

ST. JOHN'S EPISCOPAL CHURCH
FINANCIAL STATEMENTS
DECEMBER 31, 2021

D DOHERTY
B BEALS &
B BANKS, P.C.
CERTIFIED PUBLIC
ACCOUNTANTS

ST. JOHN'S EPISCOPAL CHURCH

FINANCIAL STATEMENTS

DECEMBER 31, 2021

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The Vestry
St. John's Episcopal Church
Essex, Connecticut



INDEPENDENT AUDITOR'S REPORT

Opinion

We have audited the accompanying financial statements of St. John's Episcopal Church (a nonprofit organization), which comprise the statement of assets, liabilities, and net assets-modified cash basis as of December 31, 2021, and the related statement of revenue, expenses, and changes in net assets- modified cash basis 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 assets, liabilities, and net assets of St. John's Episcopal Church as of December 31, 2021, and its support, revenue, and expenses for the year then ended in accordance with the modified cash basis of accounting as described in Note 1.

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 Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of St. John's Episcopal Church 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 these financial statements in accordance with the modified cash basis of accounting as described in Note 1; this includes determining that the modified cash basis of accounting is an acceptable basis for the preparation of the financial statements in the circumstances. Management is also responsible 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. John'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 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.

Stacey L. Gualtieri, CPA
Audrey A. Leone, CPA

- 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. John'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. John'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.

Report on Summarized Comparative Information

We have previously audited St. John's Episcopal Church's 2020 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated May 20, 2021. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2020, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements taken as a whole. The Schedule of Cash Receipts and Cash Disbursements - Temporarily Restricted Net Assets (page 10) is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, is fairly stated in all material respects in relation to the financial statements as a whole.

Doherty, Beals & Banks
DOHERTY, BEALS & BANKS, P.C.
New London, Connecticut

March 18, 2022

ST. JOHN'S EPISCOPAL CHURCH
STATEMENT OF ASSETS, LIABILITIES AND NET ASSETS -
MODIFIED CASH BASIS
FOR THE YEAR ENDED DECEMBER 31, 2021
WITH COMPARATIVE TOTALS FOR 2020

	<u>2021</u>	<u>2020</u>
ASSETS		
CURRENT ASSETS		
Cash - checking	\$ 128,333	\$ 120,911
Cash - money fund	<u>443,337</u>	<u>287,841</u>
TOTAL CURRENT ASSETS	571,670	408,752
INVESTMENTS		
Investments (note 2)	<u>613,779</u>	<u>665,744</u>
TOTAL ASSETS	<u><u>\$ 1,185,449</u></u>	<u><u>\$ 1,074,496</u></u>
LIABILITIES AND NET ASSETS		
LIABILITIES		
Paycheck Protection Program Loan (Note 5)	\$ -	\$ 37,774
NET ASSETS		
Without restriction	430,689	360,385
With restrictions (note 3)	<u>754,760</u>	<u>676,337</u>
TOTAL NET ASSETS	<u>1,185,449</u>	<u>1,036,722</u>
TOTAL LIABILITIES AND NET ASSETS	<u><u>\$ 1,185,449</u></u>	<u><u>\$ 1,074,496</u></u>

See notes to financial statements.

ST. JOHN'S EPISCOPAL CHURCH
STATEMENT OF REVENUE, EXPENSES AND CHANGES
IN NET ASSETS - MODIFIED CASH BASIS
FOR THE YEAR ENDED DECEMBER 31, 2021
WITH COMPARATIVE TOTALS FOR 2020

	<u>Without Restrictions</u>	<u>With Restrictions</u>	<u>Totals</u>	
			<u>2021</u>	<u>2020</u>
REVENUE				
Loose offering	\$ 30,180	\$ -	\$ 30,180	\$ 14,480
Pledges collected	420,266	-	420,266	469,752
Contributions	108,483	55,866	164,349	50,974
Fund-raising income	16,341	-	16,341	59
Investment income	9,452	56,875	66,327	68,408
Net assets released from restrictions: purpose met	<u>34,318</u>	<u>(34,318)</u>	<u>-</u>	<u>-</u>
TOTAL REVENUE	619,040	78,423	697,463	603,673
 EXPENSES				
Worship	166,483	-	166,483	181,461
Outreach	148,488	-	148,488	169,198
Christian formation	79,350	-	79,350	77,998
Major renovations	8,135	-	8,135	-
Administration	118,819	-	118,819	113,002
Fund-raising	<u>27,461</u>	<u>-</u>	<u>27,461</u>	<u>26,145</u>
TOTAL EXPENSES	<u>548,736</u>	<u>-</u>	<u>548,736</u>	<u>567,804</u>
 CHANGE IN NET ASSETS	70,304	78,423	148,727	35,869
 NET ASSETS - BEGINNING	<u>360,385</u>	<u>676,337</u>	<u>1,036,722</u>	<u>1,000,853</u>
 NET ASSETS - ENDING	<u>\$ 430,689</u>	<u>\$ 754,760</u>	<u>\$ 1,185,449</u>	<u>\$ 1,036,722</u>

See notes to financial statements.

ST. JOHN'S EPISCOPAL CHURCH
STATEMENT OF FUNCTIONAL EXPENSES - MODIFIED CASH BASIS
FOR THE YEAR ENDED DECEMBER 31, 2021
WITH COMPARATIVE TOTALS FOR 2020

	Totals							
	Worship	Outreach	Christian Formation	Major Renovations	Administration	Fundraising	2021	2020
EXPENSES								
Salaries and benefits	\$ 89,001	\$ 49,662	\$ 74,432	\$ -	\$ 81,236	\$ 20,309	\$ 314,640	\$ 312,170
Property expense	49,993	-	-	-	3,915	979	54,887	63,512
Office expense	-	-	-	-	18,404	4,601	23,005	20,975
Professional fees	-	-	-	-	15,264	-	15,264	14,668
Fundraising	-	-	-	-	-	1,572	1,572	1,561
Music	18,998	-	-	-	-	-	18,998	15,511
Congregation life	-	-	4,918	-	-	-	4,918	6,128
Worship	5,217	-	-	-	-	-	5,217	3,474
Miscellaneous operating expenses	3,274	-	-	-	-	-	3,274	2,381
Major renovations	-	-	-	8,135	-	-	8,135	-
Mission & outreach	-	98,826	-	-	-	-	98,826	127,424
TOTAL EXPENSES	\$ 166,483	\$ 148,488	\$ 79,350	\$ 8,135	\$ 118,819	\$ 27,461	\$ 548,736	\$ 567,804

The organization maintains multiple allocation schedules based on a number of formulas including square footage and estimates of time and effort. In most cases, expenses are allocated directly.

ST. JOHN'S EPISCOPAL CHURCH
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Purpose

St. John's Episcopal Church is located in Essex, Connecticut. It is a constituent of the Episcopal Diocese of Connecticut and exempt from income tax under Section 501(c)(3) of the Internal Revenue Code. It is not classified as a private foundation. The Church is supported primarily through contributions from the congregation.

Method of Accounting

The financial statements have been prepared on the modified cash basis of accounting, which is a comprehensive basis of accounting other than generally accepted accounting principles.

On the "Cash Basis" of accounting, revenues are recognized when received rather than when earned, and expenses are recognized when paid rather than when the obligation is incurred. Consequently, the property and equipment owned by the Church is not recognized in these financial statements. The modification to the cash basis statement is the recording of investments.

Financial Statement Presentation

The Organization reports information regarding its financial position and activities according to two classes of net assets: net assets without restrictions and net assets with restrictions. Contributions received are recorded as net assets without restrictions or net assets with restrictions, depending on the existence and/or nature of any donor restrictions.

Prior Year Comparative Totals

The financial information shown for 2020 in the accompanying financial statements is included to provide a basis for comparison with 2021 and presents summarized totals only. Such total amounts do not include sufficient detail to constitute a presentation in conformity with the modified cash basis of accounting. Accordingly, such amounts should be read in conjunction with the Organization's financial statements for the period ended December 31, 2020, from which the comparative total amounts were derived.

Fair Values of Financial Instruments

The fair values of financial instruments have been determined through quoted market prices or present value techniques to approximate the amounts recorded in the statement of Assets, Liabilities, and Net Assets- Modified Cash Basis.

Endowment Investment and Spending Policies

The Organization's permanently restricted net assets consist of funds discussed in note 3. 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.

The Organization classifies as permanently 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 temporarily restricted

ST. JOHN'S EPISCOPAL CHURCH
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

net assets until it is appropriated for expenditure by the Organization in a manner consistent with the standard of prudence prescribed by Connecticut UPMIFA which requires consideration of the following factors: (1) the duration and preservation of the endowment funds, (2) the purposes of the Organization and the endowment funds, (3) general economic conditions, (4) the possible effect of inflation or deflation, (5) the expected total return from income and the appreciation of investments, (6) other resources of the Organization, and (7) the Organization's investment policy.

Expense Allocation

The costs of providing various programs and other activities have been summarized on a functional basis in the Statement of Revenue, Expenses, and Changes in Net Assets - Modified Cash Basis. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

Contributions

Contributions received are recorded depending on the existence and/or nature of any donor restrictions. Contributions that are restricted by the donor are reported as increases in net assets without donor restrictions if the restrictions expire in the year in which the contributions are recognized. All other donor-restricted contributions are reported as increases in net assets with donor restrictions. When a restriction expires, restricted contributions are reclassified to net assets without restrictions.

Subsequent Events

Management has evaluated subsequent events through March 18, 2022, the date which the financial statements were available for issue.

2. INVESTMENTS

Generally accepted accounting principles establishes a fair value hierarchy which prioritizes the inputs to valuation techniques used to measure the fair value. The three levels of the fair value hierarchy are described as follows:

Level 1 – Quoted prices (unadjusted) in active markets for identical assets or liabilities where the organization has the ability to access at the measurement date;

Level 2 – Significant other observable inputs other than quoted prices included in level 1, which are observable for the asset or liability, either directly or indirectly (i.e. quoted prices in inactive markets, broker or dealer quotations, or alternative pricing sources with reasonable levels of price transparency);

Level 3 – Unobservable inputs are used to the extent that observable inputs are unavailable due to little, if any, market activity for the asset or liability. Unobservable inputs are developed based on the best information available, which might include the organization's own data that reflects assumptions that market participants would use in pricing the asset or liability.

**ST. JOHN'S EPISCOPAL CHURCH
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021**

2. INVESTMENTS (Continued)

The following table sets forth by level, within the fair value hierarchy, the investments' fair values as of December 31, 2021:

	Fair Value Level I	Fair Value Level II	Total
Bank Church Fund	\$ 64,645	\$ 549,134	\$ 613,779

3. NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions for the following purposes or periods.

Subject to expenditure for specified purpose:

Program activities:

Various Church programs – see page 10	\$ 246,609
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Subject to organization spending policy and appropriation:

Investment in perpetuity (including amounts above original gift amount of \$99,325), which, once appropriated, is expendable to support:

Any activities of the organization	<u>508,151</u>
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Total net assets with donor restrictions	<u>\$ 754,760</u>
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4. AVAILABILITY OF FINANCIAL ASSETS

St. John's Episcopal Church's financial assets available within one year of the balance sheet date for general expenditure are as follows:

Cash and cash equivalents – unrestricted	<u>\$ 571,670</u>
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St. John's Episcopal Church's endowment fund consists of donor-restricted endowments and a quasi-endowment. Board designated endowment funds may be utilized for any legitimate purpose of the Organization provided the use is approved by a resolution of the Vestry.

As part of St. John's Episcopal Church's liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due.

ST. JOHN'S EPISCOPAL CHURCH
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021

5. PAYCHECK PROTECTION PROGRAM

On May 8, 2020, the Organization received loan proceeds from Essex Savings Bank in the amount of \$37,774, pursuant to the Paycheck Protection Program (the "PPP") under Division A, Title I of the CARES Act, which was enacted on March 27, 2020. The Organization applied for and has been notified that \$37,774 in eligible expenditures described in the CARES Act has been forgiven.

On March 26, 2021, the Organization received loan proceeds from Essex Savings Bank in the amount of \$41,725, pursuant to the Second Draw Paycheck Protection Program under section 311 of the Economic Aid to Hard-Hit Small Business, Nonprofits, and Venues Act (the "Economic Aid Act"). The Organization applied for and has been notified that the \$41,725 in eligible expenditures described in the Economic Aid Act has been forgiven.

Loan forgiveness is reflected in Contributions in the accompanying statement of activities.

ST. JOHN'S EPISCOPAL CHURCH
SCHEDULE OF CASH RECEIPTS AND DISBURSEMENTS -
TEMPORARILY RESTRICTED NET ASSETS
FOR THE YEAR ENDED DECEMBER 31, 2021

TEMPORARILY RESTRICTED FUNDS	Balance Beginning	Contributions	Disbursements	Balance Ending
Building fund	\$ 100	\$ -	\$ -	\$ 100
Sound system fund	677	-	-	677
Preserving God's House	1,021	32,500	(7,960)	25,561
Outreach	3,300	100	-	3,400
Community outreach fund	216	50	(100)	166
Soup Kitchen	-	945	-	945
Military mission	(46)	25	-	(21)
Flower fund	8,413	3,477	(3,757)	8,133
Music fund	21,179	785	-	21,964
Youth programs	2,215	100	-	2,315
Memorial garden fund	7,442	1,600	(435)	8,607
Memorials	133,765	30	(175)	133,620
Rector's discretionary fund	3,055	13,558	(2,883)	13,730
Missionary fund	350	-	-	350
Christian education fund	(62)	-	-	(62)
Associate discretionary fund	3,907	-	-	3,907
Roof repair fund	8,379	-	-	8,379
Chatman fellowship fund	10,019	2,500	(1,220)	11,299
Rector's sabbatical fund	950	-	-	950
Reserve for major improvements	(185)	196	-	11
Welcome project	2,354	-	-	2,354
Diocese grant - Third Service	224	-	-	224
TEMPORARILY RESTRICTED FUNDS	\$ 207,273	\$ 55,866	\$ (16,530)	\$ 246,609

In addition to the above funds, there are amounts in the endowment that represent the income of the funds held in perpetuity, but are temporarily restricted. These amounts are:

	Balance Beginning	Investment Income	Disbursements	Balance Ending
General operations	\$ 297,402	\$ 47,699	\$ (16,571)	\$ 328,530
Rector's salary	72,337	9,176	(1,217)	80,296
TOTAL TEMPORARILY RESTRICTED PORTION OF ENDOWMENT	\$ 369,739	\$ 56,875	\$ (17,788)	\$ 408,826
TOTAL TEMPORARILY RESTRICTED				\$ 655,435

See notes to financial statements.