

ST. COLUMBA'S EPISCOPAL CHURCH

FINANCIAL STATEMENTS

June 30, 2022 and 2021

CONTENTS

Independent Auditor's Report	1
Statements of Financial Position	3
Statements of Activities	4
Statements of Functional Expenses	6
Statements of Cash Flows	8
Notes to Financial Statements	9

INDEPENDENT AUDITOR'S REPORT

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

Opinion

We have audited the financial statements of St. Columba's Episcopal Church, which comprise the statements of financial position as of June 30, 2022 and 2021, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of St. Columba's Episcopal Church as of June 30, 2022 and 2021, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of St. Columba's Episcopal Church and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. 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 St. Columba's Episcopal Church's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditor's 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 auditor's 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 GAAS 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 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 GAAS, 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 St. Columba's Episcopal Church'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 St. Columba's Episcopal Church'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.

Wegner CPAs LLP

Wegner CPAs, LLP
Alexandria, Virginia
October 14, 2022

ST. COLUMBA'S EPISCOPAL CHURCH
STATEMENTS OF FINANCIAL POSITION
June 30, 2022 and 2021

	2022	2021
ASSETS		
CURRENT ASSETS		
Cash	\$ 1,886,414	\$ 1,029,983
Investments	2,265,550	2,251,875
Contributions receivable, net	2,308,980	2,669,549
Accounts receivable	12,928	11,390
Prepaid expenses	50,639	70,756
Collections	109,815	109,815
Property and equipment, net	9,055,243	8,604,094
Total assets	\$ 15,689,569	\$ 14,747,462
LIABILITIES AND NET ASSETS		
LIABILITIES		
Accounts payable and accrued liabilities	\$ 405,126	\$ 660,442
Deferred revenue	775,263	800,861
Capital lease obligation	5,363	9,860
Notes payable	2,126,542	983,693
Total liabilities	3,312,294	2,454,856
NET ASSETS		
Without donor restrictions	11,379,576	9,473,782
With donor restrictions	997,699	2,818,824
Total net assets	12,377,275	12,292,606
Total liabilities and net assets	\$ 15,689,569	\$ 14,747,462

See accompanying notes.

ST. COLUMBA'S EPISCOPAL CHURCH
STATEMENT OF ACTIVITIES
Year Ended June 30, 2022

	Without Donor Restrictions	With Donor Restrictions	Total
REVENUES			
Contributions	\$ 2,904,084	\$ 351,880	\$ 3,255,964
Tuition and fees, net	2,453,662	-	2,453,662
Program and event income	141,698	-	141,698
Investment income, net	(312,191)	-	(312,191)
Other income	52	-	52
Total revenues	5,187,305	351,880	5,539,185
EXPENSES			
Program services			
Church	3,022,604	-	3,022,604
Nursery school	1,943,650	-	1,943,650
Total program services	4,966,254	-	4,966,254
Management and general	350,348	-	350,348
Fundraising	137,914	-	137,914
Total expenses	5,454,516	-	5,454,516
NET ASSETS RELEASED FROM RESTRICTIONS			
Satisfaction of purpose restrictions	2,173,005	(2,173,005)	-
Change in net assets	1,905,794	(1,821,125)	84,669
Net assets at beginning of year	9,473,782	2,818,824	12,292,606
Net assets at end of year	\$ 11,379,576	\$ 997,699	\$ 12,377,275

See accompanying notes.

ST. COLUMBA'S EPISCOPAL CHURCH
STATEMENT OF ACTIVITIES
Year Ended June 30, 2021

	Without Donor Restrictions	With Donor Restrictions	Total
REVENUES			
Contributions	\$ 2,847,732	\$ 2,418,748	\$ 5,266,480
Tuition and fees, net	1,743,985	-	1,743,985
Program and event income	91,098	-	91,098
Investment income, net	370,936	-	370,936
Other income	2,060	-	2,060
Total revenues	5,055,811	2,418,748	7,474,559
EXPENSES			
Program services			
Church	2,709,414	-	2,709,414
Nursery school	2,033,378	-	2,033,378
Total program services	4,742,792	-	4,742,792
Management and general	447,402	-	447,402
Fundraising	126,471	-	126,471
Total expenses	5,316,665	-	5,316,665
NET ASSETS RELEASED FROM RESTRICTIONS			
Satisfaction of purpose restrictions	157,752	(157,752)	-
Change in net assets	(103,102)	2,260,996	2,157,894
Net assets at beginning of year	9,576,884	557,828	10,134,712
Net assets at end of year	\$ 9,473,782	\$ 2,818,824	\$ 12,292,606

See accompanying notes.

ST. COLUMBA'S EPISCOPAL CHURCH
STATEMENT OF FUNCTIONAL EXPENSES
Year Ended June 30, 2022

	Program Services			Supporting Activities		Total Expenses
	Church	Nursery School	Total Program Services	Management and General	Fundraising	
Salaries and benefits	\$ 1,698,829	\$ 1,624,550	\$ 3,323,379	\$ 127,806	\$ 119,847	\$ 3,571,032
Depreciation and amortization	391,291	111,435	502,726	10,330	3,443	516,499
Professional fees	61,561	8,204	69,765	95,814	3,359	168,938
Repairs and maintenance	169,667	48,319	217,986	4,479	1,493	223,958
Contributions	171,141	939	172,080	-	-	172,080
Supplies	146,830	69,498	216,328	3,568	1,004	220,900
Utilities	139,314	39,675	178,989	3,678	1,226	183,893
Insurance	32,121	9,148	41,269	848	283	42,400
Interest and other fees	60,554	3,338	63,892	36,341	2,020	102,253
Bad debts	-	-	-	39,281	-	39,281
Office expenses	26,372	11,933	38,305	3,636	700	42,641
Dues and subscriptions	25,360	12,251	37,611	19,869	3,520	61,000
Other expenses	34,837	1,192	36,029	2,078	37	38,144
Hospitality	26,415	577	26,992	75	532	27,599
Music	12,965	-	12,965	-	-	12,965
Travel and lodging	25,347	2,591	27,938	2,545	450	30,933
Total expenses	<u>\$ 3,022,604</u>	<u>\$ 1,943,650</u>	<u>\$ 4,966,254</u>	<u>\$ 350,348</u>	<u>\$ 137,914</u>	<u>\$ 5,454,516</u>

See accompanying notes.

ST. COLUMBA'S EPISCOPAL CHURCH
STATEMENT OF FUNCTIONAL EXPENSES
Year Ended June 30, 2021

	Program Services			Supporting Activities		Total Expenses
	Church	Nursery School	Total Program Services	Management and General	Fundraising	
Salaries and benefits	\$ 1,542,148	\$ 1,762,688	\$ 3,304,836	\$ 190,530	\$ 113,120	\$ 3,608,486
Depreciation and amortization	334,955	95,391	430,346	8,843	2,948	442,137
Professional fees	125,480	4,569	130,049	117,970	694	248,713
Repairs and maintenance	167,595	47,729	215,324	4,424	1,475	221,223
Contributions	210,708	876	211,584	-	-	211,584
Supplies	92,574	47,063	139,637	3,402	863	143,902
Utilities	95,908	27,313	123,221	2,532	844	126,597
Insurance	51,680	14,718	66,398	1,364	455	68,217
Interest and other fees	8,667	4,438	13,105	47,505	2,829	63,439
Bad debts	-	-	-	54,098	-	54,098
Office expenses	27,495	10,020	37,515	3,778	675	41,968
Dues and subscriptions	16,396	9,897	26,293	11,829	2,365	40,487
Other expenses	17,891	1,149	19,040	106	35	19,181
Hospitality	6,012	6,866	12,878	109	18	13,005
Music	7,552	-	7,552	-	-	7,552
Travel and lodging	4,353	661	5,014	912	150	6,076
Total expenses	\$ 2,709,414	\$ 2,033,378	\$ 4,742,792	\$ 447,402	\$ 126,471	\$ 5,316,665

See accompanying notes.

ST. COLUMBA'S EPISCOPAL CHURCH
STATEMENTS OF CASH FLOWS
Years Ended June 30, 2022 and 2021

	2022	2021
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 84,669	\$ 2,157,894
Adjustments to reconcile change in net assets to net cash flows from operating activities		
Depreciation and amortization	516,499	442,137
Allowance for uncollectible contributions receivable	39,281	54,098
Amortization of discount on long-term contributions receivable	(9,762)	-
Contributions for long-term purposes	(100,000)	(2,225,974)
Realized gain on shared equity interest	-	(28,237)
Realized and unrealized (gains) losses on investments	440,897	(272,015)
Donated stock	(269,657)	(459,012)
Loss on disposal of equipment	-	278
(Increase) decrease in assets		
Contributions receivable, net	(54,519)	(213,683)
Accounts receivable	(1,538)	(8,057)
Prepaid expenses	20,117	(41,850)
Increase (decrease) in liabilities		
Accounts payable and accrued liabilities	67,565	(67,626)
Deferred revenue	(25,598)	603,601
	707,954	(58,446)
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sale of shared equity interest	-	403,237
Proceeds from sale of investments	445,018	813,635
Purchases of investments	(629,933)	(320,594)
Purchases of property and equipment	(967,648)	(1,033,969)
	(1,152,563)	(137,691)
CASH FLOWS FROM FINANCING ACTIVITIES		
Contributions for long-term purposes - permanent endowment	100,000	2,196
Contributions for long-term purposes - capital campaign	385,569	593,395
Payments on accounts payable for property and equipment	(322,881)	-
Principal payments of capital lease obligation	(4,497)	(4,407)
Proceeds from notes payable	1,993,717	-
Payments on notes payable	(850,868)	(121,753)
	1,301,040	469,431
Change in cash	856,431	273,294
Cash at beginning of year	1,029,983	756,689
Cash at end of year	\$ 1,886,414	\$ 1,029,983
SUPPLEMENTAL DISCLOSURES		
Cash paid for interest	\$ 72,982	\$ 33,169
Noncash investing and financing transactions		
Donated stock	269,657	459,012
Property and equipment acquisitions included in accounts payable and accrued liabilities	-	322,881

See accompanying notes.

ST. COLUMBA'S EPISCOPAL CHURCH
NOTES TO FINANCIAL STATEMENTS
June 30, 2022 and 2021

NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Activities

The Vestry of St. Columba's Parish, also known as St. Columba's Episcopal Church (the Church), was admitted into union with the Convention of the Protestant Episcopal Church of the Diocese of Washington in 1925 and was chartered as a corporation pursuant to federal law. It elected to become a nonprofit, religious corporation pursuant to the District of Columbia corporations law in 2020. The Church also operates the St. Columba's Nursery School (the Nursery School), which is not a separate entity. The Church is primarily supported by contributions and tuition revenue.

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 are recorded as revenue upon the receipt of cash or unconditional pledges. Contributions are considered available for use without donor restriction, unless specifically restricted by the donor. Conditional contributions are recorded when the specified conditions have been met. Contributions to be received over periods longer than one year are discounted at an interest rate commensurate with risk involved if material to the financial statements.

Accounts Receivable

Accounts receivable primarily represents amounts due from tuition and 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, 2022 and 2021, management has determined, based on historical experience that all amounts are fully collectible and no allowance for doubtful accounts is necessary.

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.

ST. COLUMBA'S EPISCOPAL CHURCH
NOTES TO FINANCIAL STATEMENTS
June 30, 2022 and 2021

NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Collections

The Church's collections 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. Collections 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. Collection sale proceeds can be used to acquire new items and provide for direct care of existing collections, which is defined as personnel, supply, maintenance, and facility costs to enhance their life, usefulness, or quality.

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.

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.

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, 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, depreciation and amortization, and interest and other fees 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.

ST. COLUMBA'S EPISCOPAL CHURCH
NOTES TO FINANCIAL STATEMENTS
June 30, 2022 and 2021

NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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 14, 2022, the date which the financial statements were available to be issued.

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.

NOTE 2—CONTRIBUTIONS RECEIVABLE

Unconditional contributions receivable at June 30, 2022 and 2021 consisted of the following:

	2022	2021
Contributions receivable in less than one year	\$ 1,549,858	\$ 1,525,350
Contributions receivable in one to five years	843,559	1,237,806
Total contributions receivable	2,393,417	2,763,156
Less allowance for uncollectible pledges	(74,174)	(73,582)
Less discount to net present value	(10,263)	(20,025)
Contributions receivable, net	\$ 2,308,980	\$ 2,669,549

Contributions receivable in one to five years are discounted at an effective rate of 0.82%.

ST. COLUMBA'S EPISCOPAL CHURCH
NOTES TO FINANCIAL STATEMENTS
June 30, 2022 and 2021

NOTE 3—INVESTMENTS

Investments are comprised of the following:

	<u>2022</u>	<u>2021</u>
Cash and money market accounts	\$ 427,686	\$ 114,469
Real estate investment trust	26,499	25,884
Mutual funds	<u>1,811,365</u>	<u>2,111,522</u>
	<u>\$ 2,265,550</u>	<u>\$ 2,251,875</u>

Fair values for the mutual funds are determined by reference to quoted market prices and other relevant information generated by market transactions, which is considered a Level 1 fair value measurement. The real estate investment trust is stated at cost, plus or minus changes resulting from observable changes.

NOTE 4—PROPERTY AND EQUIPMENT

Property and equipment consists of the following:

	<u>2022</u>	<u>2021</u>
Land	\$ 1,535,600	\$ 1,535,600
Furniture and equipment	1,310,095	1,304,694
Construction in progress	135,305	1,179,973
Building improvements	8,472,455	6,465,540
Buildings	<u>5,326,289</u>	<u>5,326,289</u>
Total property and equipment	16,779,744	15,812,096
Less accumulated depreciation	<u>(7,724,501)</u>	<u>(7,208,002)</u>
Property and equipment, net	<u>\$ 9,055,243</u>	<u>\$ 8,604,094</u>

NOTE 5—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, 2022 and 2021.

NOTE 6—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, 2022 and 2021 totaled \$1,411,889 and \$530,169, respectively. The Church has not experienced any losses resulting from this risk.

ST. COLUMBA'S EPISCOPAL CHURCH
NOTES TO FINANCIAL STATEMENTS
June 30, 2022 and 2021

NOTE 7—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 was extended for an additional five years with interest calculated on the unpaid principal balance. This note is secured by the 4201 Albemarle property. The outstanding balance on this note payable at June 30, 2022 and 2021 was \$165,626 and \$265,121, 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. In March 2021, the Church and United Bank agreed to extend the loan term for an additional 90 days. In June 2021, the loan was extended for another 90-day period. On July 14, 2021, the Church paid all outstanding principal and accrued interest. The payments of principal and interest were calculated on a 20-year amortization schedule. This note was secured by the 4221 Albemarle property. The outstanding balances on this note payable at June 30, 2022 and 2021 were \$0 and \$718,572, respectively.

In July 2021, the Church entered into a construction loan through the Mission Investment Fund (MIF) of the Evangelical Lutheran Church in America. The loan was finalized on November 1, 2021 for \$1,993,717. From July through October 2021, the Church was only required to make monthly payments for accrued interest (3.625% of the current amount borrowed from MIF). Starting on November 1, 2021 and continuing through the maturity date of November 1, 2046, the Church is required to make monthly payments of both principal and interest. The outstanding balance on this note payable at June 30, 2022 was \$1,960,916.

Interest expense was \$77,326 and \$33,169 for the years ended June 30, 2022 and 2021, respectively.

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

2023	\$	115,072
2024		118,911
2025		89,825
2026		56,724
2027		58,815
Thereafter		<u>1,687,195</u>
	<u>\$</u>	<u>2,126,542</u>

NOTE 8—CONDITIONAL GRANT

The Church received a grant that is conditioned upon the Church incurring qualifying expenses for the Nursery School. At June 30, 2022, the remaining amount totaled \$77,126. The conditional grant will be recognized as revenue when the respective conditions are met in future years.

ST. COLUMBA'S EPISCOPAL CHURCH
NOTES TO FINANCIAL STATEMENTS
June 30, 2022 and 2021

NOTE 9—NET ASSETS WITHOUT DONOR RESTRICTIONS

The Vestry has chosen to place the following limitations on net assets without donor restrictions at June 30, 2022 and 2021:

	<u>2022</u>	<u>2021</u>
Nursery school	\$ 547,097	\$ 547,097
Future rector housing	403,237	403,237
Memorial fund for future endowment	235,105	229,065
Outreach	40,503	40,503
Youth ministries	36,959	46,551
Building reserve	40,000	40,000
Library fund	8,317	12,345
Other	13,964	15,582
Undesignated	<u>10,054,394</u>	<u>8,139,402</u>
Net assets without donor restrictions	<u>\$ 11,379,576</u>	<u>\$ 9,473,782</u>

NOTE 10—NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions at June 30, 2022 and 2021 consisted of the following:

	<u>2022</u>	<u>2021</u>
Capital campaign for nave repair project	\$ 218,659	\$ 2,225,574
Building maintenance	267,707	325,867
Outreach fund	83,120	80,812
Youth fund	54,469	58,696
Other programs	30,260	51,422
Worship and music	80,184	42,723
Nursery School	31,534	31,534
Ending family homelessness	49,634	-
Refugee response	29,936	-
Narthex mosaic	50,000	-
Permanent endowment	<u>102,196</u>	<u>2,196</u>
Net assets with donor restrictions	<u>\$ 997,699</u>	<u>\$ 2,818,824</u>

NOTE 11—ENDOWMENT

The Church has set up an endowment fund which complies with and follows current authoritative literature, which provides guidance on classifying net assets associated with endowment funds held by organizations that are subject to an enacted version of District of Columbia Uniform Prudent Management of Institutional Funds Act ("UPMIFA"). A key component of the guidance is a requirement to classify the donor-restricted endowment fund as net assets with donor restrictions until appropriated for expenditure.

ST. COLUMBA'S EPISCOPAL CHURCH
NOTES TO FINANCIAL STATEMENTS
June 30, 2022 and 2021

NOTE 11—ENDOWMENT

The Church's endowment consists of individual donor-restricted funds established to enable the Church to fulfill its mission more completely beyond what is possible through its annual operating funds, and distributions shall be used for capital improvements and such other projects as determined by the Vestry. As required by generally accepted accounting principles, net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

Interpretation of Relevant Law

The Vestry of the Church has interpreted the Uniform Prudent Management of Institutional Funds Act (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 donor stipulations to the contrary. As a result of this interpretation, the Church classifies as donor restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as net assets with donor restrictions to be appropriated for expenditure by the Church in a manner consistent with the standard of prudence described by UPMIFA. The Finance Committee has been given delegated oversight responsibility from the Vestry to manage the fund.

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

- The duration and preservation of the fund,
- The purposes of the Church and the donor-restricted endowment fund,
- The possible effect of inflation and deflation,
- Other resources of the Church,
- The investment policies of the Church,
- The expected total return from income and the appreciation of investments, and
- General economic conditions.

Return Objectives and Risk Parameters

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

Under this policy, as approved by the Vestry, the endowment assets are invested in funds that are long-term in nature. The Church expects its endowment funds, over time, to provide an average rate of return consistent with a broadly diversified portfolio of long-term high-quality bonds and common stocks with varying equity allocations to obtain the desired degree of risk/return tradeoff. The intent is to produce a total annual return adequate to cover the expenditures from the fund, inflation, and fees.

ST. COLUMBA'S EPISCOPAL CHURCH
NOTES TO FINANCIAL STATEMENTS
June 30, 2022 and 2021

NOTE 11—ENDOWMENT

Strategies Employed for Achieving Objectives

To satisfy its long-term rate-of-return objectives, the Church relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The Church targets a diversified asset allocation that a typical balanced fund would have.

Spending Policy and How the Investment Objectives Relate to Spending Policy

In accordance with UPMIFA, Church policy is that the Finance Committee will determine the funds available for distribution during any one year by applying a percentage to the average of the year-end endowment market value for the preceding three years, and that percentage will normally fall in the range of 3 - 5%.

Endowment net asset composition by type of fund is as follows:

	2022	2021
Donor-restricted endowment funds:		
Original donor-restricted gift amount	\$ 102,196	\$ 2,196

Changes in endowment net assets that are subject to appropriation and spending policies for the years ended June 30:

	2022	2021
Endowment net assets at beginning of year	\$ 2,196	\$ -
Contributions	100,000	2,196
Endowment net assets at end of year	\$ 102,196	\$ 2,196

NOTE 12—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 were added to the purchase price and the payments remitted by a party for such costs were added to the dollar value of that party's initial contribution to the purchase price. In March 2021, the Rector exercised his option to purchase the Vestry's interest in the property for \$403,237 based on mutual agreement. Each party received their proportionate share of the proceeds based on their contribution to the property at that time.

ST. COLUMBA'S EPISCOPAL CHURCH
NOTES TO FINANCIAL STATEMENTS
June 30, 2022 and 2021

NOTE 13—LEASES

Operating Lease

The Church leases a copier requiring monthly payments of \$329 that expires October 2023. The Church leases a second copier requiring monthly payments of \$924 that expires January 2025. Lease expense for the years ended June 30, 2022 and 2021 was \$16,956 and \$13,844, respectively.

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

2023	\$ 15,036
2024	12,404
2025	<u>6,468</u>
	<u>\$ 33,908</u>

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 at June 30, 2022 and 2021:

Equipment	\$ 22,116
Less accumulated depreciation	<u>16,753</u>
Equipment, net	<u>\$ 5,363</u>

Future minimum lease payments for the years ending June 30 are as follows, including amounts representing interest totaling \$69:

2023	\$ 4,656
2024	<u>776</u>
	<u>\$ 5,432</u>

NOTE 14—TUITION AND FEES

Tuition and fees for the years ended June 30, 2022 and 2021 consisted of the following:

	<u>2022</u>	<u>2021</u>
Gross tuition and fees	\$ 2,552,966	\$ 1,824,075
Less discounts and scholarships	<u>(99,304)</u>	<u>(80,090)</u>
Tuition and fees, net	<u>\$ 2,453,662</u>	<u>\$ 1,743,985</u>

ST. COLUMBA'S EPISCOPAL CHURCH
NOTES TO FINANCIAL STATEMENTS
June 30, 2022 and 2021

NOTE 15—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:

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

The Church's contributions to the plan for the years ended June 30, 2022 and 2021 were \$290,003 and \$268,392, respectively.

NOTE 16—PAYCHECK PROTECTION PROGRAM LOAN

On April 17, 2020, the Church received a \$596,100 loan under the Paycheck Protection Program established by the Coronavirus Aid, Relief, and Economic Security Act and administered by the U.S. Small Business Administration. The loan accrued interest at 1%, but payments were deferred until a determination of the amount of forgiveness was made. The amount of forgiveness depended, in part, on the total amount of eligible expenses paid by the Church during the covered period. Eligible expenses included payroll costs, interest on mortgages, rent, and utilities. Any unforgiven portion was payable over two years. On January 13, 2021, the SBA preliminarily approved forgiveness of the loan and accrued interest. The Church must retain PPP documentation in its files for six years after the date the loan was forgiven or repaid in full and permit authorized representatives of SBA to access such files upon request. SBA may review any loan at any time at its discretion. Therefore, SBA may review the Church's good-faith certification concerning the necessity of its loan request, whether the Church calculated the loan amount correctly, whether the Church used loan proceeds for the allowable uses specified in the CARES Act, and whether the Church is entitled to loan forgiveness in the amount claimed on its application. If SBA determines the Church was ineligible for the loan or for forgiveness in whole or in part, SBA will seek repayment of the outstanding loan balance.

NOTE 17—COMMITMENT

During the year, the Church entered into arrangements with vendors for the labyrinth and front terrace construction projects. As of October 14, 2022, the total of the signed proposals for the projects is estimated to be approximately \$206,000.

ST. COLUMBA'S EPISCOPAL CHURCH
NOTES TO FINANCIAL STATEMENTS
June 30, 2022 and 2021

NOTE 18—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 Vestry designations or donor-imposed restrictions:

	2022	2021
Financial assets at end of year		
Cash	\$ 1,886,414	\$ 1,029,983
Investments	2,265,550	2,251,875
Contributions receivable, net	2,308,980	2,669,549
Accounts receivable	12,928	11,390
Total financial assets at end of year	6,473,872	5,962,797
Less amounts unavailable for general expenditures within one year, due to:		
Contributions receivable scheduled to be collected in one to five years, net	(833,296)	(1,217,781)
Designated by the Vestry board	(1,325,182)	(1,334,380)
Restricted by donors with purpose restrictions	(997,699)	(2,818,824)
Financial assets available to meet cash needs for general expenditures within one year	\$ 3,317,695	\$ 591,812

The Church has a goal to maintain financial assets, which consist of cash on hand and other amounts as noted above 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 disclosed in Note 5 that may be drawn upon, if needed.