

ST. JOHN'S EPISCOPAL CHURCH

FINANCIAL STATEMENTS

DECEMBER 31, 2022



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INDEPENDENT AUDITOR'S REPORT

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



Opinion

We have audited the accompanying financial statements of St. John's Episcopal Church (a nonprofit organization), which comprise the statement of financial position as of December 31, 2022, and the related statements of activities, and functional expenses, for the year then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of St. John's Episcopal Church as of December 31, 2022, and the changes in its net assets and its cash flows 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.
- 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 2021 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated March 18, 2022. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2021, 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, P.C.

DOHERTY, BEALS & BANKS, P.C.
New London, Connecticut

May 10, 2023

ST. JOHN'S EPISCOPAL CHURCH
STATEMENT OF ASSETS, LIABILITIES AND NET ASSETS -
MODIFIED CASH BASIS
FOR THE YEAR ENDED DECEMBER 31, 2022
WITH COMPARATIVE TOTALS FOR 2021

ASSETS

	<u>2022</u>	<u>2021</u>
CURRENT ASSETS		
Cash - checking	\$ 140,160	\$ 128,333
Cash - money fund	395,116	443,337
TOTAL CURRENT ASSETS	535,276	571,670
INVESTMENTS		
Investments (note 2)	557,287	613,779
TOTAL ASSETS	<u>\$ 1,092,563</u>	<u>\$ 1,185,449</u>

LIABILITIES AND NET ASSETS

NET ASSETS		
Without restriction	462,259	430,689
With restrictions (note 3)	630,304	754,760
TOTAL NET ASSETS	<u>1,092,563</u>	<u>1,185,449</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 1,092,563</u>	<u>\$ 1,185,449</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, 2022
WITH COMPARATIVE TOTALS FOR 2021

	<u>Without Restrictions</u>	<u>With Restrictions</u>	<u>Totals</u>	
			<u>2022</u>	<u>2021</u>
REVENUE				
Loose offering	\$ 29,359	\$ -	\$ 29,359	\$ 30,180
Pledges collected	433,861	-	433,861	420,266
Contributions	103,736	40,099	143,835	164,349
Fund-raising income	12,514	-	12,514	16,341
Investment income	(9,209)	(74,368)	(83,577)	66,327
Net assets released from restrictions: purpose met	<u>90,187</u>	<u>(90,187)</u>	<u>-</u>	<u>-</u>
TOTAL REVENUE	660,448	(124,456)	535,992	697,463
EXPENSES				
Worship	185,752	-	185,752	166,483
Outreach	156,007	-	156,007	148,488
Christian formation	85,927	-	85,927	79,350
Major renovations	41,983	-	41,983	8,135
Administration	129,689	-	129,689	118,819
Fund-raising	<u>29,520</u>	<u>-</u>	<u>29,520</u>	<u>27,461</u>
TOTAL EXPENSES	<u>628,879</u>	<u>-</u>	<u>628,879</u>	<u>548,736</u>
CHANGE IN NET ASSETS	31,569	(124,456)	(92,887)	148,727
NET ASSETS - BEGINNING	<u>430,689</u>	<u>754,760</u>	<u>1,185,449</u>	<u>1,036,722</u>
NET ASSETS - ENDING	<u><u>\$ 462,259</u></u>	<u><u>\$ 630,304</u></u>	<u><u>\$ 1,092,563</u></u>	<u><u>\$ 1,185,449</u></u>

See notes to financial statements.

ST. JOHN'S EPISCOPAL CHURCH
STATEMENT OF FUNCTIONAL EXPENSES - MODIFIED CASH BASIS
FOR THE YEAR ENDED DECEMBER 31, 2022
WITH COMPARATIVE TOTALS FOR 2021

EXPENSES	Worship	Outreach	Christian Formation	Major Renovations	Administration	Fundraising	Totals	
							2022	2021
Salaries and benefits	\$ 94,749	\$ 44,164	\$ 68,039	\$ -	\$ 81,727	\$ 20,432	\$ 309,111	\$ 314,640
Property expense	58,947	-	-	-	5,406	1,352	65,705	54,887
Office expense	-	-	-	-	26,756	6,689	33,445	23,005
Professional fees	-	-	-	-	15,800	-	15,800	15,264
Fundraising	-	-	-	-	-	1,047	1,047	1,572
Music	19,096	-	-	-	-	-	19,096	18,998
Congregation life	-	-	17,888	-	-	-	17,888	4,918
Worship	8,045	-	-	-	-	-	8,045	5,217
Miscellaneous operating expenses	4,916	-	-	-	-	-	4,916	3,274
Major renovations	-	-	-	41,983	-	-	41,983	8,135
Mission & outreach	-	111,844	-	-	-	-	111,844	98,826
TOTAL EXPENSES	<u>\$ 185,752</u>	<u>\$ 156,007</u>	<u>\$ 85,927</u>	<u>\$ 41,983</u>	<u>\$ 129,689</u>	<u>\$ 29,520</u>	<u>\$ 628,879</u>	<u>\$ 548,736</u>

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.

See notes to financial statements.

ST. JOHN'S EPISCOPAL CHURCH
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022

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.

Basis 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 modifications to the cash basis statement are the recording of investments and a loan from the Diocese.

Financial Statement Presentation

The Organization follows the reporting requirements of GAAP, which requires that resources be classified for reporting purposes based on the existence or absence of donor-imposed restrictions. This is accomplished by classification of fund balances into two classes of net assets: without donor restrictions and with donor restrictions. Descriptions of the two net asset categories and the types of transactions affecting each category follow:

- Without Donor Restrictions – Net assets that are not subject to donor-imposed restrictions. Items that affect this net asset category principally consist of fees for service and related expenses associated with the core activities of the Organization.
- With Donor Restrictions – Net assets subject to donor-imposed restrictions that will be met either by actions of the Organization or the passage of time. Items that affect this net asset category are for contributions for which donor-imposed restrictions have not been met in the year of receipt. Also included in the category are net assets subject to donor-imposed restrictions to be maintained permanently by the Organization.

Income Tax Status

The Organization is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code, and therefore, has no provision for federal or state income taxes. In addition, the Organization qualifies for the charitable contribution deduction under Section 170(b)(1)(A) and has been classified as an organization that is not a private foundation.

The Organization recognized the tax benefits from uncertain tax positions when it is more-likely-than-not the position would be sustained upon examination by taxing authorities. As of December 31, 2022, the Organization had no uncertain tax positions that qualify for either recognition or disclosure in the financial statements. In the normal course of business, the Organization's tax filings are subject to examination by federal and state taxing authorities. The Organization's tax returns for the last three years remain open for examination.

ST. JOHN'S EPISCOPAL CHURCH
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Prior Year Comparative Totals

The financial information shown for December 31, 2021, in the accompanying financial statements is included to provide a basis for comparison with December 31, 2022, 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, 2021, 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 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.

Recognition of Support and Revenue

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.

ST. JOHN'S EPISCOPAL CHURCH
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Subsequent Events

Management has evaluated subsequent events through May 10, 2023, 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.

The following table sets forth by level, within the fair value hierarchy, the investments' fair values as of December 31, 2022:

	Fair Value Level I	Fair Value Level II	Total
Bank Church Fund	\$ 96,487	\$ 460,800	\$ 557,287

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– see page 10	\$ 216,181
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ST. JOHN'S EPISCOPAL CHURCH
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022

3. NET ASSETS WITH DONOR RESTRICTIONS (Continued)

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	414,123
Total net assets with donor restrictions	\$ 630,304

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	\$ 544,650
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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
SCHEDULE OF CASH RECEIPTS AND DISBURSEMENTS -
TEMPORARILY RESTRICTED FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2022

TEMPORARILY RESTRICTED FUNDS	Balance Beginning	Contributions	Disbursements	Balance Ending
Building fund	\$ 100	\$ -	\$ -	\$ 100
Sound system fund	677	-	-	677
Preserving God's House	25,561	500	(5,993)	20,068
Outreach	3,400	-	-	3,400
Community outreach fund	166	525	-	691
Soup Kitchen	945	90	-	1,035
Military mission	(21)	-	-	(21)
Flower fund	8,131	6,057	(5,725)	8,463
Music fund	21,964	2,574	(4,290)	20,248
Youth programs	2,315	-	-	2,315
Memorial garden fund	8,607	3,048	(156)	11,499
Memorials	133,620	257	(35,990)	97,887
Rector's discretionary fund	13,730	3,740	(6,097)	11,373
Missionary fund	350	110	-	460
Christian education fund	(62)	-	(23)	(85)
Associate discretionary fund	3,907	-	-	3,907
Roof repair fund	8,379	-	-	8,379
Chatman fellowship fund	11,299	3,600	(2,181)	12,718
Witness Stones Grant Income	-	19,600	(9,900)	9,700
Rector's sabbatical fund	950	-	-	950
Reserve for major improvements	11	-	(172)	(161)
Welcome project	2,354	-	-	2,354
Diocese grant - Third Service	224	-	-	224
TEMPORARILY RESTRICTED FUNDS	\$ 246,607	\$ 40,101	\$ (70,527)	\$ 216,181

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

	Balance Beginning	Investment Income	Disbursements	Balance Ending
General operations	\$ 328,530	\$ (62,206)	\$ (17,698)	\$ 248,625
Rector's salary	80,296	(12,161)	(1,962)	66,173
TOTAL TEMPORARILY RESTRICTED PORTION OF ENDOWMENT	\$ 408,826	\$ (74,368)	\$ (19,660)	\$ 314,798
TOTAL TEMPORARILY RESTRICTED				\$ 530,979

See notes to financial statements.