operating Lease

The Church started leasing a copier in February 2020. This is a 60-month lease and requires monthly payments of \$825. Lease expense for the year ended June 30, 2020 was \$3,302.

Future minimum lease payments under the operating lease for the years ending June 30 are as follows:

2021	\$ 9,896
2022	9,896
2023	9,896
2024	9,896
2025	5,772
	\$ 45,356
	\$ 45,356

Capital Lease

The Church leases a copier under a capital lease that expires in August 2023. The asset and liability under the capital lease are recorded at the lower of present value of the minimum lease payments or the fair value of the asset. The asset is depreciated over the lesser of the related lease term or estimated useful life.

The asset held under a capital lease consists of the following:

Equipment	\$ 22,116
Less accumulated depreciation	8,109
	\$ 14,007
	\$ 14,007

Future minimum lease payments for the years ending June 30 are as follows, including amounts representing interest totaling \$477:

2021	\$ 4,656
2022	4,656
2023	4,656
2024	776
	\$ 14,744
	\$ 14,744

ST. COLUMBA'S EPISCOPAL CHURCH
NOTES TO FINANCIAL STATEMENTS
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NOTE 8—SHARED EQUITY INTEREST

In July 2015, the Church invested \$375,000 for a shared equity interest in a residence acquired by its Rector. The purchase price was financed by this 30% equity interest provided by the Church and the 70% remaining equity and mortgage financing was provided by the Rector. Any cost of major repairs or improvements to the property paid for by the party will be added to the purchase price and the payments remitted by a party for such costs will be added to the dollar value of that party's initial contribution to the purchase price. Any dismantling of the arrangement will be based off the fair market value of the property at that time or by mutual agreement. Each party will receive their proportionate share of the proceeds based on their contribution to the property at that time. As of June 30, 2020 and 2019, the Church's investment of \$375,000 was reflected as the value of this shared equity interest in the statements of financial position.

NOTE 9—CONCENTRATIONS OF RISK

The Church maintains its cash in financial institutions where at times balances may exceed the federally insured limit of \$250,000. The uninsured cash balances at June 30, 2020 and 2019 totaled \$365,629 and \$171,252, respectively. The Church has not experienced any losses resulting from this risk.

NOTE 10—NET ASSETS WITHOUT DONOR RESTRICTIONS

The Vestry board has chosen to place the following limitations on net assets without donor restrictions at June 30, 2020 and 2019:

	<u>2020</u>	<u>2019</u>
Nursery School	\$ 547,097	\$ 547,097
Memorial fund for future endowment	229,065	249,065
Building fund	-	160,000
Outreach	56,703	72,984
Youth ministries	39,676	53,012
Refugee response	4,958	10,868
Library fund	15,264	20,489
Other	22,484	29,893
Undesignated	<u>8,661,637</u>	<u>8,672,535</u>
Net assets without donor restrictions	<u>\$ 9,576,884</u>	<u>\$ 9,815,943</u>

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NOTE 11—NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions at June 30, 2020 and 2019 consisted of the following:

	2020	2019
Building maintenance	\$ 299,517	\$ 235,094
Director of stewardship fund	50,500	110,500
Worship and music	37,537	36,817
Youth fund	58,602	17,068
Nursery School	5,669	5,669
Outreach fund	59,259	49,554
Other programs	46,744	37,216
Net assets with donor restrictions	\$ 557,828	\$ 491,918

NOTE 12—TUITION AND FEES

Tuition and fees for the years ended June 30, 2020 and 2019 consisted of the following:

	2020	2019
Gross tuition and fees	\$ 1,817,722	\$ 1,867,829
Less discounts and scholarships	(104,300)	(112,100)
Tuition and fees, net	\$ 1,713,422	\$ 1,755,729

NOTE 13—RETIREMENT PLAN

The Church has a 401(k) Profit Sharing Plan and Trust covering all eligible employees. Eligible employees include those employees having reached age 21 with one year of service. The Church contributes 10% to the participant's retirement account based on each respective individual's gross compensation.

The Church's contributions become vested in accordance with the following schedule:

Years of Service	Percent of Vested Contributions
2	20%
3	40%
4	60%
5	80%
6	100%

The Church's contributions to the plan for the years ended June 30, 2020 and 2019 were \$261,016 and \$180,345, respectively.

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NOTE 14—PAYCHECK PROTECTION PROGRAM LOAN

On April 17, 2020, the Church received a \$596,100 loan under the Paycheck Protection Program. The Church accounts for the loan as a grant that is expected to be forgiven, conditioned upon the Church incurring qualifying expenses under the PPP. At June 30, 2020, the Church incurred all of the necessary expenses to record the total amount as income in the statement of activities.

NOTE 15—LIQUIDITY AND AVAILABILITY

The following reflects the Church's financial assets as of the dates of the statements of financial position, reduced by amounts not available for general expenditures within one year of the dates of the statements of financial position because of donor-imposed or other restrictions:

	2020	2019
Financial assets at end of year		
Cash	\$ 756,689	\$ 717,022
Investments	2,013,889	1,979,628
Contributions receivable, net	879,581	1,225,061
Accounts receivable	3,333	23,133
 Total financial assets at end of year	 3,653,492	 3,944,844
 Less amounts unavailable for general expenditures within one year, due to:		
Restricted by donors with purpose restrictions	(557,828)	(491,918)
 Financial assets available to meet cash needs for general expenditures within one year	 \$ 3,095,664	 \$ 3,452,926

The Church has a goal to maintain financial assets, which consist of cash on hand to meet 20 days of normal operating expenses, which are, on average, approximately \$300,000.

The Church has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due. In addition, as part of its liquidity management, the Church invests cash in excess of daily requirements in its investment portfolio. The Church also holds a line of credit as mentioned in Note 2 that may be drawn upon, if needed.

NOTE 16—SUBSEQUENT EVENTS

On March 11, 2020, the World Health Organization declared the outbreak of COVID-19 a pandemic. The ultimate disruption that may be caused by the outbreak is uncertain; however, it may result in a material adverse impact on the Church's financial position, changes in net assets, and cash flows. Possible effects may include, but are not limited to, disruption to the Church's attendance and Nursery School enrollment resulting in lower donations or tuition, absenteeism in the Church's workforce, and unavailability of supplies used in the Church's programs.

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NOTE 17—CORRECTION OF AN ERROR

Certain errors resulting in understatement of amounts previously reported for net assets without donor restrictions and contributions receivable were discovered during the current year. Correcting these errors decreased net assets with donor restrictions by \$114,517 and increased contributions receivable by \$28,000 at June 30, 2019 and contribution revenue by \$28,000 for the year ended June 30, 2019. A corresponding adjustment was made to increase net assets without donor restrictions by \$142,517 as of June 30, 2019. The effect of the restatement increased the change in net assets for the year ended June 30, 2019 by \$28,000.