

ST. COLUMBA'S EPISCOPAL CHURCH

FINANCIAL STATEMENTS

June 30, 2024 and 2023

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INDEPENDENT AUDITOR'S REPORT

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

Opinion

We have audited the financial statements of St. Columba's Episcopal Church, which comprise the statements of financial position as of June 30, 2024 and 2023, 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, 2024 and 2023, 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.

Adoption of New Accounting Guidance

As discussed in Note 1 to the financial statements, St. Columba's Episcopal Church adopted the Financial Accounting Standards Board's Accounting Standards Update No. 2016-13, *Financial Instruments—Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments*, as amended, as of July 1, 2023. Our opinion is not modified with respect to this matter.

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
Alexandria, Virginia
October 7, 2024

ST. COLUMBA'S EPISCOPAL CHURCH
STATEMENTS OF FINANCIAL POSITION
June 30, 2024 and 2023

	2024	2023
ASSETS		
CURRENT ASSETS		
Cash	\$ 2,021,456	\$ 1,949,613
Investments	3,433,007	2,966,657
Contributions receivable	1,742,336	1,974,249
Employee Retention Credit receivable	552,676	-
Accounts receivable	17,965	9,183
Prepaid expenses	78,645	51,180
Total current assets	7,846,085	6,950,882
OTHER ASSETS		
Contributions receivable, net	293,652	704,203
Property and equipment, net	8,519,121	8,631,950
Finance lease right-of-use asset	81,816	-
Operating lease right-of-use assets	38,099	69,419
Total assets	\$ 16,778,773	\$ 16,356,454
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable	\$ 266,837	\$ 96,067
Accrued expenses	79,222	96,481
Accrued payroll	214,495	237,517
Deferred revenue	805,349	917,220
Current portion of finance lease liability	13,742	-
Current portion of operating lease liabilities	22,084	31,662
Current portion of notes payable	107,643	116,530
Total current liabilities	1,509,372	1,495,477
LONG-TERM LIABILITIES		
Finance lease liability less current portion	69,223	-
Operating lease liabilities less current portion	17,154	39,238
Notes payable less current portion	1,259,374	1,893,482
Total long-term liabilities	1,345,751	1,932,720
Total liabilities	2,855,123	3,428,197
NET ASSETS		
Without donor restrictions	12,631,088	11,875,814
With donor restrictions	1,292,562	1,052,443
Total net assets	13,923,650	12,928,257
Total liabilities and net assets	\$ 16,778,773	\$ 16,356,454

See accompanying notes.

ST. COLUMBA'S EPISCOPAL CHURCH
STATEMENT OF ACTIVITIES
Year Ended June 30, 2024

	Without Donor Restrictions	With Donor Restrictions	Total
REVENUES			
Contributions	\$ 3,127,080	\$ 352,941	\$ 3,480,021
Tuition and fees, net	2,345,226	-	2,345,226
Grant income	368,902	-	368,902
Program and event income	445,833	-	445,833
Investment income, net	307,355	-	307,355
Employee Retention Credit	552,676	-	552,676
Total revenues	7,147,072	352,941	7,500,013
EXPENSES			
Program services			
Church	3,386,665	-	3,386,665
Nursery school	2,312,597	-	2,312,597
Total program services	5,699,262	-	5,699,262
Management and general	685,514	-	685,514
Fundraising	119,844	-	119,844
Total expenses	6,504,620	-	6,504,620
NET ASSETS RELEASED FROM RESTRICTIONS			
Satisfaction of purpose restrictions	112,822	(112,822)	-
Change in net assets	755,274	240,119	995,393
Net assets at beginning of year	11,875,814	1,052,443	12,928,257
Net assets at end of year	\$ 12,631,088	\$ 1,292,562	\$ 13,923,650

See accompanying notes.

ST. COLUMBA'S EPISCOPAL CHURCH
STATEMENT OF ACTIVITIES
Year Ended June 30, 2023

	Without Donor Restrictions	With Donor Restrictions	Total
REVENUES			
Contributions	\$ 3,736,431	\$ 198,550	\$ 3,934,981
Tuition and fees, net	2,157,147	-	2,157,147
Grant income	77,126	-	77,126
Program and event income	150,587	-	150,587
Investment income, net	180,608	-	180,608
Other income	6,588	-	6,588
	<u>6,308,487</u>	<u>198,550</u>	<u>6,507,037</u>
Total revenues	6,308,487	198,550	6,507,037
EXPENSES			
Program services			
Church	3,199,189	-	3,199,189
Nursery school	1,970,843	-	1,970,843
	<u>5,170,032</u>	<u>-</u>	<u>5,170,032</u>
Total program services	5,170,032	-	5,170,032
Management and general	628,520	-	628,520
Fundraising	47,688	-	47,688
	<u>676,208</u>	<u>-</u>	<u>676,208</u>
Total expenses	5,846,240	-	5,846,240
NET ASSETS RELEASED FROM RESTRICTIONS			
Satisfaction of purpose restrictions	143,806	(143,806)	-
	<u>143,806</u>	<u>(143,806)</u>	<u>-</u>
Change in net assets	606,053	54,744	660,797
Net assets at beginning of year	11,269,761	997,699	12,267,460
	<u>11,269,761</u>	<u>997,699</u>	<u>12,267,460</u>
Net assets at end of year	<u>\$ 11,875,814</u>	<u>\$ 1,052,443</u>	<u>\$ 12,928,257</u>

See accompanying notes.

ST. COLUMBA'S EPISCOPAL CHURCH
STATEMENT OF FUNCTIONAL EXPENSES
Year Ended June 30, 2024

	Program Services			Supporting Activities		Total Expenses
	Church	Nursery School	Total Program Services	Management and General	Fundraising	
Salaries and benefits	\$ 1,780,452	\$ 2,004,350	\$ 3,784,802	\$ 391,625	\$ 100,298	\$ 4,276,725
Depreciation and amortization	400,327	114,008	514,335	10,569	3,523	528,427
Professional fees	205,323	1,936	207,259	150,007	-	357,266
Repairs and maintenance	91,085	22,930	114,015	11,852	1,399	127,266
Contributions	172,898	2,269	175,167	-	-	175,167
Supplies	185,518	74,922	260,440	2,454	818	263,712
Utilities	114,432	32,589	147,021	3,021	1,007	151,049
Insurance	50,637	14,421	65,058	1,336	446	66,840
Interest and other fees	46,588	13,268	59,856	32,876	410	93,142
Bad debts	-	-	-	51,396	-	51,396
Office expenses	42,195	10,024	52,219	6,381	2,370	60,970
Dues and subscriptions	32,818	6,997	39,815	4,936	1,857	46,608
Other expenses	28,628	-	28,628	-	-	28,628
Hospitality	89,799	4,989	94,788	-	-	94,788
Music	9,606	-	9,606	-	-	9,606
Travel and lodging	136,359	9,894	146,253	19,061	7,716	173,030
Total expenses	\$ 3,386,665	\$ 2,312,597	\$ 5,699,262	\$ 685,514	\$ 119,844	\$ 6,504,620

See accompanying notes.

ST. COLUMBA'S EPISCOPAL CHURCH
STATEMENT OF FUNCTIONAL EXPENSES
Year Ended June 30, 2023

	Program Services			Supporting Activities		Total Expenses
	Church	Nursery School	Total Program Services	Management and General	Fundraising	
Salaries and benefits	\$ 1,724,117	\$ 1,634,652	\$ 3,358,769	\$ 367,269	\$ 36,877	\$ 3,762,915
Depreciation	406,066	115,643	521,709	10,721	3,573	536,003
Professional fees	37,967	2,599	40,566	125,312	-	165,878
Repairs and maintenance	180,527	49,990	230,517	13,858	1,704	246,079
Contributions	175,080	1,616	176,696	-	-	176,696
Supplies	198,511	75,081	273,592	3,611	787	277,990
Utilities	118,894	33,860	152,754	3,139	1,046	156,939
Insurance	44,598	12,701	57,299	1,179	392	58,870
Interest and other fees	56,280	16,028	72,308	28,155	495	100,958
Bad debts	-	-	-	58,422	-	58,422
Office expenses	51,221	9,668	60,889	7,051	1,094	69,034
Dues and subscriptions	44,356	10,264	54,620	5,057	951	60,628
Other expenses	38,288	2,980	41,268	-	-	41,268
Hospitality	78,057	1,236	79,293	-	-	79,293
Music	9,380	-	9,380	-	-	9,380
Travel and lodging	35,847	4,525	40,372	4,746	769	45,887
Total expenses	\$ 3,199,189	\$ 1,970,843	\$ 5,170,032	\$ 628,520	\$ 47,688	\$ 5,846,240

See accompanying notes.

ST. COLUMBA'S EPISCOPAL CHURCH
STATEMENTS OF CASH FLOWS
Years Ended June 30, 2024 and 2023

	2024	2023
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 995,393	\$ 660,797
Adjustments to reconcile change in net assets to net cash flows from operating activities		
Depreciation and amortization	528,427	536,003
Allowance for uncollectible contributions receivable	51,396	58,422
Amortization of discount on long-term contributions receivable	(14,034)	(6,287)
Contributions for long-term purposes	(223,868)	(10,000)
Amortization of operating lease right-of-use assets	31,320	32,863
Realized and unrealized (gains) losses on investments	34,225	(57,612)
Donated stock	(406,552)	(121,626)
(Increase) decrease in assets		
Contributions receivable	222,386	(761,953)
Employee Retention Credit receivable	(552,676)	-
Accounts receivable	(8,782)	3,745
Prepaid expenses	(27,465)	(541)
Increase (decrease) in liabilities		
Accounts payable	19,547	(12,706)
Accrued expenses	(17,259)	52,338
Accrued payroll	(23,022)	(14,693)
Deferred revenue	(111,871)	141,957
Operating lease liabilities	(31,662)	(36,745)
Net cash flows from operating activities	465,503	463,962
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sale of investments	224,134	349,965
Purchases of investments	(318,157)	(871,834)
Purchases of property and equipment	(256,937)	(112,710)
Net cash flows from investing activities	(350,960)	(634,579)
CASH FLOWS FROM FINANCING ACTIVITIES		
Contributions for long-term purposes - permanent endowment	2,500	10,000
Contributions for long-term purposes - capital campaign	604,084	340,346
Principal payments on finance lease liability	(6,289)	-
Payments on notes payable	(642,995)	(116,530)
Net cash flows from financing activities	(42,700)	233,816
Change in cash	71,843	63,199
Cash at beginning of year	1,949,613	1,886,414
Cash at end of year	<u>\$ 2,021,456</u>	<u>\$ 1,949,613</u>
SUPPLEMENTAL DISCLOSURES		
Cash paid for interest	\$ 58,041	\$ 68,598
Noncash investing and financing transactions		
Donated stock	406,552	121,626
Property and equipment acquisitions included in accounts payable	151,223	-

See accompanying notes.

ST. COLUMBA'S EPISCOPAL CHURCH
NOTES TO FINANCIAL STATEMENTS
June 30, 2024 and 2023

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 and fixed-income 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 of the underlying assets as reported to the Church by the Trust. There is no quoted market price for this investment and the Church has not obtained or developed a valuation model to determine 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 programs and events provided by the Church. Accounts receivables are stated at the amount management expects to be collected from outstanding balances. As of June 30, 2024 and 2023, management has determined, based on historical experience that all amounts are expected to be collected within a relatively short time frame because the customer base has not changed significantly. As such, credit losses are expected to be insignificant.

	2024	2023
Beginning of year accounts receivable	\$ 9,183	\$ 12,928
End of year accounts receivable	17,965	9,183

ST. COLUMBA'S EPISCOPAL CHURCH
NOTES TO FINANCIAL STATEMENTS
June 30, 2024 and 2023

NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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 depreciated over the lesser of the useful lives of the improvements or the remaining life of the building.

Contributions

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

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.

	2024	2023
Beginning of year deferred revenue	\$ 917,220	\$ 775,263
End of year deferred revenue	805,349	917,220

Leases

The Church does not recognize short-term leases in the statements of financial position. For these leases, the Church recognizes the lease payments in the change in net assets on a straight-line basis over the lease term and variable lease payments in the period in which the obligation for those payments is incurred. The Church also does not separate nonlease components from lease components for all classes of underlying assets and instead accounts for each separate lease component and the nonlease components associated with that lease component as a single lease component. If the rate implicit in the lease is not readily determinable, the Church uses a risk-free rate as the discount rate for the lease for all classes of underlying assets.

ST. COLUMBA'S EPISCOPAL CHURCH
NOTES TO FINANCIAL STATEMENTS
June 30, 2024 and 2023

NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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, dues and subscriptions, supplies, office expenses, and travel and lodging, 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.

Management and General—Activities relate to the overall direction of the Church and include the functions necessary to ensure proper administrative functioning of the Church, 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 7, 2024, 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.

ST. COLUMBA'S EPISCOPAL CHURCH
NOTES TO FINANCIAL STATEMENTS
June 30, 2024 and 2023

NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Adoption of New Accounting Guidance

On June 16, 2016, the Financial Accounting Standards Board issued Accounting Standards Update No. 2016-13, *Financial Instruments—Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments*. The intent of this Update is to improve financial reporting by requiring timelier recording of credit losses on loans and other financial instruments held by the reporting entity. This Update requires an entity to measure all expected credit losses for financial assets held at the reporting date based on historical experience, current conditions, and reasonable and supportable forecasts. The Update also requires enhanced disclosures to help financial statement users better understand significant estimates and judgments used in estimating credit losses. These disclosures include qualitative and quantitative requirements that provide additional information about the amounts recorded in the financial statements. Financial assets held by St. Columba's Episcopal Church that are subject to the guidance in this Update include accounts receivable.

The Church adopted the requirements of this Update, as amended, effective July 1, 2023. The adoption of this Update did not have a material effect on the Church's financial statements and primarily resulted in new and enhanced disclosures only.

Reclassifications

Certain accounts in the prior year financial statements have been reclassified for comparative purposes to conform to the presentation in the current year financial statements.

NOTE 2—CONTRIBUTIONS RECEIVABLE

Unconditional contributions receivable at June 30, 2024 and 2023 consisted of the following:

	<u>2024</u>	<u>2023</u>
Contributions receivable in less than one year	1,809,981	\$ 2,052,500
Contributions receivable in one to five years	<u>296,080</u>	<u>720,665</u>
Total contributions receivable	2,106,061	2,773,165
Less allowance for uncollectible pledges	(67,645)	(78,251)
Less discount to net present value	<u>(2,428)</u>	<u>(16,462)</u>
Contributions receivable, net	<u>\$ 2,035,988</u>	<u>\$ 2,678,452</u>

Contributions receivable in one to five years are discounted at effective rates that range from 0.82% to 4.32%.

NOTE 3—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, 2024 and 2023 totaled \$649,268 and \$1,175,316, respectively. The Church has not experienced any losses resulting from this risk.

ST. COLUMBA'S EPISCOPAL CHURCH
NOTES TO FINANCIAL STATEMENTS
June 30, 2024 and 2023

NOTE 4—INVESTMENTS

Investments are comprised of the following:

	2024	2023
Cash and money market accounts	\$ 182,885	\$ 81,504
Common stock	-	11,250
Mutual funds	2,390,688	2,195,891
Fixed-income	833,990	651,424
Real estate investment trust fund	25,444	26,588
Investments	\$ 3,433,007	\$ 2,966,657

Fair values for the common stock and 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. Fixed-income securities are valued using a market approach that uses as inputs observed interest rates and yield curves, prices in active markets for similar assets, and prices for identical assets in inactive markets that have been adjusted by observable indexes, which are Level 2 fair value measurements. The fair value of the real-estate investment trust funds is based on the fair value of the underlying assets as reported to the Church by the Trust. Little information about those assets is released publicly as the funds are not actively traded and significant other observable inputs are not available. These investments are considered Level 3 investments.

NOTE 5—PROPERTY AND EQUIPMENT

Property and equipment consist of the following:

	2024	2023
Land	\$ 1,535,600	\$ 1,535,600
Furniture and equipment	1,308,788	1,310,095
Construction in progress	335,965	2,503
Building improvements	8,771,857	8,717,968
Buildings	5,326,288	5,326,288
Total property and equipment	17,278,498	16,892,454
Less accumulated depreciation	(8,759,377)	(8,260,504)
Property and equipment, net	\$ 8,519,121	\$ 8,631,950

NOTE 6—LINE OF CREDIT

The Church has a \$400,000 revolving line of credit with no maturity date. Advances on the credit line are payable on demand and carry an interest rate of 7.77%. The credit line is secured by substantially all assets of the Church. There was no outstanding balance on the line at June 30, 2024 and 2023.

ST. COLUMBA'S EPISCOPAL CHURCH
NOTES TO FINANCIAL STATEMENTS
June 30, 2024 and 2023

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, 2024 and 2023 was \$33,037 and \$99,989, 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, 2024 and 2023 was \$1,333,980 and \$1,910,023, respectively. Interest expense was \$59,758 and \$74,289 for the years ended June 30, 2024 and 2023, respectively.

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

2025	\$	107,643
2026		76,732
2027		79,560
2028		89,335
2029		79,233
Thereafter		934,514
	\$	1,367,017

NOTE 8—NET ASSETS WITHOUT DONOR RESTRICTIONS

The Vestry has chosen to place the following designations on net assets without donor restrictions at June 30, 2024 and 2023:

	2024	2023
Nursery school	\$ 547,097	\$ 547,097
Leap of Faith strategic fundraising for future years	602,130	776,600
Future rector housing	403,237	403,237
Memorial fund for future endowment	237,601	237,601
Outreach	40,503	40,503
Youth ministries	-	12,287
Building reserve	40,000	40,000
Board endowment	182,528	10,000
Library fund	-	4,315
Other	15,335	12,648
Undesignated	10,562,657	9,791,526
Net assets without donor restrictions	\$ 12,631,088	\$ 11,875,814

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NOTES TO FINANCIAL STATEMENTS
June 30, 2024 and 2023

NOTE 9—NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions at June 30, 2024 and 2023 consisted of the following:

	2024	2023
Capital campaign for nave repair project	\$ 243,514	\$ 273,805
Building maintenance	288,776	278,527
Outreach fund	159,020	138,200
Youth fund	54,469	54,469
Other programs	41,478	36,206
Worship and music	137,215	82,056
Nursery school	32,134	31,584
Nursery playground	221,260	-
Ending family homelessness	-	38,809
Refugee response	-	6,591
Permanent endowment	114,696	112,196
Net assets with donor restrictions	\$ 1,292,562	\$ 1,052,443

NOTE 10—ENDOWMENT

The Church has set up endowment funds, which comply with and follow current authoritative literature that 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.

The Church's endowments consist of a donor-restricted fund and a board-designated quasi-endowment fund. Both have been 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.

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NOTES TO FINANCIAL STATEMENTS
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NOTE 10—ENDOWMENT (continued)

In accordance with UPMIFA, the Vestry considers the following factors in making a determination to appropriate or accumulate 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 board-designated and 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.

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%.

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NOTES TO FINANCIAL STATEMENTS
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NOTE 10—ENDOWMENT (continued)

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

	2024		
	Without Donor Restrictions	With Donor Restrictions	Total
Board-designated endowment funds:			
Subject to right of withdrawal	\$ 182,528	\$ -	\$ 182,528
Donor-restricted endowment funds:			
Original donor-restricted gift amount	-	114,696	114,696
Total funds	<u>\$ 182,528</u>	<u>\$ 114,696</u>	<u>\$ 297,224</u>
	2023		
	Without Donor Restrictions	With Donor Restrictions	Total
Board-designated endowment funds:			
Subject to right of withdrawal	\$ 10,000	\$ -	\$ 10,000
Donor-restricted endowment funds:			
Original donor-restricted gift amount	-	112,196	112,196
Total funds	<u>\$ 10,000</u>	<u>\$ 112,196</u>	<u>\$ 122,196</u>

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

	2024		
	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets at beginning of year	\$ 10,000	\$ 112,196	\$ 122,196
Board approved additions	172,528	-	172,528
Contributions	-	2,500	2,500
Endowment net assets at end of year	<u>\$ 182,528</u>	<u>\$ 114,696</u>	<u>\$ 297,224</u>
	2023		
	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets at beginning of year	\$ -	\$ 102,196	\$ 102,196
Contributions	10,000	10,000	20,000
Endowment net assets at end of year	<u>\$ 10,000</u>	<u>\$ 112,196</u>	<u>\$ 122,196</u>

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NOTES TO FINANCIAL STATEMENTS
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NOTE 11—TUITION AND FEES

Tuition and fees for the years ended June 30, 2024 and 2023 consisted of the following:

	<u>2024</u>	<u>2023</u>
Gross tuition and fees	\$ 2,449,151	\$ 2,238,494
Less discounts and scholarships	<u>(103,925)</u>	<u>(81,347)</u>
Tuition and fees, net	<u>\$ 2,345,226</u>	<u>\$ 2,157,147</u>

NOTE 12—LEASES

The Church has operating and finance leases for various office equipment. These leases have remaining lease terms of one year to five years, some of which include options to extend the lease term for up to one year.

The components of total lease cost for the year ended June 30, 2024 and 2023 are as follows:

	<u>2024</u>	<u>2023</u>
Finance lease cost		
Amortization of right-of-use asset	\$ 7,438	\$ -
Interest on lease liability	1,738	-
Operating lease cost	<u>32,867</u>	<u>35,259</u>
Total lease cost	<u>\$ 42,043</u>	<u>\$ 35,259</u>

Other information related to leases is as follows:

Cash paid for amounts included in the measurement of lease liabilities		
Operating cash flows from finance lease	\$ 1,459	\$ -
Financing cash flows from finance lease	6,568	-
Operating cash flows from operating leases	33,209	33,778
Right-of-use assets obtained in exchange for new finance lease liability	89,254	-
Right-of-use assets obtained in exchange for new operating lease liabilities	-	33,219
Weighted-average remaining lease term for finance lease	5.50 years	-
Weighted-average remaining lease term for operating leases	2.32 years	2.81 years
Weighted-average discount rate for finance lease	4.06%	0.00%
Weighted-average discount rate for operating leases	2.87%	2.86%

ST. COLUMBA'S EPISCOPAL CHURCH
NOTES TO FINANCIAL STATEMENTS
June 30, 2024 and 2023

NOTE 12—LEASES (continued)

The maturities of lease liabilities for the years ending June 30 are as follows:

	Finance	Operating
Year ending June 30:		
2025	\$ 16,800	\$ 22,850
2026	16,800	8,119
2027	16,800	7,176
2028	16,800	2,391
2029	16,800	-
Thereafter	8,400	-
Total minimum lease payments	\$ 92,400	\$ 40,536
Imputed interest	(9,435)	(1,298)
Total lease liabilities	\$ 82,965	\$ 39,238

NOTE 13—RETIREMENT PLAN

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

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

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

The Church's contributions to the plan for the years ended June 30, 2024 and 2023 were \$354,271 and \$300,705, respectively.

ST. COLUMBA'S EPISCOPAL CHURCH
NOTES TO FINANCIAL STATEMENTS
June 30, 2024 and 2023

NOTE 14—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:

	2024	2023
Financial assets at end of year		
Cash	\$ 2,021,456	\$ 1,949,613
Investments	3,433,007	2,966,657
Contributions receivable	2,035,988	2,678,452
Employee Retention Credit receivable	552,676	-
Accounts receivable	17,965	9,183
 Total financial assets at end of year	 8,061,092	 7,603,905
 Less amounts unavailable for general expenditures within one year due to:		
Contributions receivable scheduled to be collected in one to five years, net	(293,652)	(704,203)
Designated by the Vestry board	(2,068,431)	(2,084,288)
Restricted by donors with purpose restrictions	(1,292,562)	(1,052,443)
 Financial assets available to meet cash needs for general expenditures within one year	 \$ 4,406,447	 \$ 3,762,971

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 6 that may be drawn upon, if needed.

NOTE 15—PAYCHECK PROTECTION PROGRAM LOAN

On April 17, 2020, the Church received a \$596,100 loan under the Paycheck Protection Program (PPP) established by the Coronavirus Aid, Relief, and Economic Security (CARES) Act and administered by the U.S. Small Business Administration (SBA). 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.

ST. COLUMBA'S EPISCOPAL CHURCH
NOTES TO FINANCIAL STATEMENTS
June 30, 2024 and 2023

NOTE 16—EMPLOYEE RETENTION CREDIT

During the year ended June 30, 2024, the Church claimed an Employee Retention Credit (ERC) totaling \$552,676 under the provisions of the Coronavirus Aid, Relief, and Economic Security Act. Employers are eligible for the ERC if they experience either a significant decline in gross receipts or the full or partial suspension of operations because of governmental orders limiting commerce, travel, or group meetings due to COVID-19. The Church determined it had significant decline in gross receipts and claimed the ERC for the second and third calendar quarters of 2021. The application was accepted by the IRS, but has not been approved as of the report date. The revenue and a corresponding receivable were recorded for the year ended June 30, 2024 under the guidance of FASB ASC 958-605 and FASB ASU 2018-08 Not-for-Profit Entities (Topic 958) that requires revenue to be recognized once all conditions have been satisfied. Since the Church met the eligibility requirements of the ERC, the conditions were satisfied and the revenue was recorded as of the date of the application during the year ended June 30, 2024.

The Internal Revenue Service (IRS) generally has five years from the date an ERC claim is filed to audit the claim. Therefore, the IRS may audit the Church's eligibility for the ERC and its substantiation of the amounts claimed. If the IRS determines that the Church was ineligible for the ERC, the Church could be required to repay the amount claimed along with penalties and interest.

NOTE 17—COMMITMENT

On November 11, 2023, the Church entered signed a contract for approximately \$296,500. The services provided consist of general site work, demolition, equipment installation, synthetic turf, trike path, sheds, and outdoor learning amphitheater for the playground that was installed later in the summer after June 30, 2024.