

ST. JOHN'S EPISCOPAL CHURCH

FINANCIAL STATEMENTS

DECEMBER 31, 2023

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

ST. JOHN’S EPISCOPAL CHURCH

FINANCIAL STATEMENTS

DECEMBER 31, 2023

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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 church), which comprise the statement of assets, liabilities and net assets - modified cash basis as of December 31, 2023, and statement of revenue, expenses and changes in net assets, 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, 2023, and the changes in its net assets 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.

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

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 2022 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated May 10, 2023. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2022, 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

March 4, 2024

ST. JOHN'S EPISCOPAL CHURCH
STATEMENT OF ASSETS, LIABILITIES AND NET ASSETS -
MODIFIED CASH BASIS
FOR THE YEAR ENDED DECEMBER 31, 2023
WITH COMPARATIVE TOTALS FOR 2022

ASSETS

	<u>2023</u>	<u>2022</u>
CURRENT ASSETS		
Cash - checking	\$ 143,018	\$ 140,160
Cash - money fund	50,090	395,116
TOTAL CURRENT ASSETS	193,108	535,276
INVESTMENTS		
Investments (note 2)	1,066,630	557,287
TOTAL ASSETS	<u>\$ 1,259,738</u>	<u>\$ 1,092,563</u>

LIABILITIES AND NET ASSETS

NET ASSETS		
Without restriction	565,777	462,259
With restrictions (note 3)	693,961	630,304
TOTAL NET ASSETS	<u>1,259,738</u>	<u>1,092,563</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 1,259,738</u>	<u>\$ 1,092,563</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, 2023
WITH COMPARATIVE TOTALS FOR 2022

	<u>Without Restrictions</u>	<u>With Restrictions</u>	<u>Totals</u>	
			<u>2023</u>	<u>2022</u>
REVENUE				
Loose offering	\$ 43,177	\$ -	\$ 43,177	\$ 29,359
Pledges collected	487,463	-	487,463	433,861
Contributions	57,136	218,757	275,893	143,835
Fund-raising income	19,020	-	19,020	12,514
Investment income	27,226	66,572	93,798	(83,577)
Net assets released from restrictions: purpose met	<u>221,672</u>	<u>(221,672)</u>	<u>-</u>	<u>-</u>
TOTAL REVENUE	855,694	63,657	919,351	535,992
EXPENSES				
Worship	207,242	-	207,242	185,752
Outreach	152,044	-	152,044	156,007
Christian formation	72,209	-	72,209	85,927
Major renovations	160,486	-	160,486	41,983
Administration	129,176	-	129,176	129,689
Fund-raising	<u>31,018</u>	<u>-</u>	<u>31,018</u>	<u>29,520</u>
TOTAL EXPENSES	<u>752,175</u>	<u>-</u>	<u>752,175</u>	<u>628,879</u>
CHANGE IN NET ASSETS	103,519	63,657	167,176	(92,887)
NET ASSETS - BEGINNING	<u>462,259</u>	<u>630,304</u>	<u>1,092,563</u>	<u>1,185,449</u>
NET ASSETS - ENDING	<u><u>\$ 565,777</u></u>	<u><u>\$ 693,961</u></u>	<u><u>\$ 1,259,739</u></u>	<u><u>\$ 1,092,563</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, 2023
WITH COMPARATIVE TOTALS FOR 2022

EXPENSES	Worship	Outreach	Christian Formation	Major Renovations	Administration	Fundraising	Totals	
							2023	2022
Salaries and benefits	\$ 100,909	\$ 47,121	\$ 64,056	\$ -	\$ 87,434	\$ 21,859	\$ 321,378	\$ 309,111
Property expense	61,971	-	-	-	5,563	1,391	68,925	65,705
Office expense	-	-	-	-	19,279	4,820	24,099	33,445
Professional fees	-	-	-	-	16,900	-	16,900	15,800
Fundraising	-	-	-	-	-	2,949	2,949	1,047
Music	19,742	-	-	-	-	-	19,742	19,096
Congregation life	-	-	8,153	-	-	-	8,153	17,888
Worship	10,563	-	-	-	-	-	10,563	8,045
Miscellaneous operating expenses	14,056	-	-	-	-	-	14,056	4,916
Major renovations	-	-	-	160,486	-	-	160,486	41,983
Mission & outreach	-	104,923	-	-	-	-	104,923	111,844
TOTAL EXPENSES	<u>\$ 207,242</u>	<u>\$ 152,044</u>	<u>\$ 72,209</u>	<u>\$ 160,486</u>	<u>\$ 129,176</u>	<u>\$ 31,018</u>	<u>\$ 752,175</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, 2023

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. 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 as an asset.

Financial Statement Presentation of Net Assets

The Church 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 Church.
- With Donor Restrictions – Net assets subject to donor-imposed restrictions that will be met either by actions of the Church 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 Church.

Income Tax Status

The Church 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 Church qualifies for the charitable contribution deduction under Section 170(b)(1)(A) and has been classified as a church that is not a private foundation. The Church is not required to file an annual tax return.

ST. JOHN'S EPISCOPAL CHURCH
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Prior Year Comparative Totals

The financial information shown for December 31, 2022, in the accompanying financial statements is included to provide a basis for comparison with December 31, 2023, 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 Church's financial statements for the period ended December 31, 2022, 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 Church'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 Church 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 Church 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 Church 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 Church, and (7) the Church'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, 2023

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Subsequent Events

Management has evaluated subsequent events through March 4, 2024, 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 church 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 church'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	\$ 562,811	\$ 503,819	\$1,066,630

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	\$ 231,085
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ST. JOHN’S EPISCOPAL CHURCH
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023

3. NET ASSETS WITH DONOR RESTRICTIONS (Continued)

Subject to church 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 church	<u>566,089</u>
Total net assets with donor restrictions	<u>\$ 693,961</u>

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>\$ 193,108</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 Church 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	Balance Beginning	Contributions	Disbursements	Balance Ending
Building Fund	\$ 100	\$ -	\$ (100)	\$ -
Sound System Fund	677	532	(677)	532
Preserving God's House Fund	20,068	-	(10,709)	9,359
World Mission Fund	3,400	313	(3,400)	313
Community Mission Fund	691	325	-	1,016
Soup Kitchen	1,035	-	-	1,035
Military mission	(21)	-	21	-
Flower Fund	8,463	7,647	(6,325)	9,785
Music Fund	20,248	1,566	(2,898)	18,916
Youth Programs Fund	2,315	-	-	2,315
Memorial Garden Fund	11,499	838	(220)	12,117
Memorial Fund	97,887	156,489	(150,000)	104,376
Rector's Discretionary Fund	11,373	24,047	(19,369)	16,051
Missionary Fund	460	-	(460)	-
Christian Education Fund	(85)	-	85	-
Associate Discretionary Fund	3,907	-	(3,907)	-
Roof Repair Fund	8,379	-	-	8,379
Chatman fellowship Fund	12,718	10,000	-	22,718
Pilgrimage Fund	-	17,000	(2,000)	15,000
Witness Stones Grant	9,700	-	(4,055)	5,645
Rector's Sabbatical Fund	950	-	-	950
Reserve for Major Improvements	(161)	-	161	-
Welcome Project	2,354	-	-	2,354
Diocese grant - Third Service	224	-	-	224
TEMPORARILY RESTRICTED	\$ 216,181	\$ 218,757	\$ (203,853)	\$ 231,085

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	\$ 248,625	\$ 55,378	\$ (16,152)	\$ 287,852
Rector's Salary	66,173	11,194	(1,667)	75,699
TOTAL TEMPORARILY RESTRICTED PORTION OF ENDOWMENT	\$ 314,798	\$ 66,572	\$ (17,819)	\$ 363,551

TOTAL TEMPORARILY RESTRICTED

\$ 594,636

See notes to financial statements.