

**THE COLONIAL
PRESBYTERIAN
CHURCH**

FINANCIAL STATEMENTS

June 30, 2023 and 2022

IFFT & CO. PA
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INDEPENDENT AUDITORS' REPORT

To the Corporate Trustees and the Session
The Colonial Presbyterian Church
Kansas City, Missouri

Opinion

We have audited the accompanying financial statements of The Colonial Presbyterian Church (a not-for-profit organization), which comprise the statement of financial position as of June 30, 2023, the related statements of activities, functional expenses, and cash flows 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 The Colonial Presbyterian Church as of June 30, 2023, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

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 The Colonial Presbyterian 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.

Prior Period Financial Statements

The 2022 financial statements were reviewed by us and our report thereon, dated December 27, 2022, stated that we were not aware of any material modifications that should be made to those financial statements for them to be in accordance with accounting principles generally accepted in the United States of America. However, a review is substantially less in scope than an audit and does not provide a basis for the expression of an opinion on the financial statements as a whole.

Change in Accounting Principle

As described in Note 1 to the financial statements, The Colonial Presbyterian Church adopted Financial Accounting Standards Board Accounting Standards Codification Topic 840, *Leases*. Our opinion is not modified with respect to that 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 The Colonial Presbyterian 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 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 The Colonial Presbyterian 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 The Colonial Presbyterian 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.

Ifff + Co. PA

January 4, 2024

THE COLONIAL PRESBYTERIAN CHURCH
STATEMENTS OF FINANCIAL POSITION
June 30, 2023 and 2022

	<u>2023</u>	<u>2022</u> (Reviewed)
ASSETS		
CURRENT ASSETS		
Cash	\$ 3,204,803	2,826,618
Prepaid expenses	<u>114,878</u>	<u>56,839</u>
TOTAL CURRENT ASSETS	3,319,681	2,883,457
LAND, BUILDINGS, AND EQUIPMENT, net	14,793,540	15,297,755
OPERATING LEASE RIGHT OF USE ASSETS	<u>33,672</u>	<u>-</u>
TOTAL ASSETS	<u>\$ 18,146,893</u>	<u>18,181,212</u>
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable	\$ 43,979	37,272
Accrued expenses	181,830	105,347
Deferred revenues	40,622	37,090
Current portion of operating lease liabilities	<u>25,023</u>	<u>-</u>
TOTAL CURRENT LIABILITIES	291,454	179,709
OPERATING LEASE LIABILITIES, less current portion	<u>8,649</u>	<u>-</u>
TOTAL LIABILITIES	300,103	179,709
NET ASSETS		
Without donor restrictions		
Net investment in land, buildings, and equipment	14,793,540	15,297,755
Designated	648,358	554,549
Undesignated	<u>834,200</u>	<u>863,206</u>
Total without donor restrictions	16,276,098	16,715,510
With donor restrictions	<u>1,570,692</u>	<u>1,285,993</u>
TOTAL NET ASSETS	<u>17,846,790</u>	<u>18,001,503</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 18,146,893</u>	<u>18,181,212</u>

The accompanying notes are an integral part of these financial statements

THE COLONIAL PRESBYTERIAN CHURCH
STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2023

	Without Donor <u>Restrictions</u>	With Donor <u>Restrictions</u>	<u>Total</u>
SUPPORT AND REVENUES			
Contributions			
Tithes and offerings	\$ 4,862,498	219,301	5,081,799
Building campaign	-	19,391	19,391
Missions	-	1,019,615	1,019,615
Preschool	-	327,943	327,943
Revenues			
Preschool and daycare tuition and fees	957,634	-	957,634
Interest income	47,461	-	47,461
Miscellaneous income	33,708	-	33,708
Net assets released from restrictions	<u>1,301,551</u>	<u>(1,301,551)</u>	<u>-</u>
TOTAL SUPPORT AND REVENUES	7,202,852	284,699	7,487,551
EXPENSES			
Program services			
Ministry	3,934,254	-	3,934,254
Missions	1,820,984	-	1,820,984
Preschool	<u>1,046,274</u>	<u>-</u>	<u>1,046,274</u>
TOTAL PROGRAM SERVICES	6,801,512	-	6,801,512
Fundraising	2,028	-	2,028
General and administrative	<u>838,724</u>	<u>-</u>	<u>838,724</u>
TOTAL EXPENSES	<u>7,642,264</u>	<u>-</u>	<u>7,642,264</u>
CHANGE IN NET ASSETS	(439,412)	284,699	(154,713)
NET ASSETS, BEGINNING OF YEAR	<u>16,715,510</u>	<u>1,285,993</u>	<u>18,001,503</u>
NET ASSETS, END OF YEAR	<u><u>\$ 16,276,098</u></u>	<u><u>1,570,692</u></u>	<u><u>17,846,790</u></u>

The accompanying notes are an integral part of these financial statements.

THE COLONIAL PRESBYTERIAN CHURCH
STATEMENT OF ACTIVITIES (REVIEWED)
For the Year Ended June 30, 2022

	Without Donor <u>Restrictions</u>	With Donor <u>Restrictions</u>	<u>Total</u>
SUPPORT AND REVENUES			
Contributions			
Tithes and offerings	\$ 4,791,338	283,322	5,074,660
Building campaign	-	285,400	285,400
Missions	-	713,330	713,330
Preschool	-	297,476	297,476
Revenues			
Preschool and daycare tuition and fees	879,868	-	879,868
Interest income	5,731	-	5,731
Miscellaneous income	26,165	-	26,165
Gain on sale of equipment	435	-	435
Net assets released from restrictions	<u>1,437,427</u>	<u>(1,437,427)</u>	<u>-</u>
TOTAL SUPPORT AND REVENUES	7,140,964	142,101	7,283,065
EXPENSES			
Program services			
Ministry	4,000,003	-	4,000,003
Missions	1,452,728	-	1,452,728
Preschool	<u>1,002,484</u>	<u>-</u>	<u>1,002,484</u>
TOTAL PROGRAM SERVICES	6,455,215	-	6,455,215
Fundraising	804	-	804
General and administrative	<u>762,595</u>	<u>-</u>	<u>762,595</u>
TOTAL EXPENSES	<u>7,218,614</u>	<u>-</u>	<u>7,218,614</u>
CHANGE IN NET ASSETS	(77,650)	142,101	64,451
NET ASSETS, BEGINNING OF YEAR	<u>16,793,160</u>	<u>1,143,892</u>	<u>17,937,052</u>
NET ASSETS, END OF YEAR	<u><u>\$ 16,715,510</u></u>	<u><u>1,285,993</u></u>	<u><u>18,001,503</u></u>

The accompanying notes are an integral part of these financial statements.

THE COLONIAL PRESBYTERIAN CHURCH
STATEMENT OF FUNCTIONAL EXPENSES
For the Year Ended June 30, 2023

	<u>Ministry</u>	<u>Missions</u>	<u>Preschool</u>	<u>Total program services</u>	<u>Fundraising</u>	<u>Facilities/IT maintenance and support</u>	<u>General and administrative</u>	<u>Total</u>
Salaries and wages	\$ 1,618,185	168,794	735,069	2,522,048	-	105,137	521,480	3,148,665
Employee benefits and expenses	450,104	31,719	89,861	571,684	-	20,426	112,479	704,589
Conferences and events	102,852	1,575	13,232	117,659	-	-	-	117,659
Missions support	-	1,361,419	-	1,361,419	-	-	-	1,361,419
Mission trips and events	529	145,085	-	145,614	-	-	-	145,614
Printing, promotion, website, and mobile app	28,535	14,195	-	42,730	-	-	1,790	44,520
Telephone and IT services	75,256	7,314	-	82,570	-	6,405	24,686	113,661
Technical production and contract musicians	52,792	4,396	-	57,188	-	-	-	57,188
Facility maintenance and utilities	-	-	21,903	21,903	-	596,242	-	618,145
EPC membership	65,985	-	-	65,985	-	-	-	65,985
Community and member care	205,172	65,946	21,161	292,279	-	-	-	292,279
Insurance	10,132	985	2,963	14,080	-	35,256	45,550	94,886
Depreciation	-	-	-	-	-	616,493	-	616,493
Materials, supplies, office equipment, and other	97,673	4,669	50,730	153,072	2,028	79	9,396	164,575
Payroll and professional expenses	20,200	-	-	20,200	-	-	43,568	63,768
Bank fees	-	-	-	-	-	-	32,818	32,818
Subtotal	<u>2,727,415</u>	<u>1,806,097</u>	<u>934,919</u>	<u>5,468,431</u>	<u>2,028</u>	<u>1,380,038</u>	<u>791,767</u>	<u>7,642,264</u>
Facilities/IT maintenance and support	<u>1,206,839</u>	<u>14,887</u>	<u>111,355</u>	<u>1,333,081</u>	<u>-</u>	<u>(1,380,038)</u>	<u>46,957</u>	<u>-</u>
TOTAL EXPENSES	<u><u>\$ 3,934,254</u></u>	<u><u>1,820,984</u></u>	<u><u>1,046,274</u></u>	<u><u>6,801,512</u></u>	<u><u>2,028</u></u>	<u><u>-</u></u>	<u><u>838,724</u></u>	<u><u>7,642,264</u></u>

The accompanying notes are an integral part of these financial statements.

THE COLONIAL PRESBYTERIAN CHURCH
STATEMENT OF FUNCTIONAL EXPENSES (REVIEWED)
For the Year Ended June 30, 2022

	<u>Ministry</u>	<u>Missions</u>	<u>Preschool</u>	<u>Total program services</u>	<u>Fundraising</u>	<u>Facilities/IT maintenance and support</u>	<u>General and administrative</u>	<u>Total</u>
Salaries and wages	\$ 1,753,818	153,468	643,208	2,550,494	-	102,051	482,938	3,135,483
Employee benefits and expenses	447,567	25,620	84,284	557,471	-	17,991	87,631	663,093
Conferences and events	83,967	1,149	10,340	95,456	-	-	-	95,456
Missions support	3,123	1,175,715	-	1,178,838	-	-	-	1,178,838
Mission trips and events	6,487	24,533	-	31,020	-	-	-	31,020
Printing, promotion, website, and mobile app	18,375	6,478	-	24,853	-	-	1,247	26,100
Telephone and IT services	73,545	6,385	-	79,930	-	6,084	23,449	109,463
Technical production and contract musicians	96,460	5,686	-	102,146	-	-	-	102,146
Facility maintenance and utilities	-	-	96,182	96,182	-	511,361	40	607,583
EPC membership	65,050	-	-	65,050	-	-	-	65,050
Community and member care	136,752	35,303	17,105	189,160	-	-	-	189,160
Insurance	6,357	552	2,289	9,198	-	32,946	43,596	85,740
Depreciation	-	-	-	-	-	602,722	-	602,722
Materials, supplies, office equipment, and other	176,066	4,610	46,755	227,431	804	134	11,287	239,656
Payroll and professional expenses	17,841	-	-	17,841	-	-	35,682	53,523
Bank fees	-	-	-	-	-	-	33,581	33,581
Subtotal	<u>2,885,408</u>	<u>1,439,499</u>	<u>900,163</u>	<u>5,225,070</u>	<u>804</u>	<u>1,273,289</u>	<u>719,451</u>	<u>7,218,614</u>
Facilities/IT maintenance and support	<u>1,114,595</u>	<u>13,229</u>	<u>102,321</u>	<u>1,230,145</u>	<u>-</u>	<u>(1,273,289)</u>	<u>43,144</u>	<u>-</u>
TOTAL EXPENSES	<u>\$ 4,000,003</u>	<u>1,452,728</u>	<u>1,002,484</u>	<u>6,455,215</u>	<u>804</u>	<u>-</u>	<u>762,595</u>	<u>7,218,614</u>

The accompanying notes are an integral part of these financial statements.

THE COLONIAL PRESBYTERIAN CHURCH
STATEMENTS OF CASH FLOWS
For the Years Ended June 30, 2023 and 2022

	<u>2023</u>	<u>2022</u> (Reviewed)
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ (154,713)	64,451
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Contributions restricted for building projects	(19,391)	(285,400)
Depreciation	616,493	602,722
Gain on sale of equipment	-	(435)
Changes in operating assets and liabilities		
Prepaid expenses	(58,039)	(30,457)
Accounts payable	6,707	22,402
Accrued expenses	76,483	10,461
Deferred revenues	<u>3,532</u>	<u>(6,932)</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>471,072</u>	<u>376,812</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of buildings and equipment	(112,278)	(438,411)
Proceeds from sale of equipment	<u>-</u>	<u>435</u>
NET CASH USED IN INVESTING ACTIVITIES	<u>(112,278)</u>	<u>(437,976)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Contributions restricted for building projects	<u>19,391</u>	<u>285,400</u>
NET CHANGE IN CASH	378,185	224,236
CASH, BEGINNING OF YEAR	<u>2,826,618</u>	<u>2,602,382</u>
CASH, END OF YEAR	<u><u>\$ 3,204,803</u></u>	<u><u>2,826,618</u></u>

The accompanying notes are an integral part of these financial statements.

THE COLONIAL PRESBYTERIAN CHURCH
NOTES TO FINANCIAL STATEMENTS
June 30, 2023 and 2022

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization

The Colonial Presbyterian Church (the Church) was founded in the 1950s and incorporated as a Missouri non-profit corporation on February 28, 1959. The Church is voluntarily affiliated with the Evangelical Presbyterian Church (EPC).

The Church's donors and preschool/daycare patrons are located throughout the greater Kansas City, Missouri area.

Basis of Accounting

The financial statements have been prepared on the accrual basis of accounting.

Net Assets

Net assets, revenues, gains, and losses are classified based on the existence or absence of donor- or grantor-imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

- Net assets without donor restrictions – Net assets available for use in general operations and not subject to donor restrictions. The Session has designated, from net assets without donor restrictions, funds for ministry, capital projects, and missions.
- Net assets with donor restrictions – Net assets subject to donor-imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates those resources be maintained in perpetuity. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both. When donor-imposed restrictions are released, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the accompanying statements of activities as net assets released from restrictions.

Advertising Costs

Advertising costs are charged to operations when incurred. Advertising expense totaled \$17,978 and \$7,310 for the years ended June 30, 2023 and 2022, respectively, and is included in printing, promotion, website, and mobile app expense on the accompanying statements of functional expenses.

THE COLONIAL PRESBYTERIAN CHURCH
NOTES TO FINANCIAL STATEMENTS
June 30, 2023 and 2022

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Land, Buildings, and Equipment

Expenditures for buildings and equipment over a nominal amount are recorded at cost and depreciated over their estimated useful lives using the straight-line method. The estimated useful lives of the assets are as follows:

Buildings and improvements	25-50 years
Equipment and furnishings	3-10 years

Revenue Recognition

Enrollment fees received in advance for the following period's preschool year are deferred until the start of the preschool year. Monthly preschool tuition is recognized as income each month as services are provided. Contributions are recognized as revenue when cash, securities or other assets, or unconditional promises to give are received.

Functional Allocation of Expenses

The costs of program and supporting services activities have been summarized on a functional basis in the accompanying statements of activities. The accompanying statements of functional expenses present the natural classification detail of expenses by function. Accordingly, certain costs have been allocated among the program and supporting services benefited.

Tax Status

The Church is exempt from income tax under Section 501(c)(3) of the Internal Revenue Code (the Code) and state law through the exemption of the national denomination. Contributions to the Church are tax deductible within the limitations prescribed by the Code. The Church has been classified as a publicly supported organization that is not a private foundation under Section 509(a) of the Code.

The Church recognizes the financial statement benefit of a tax position only after determining that the relevant tax authority would more likely than not sustain the position following an audit. For tax positions meeting the more-likely-than-not threshold, the amount recognized in the financial statements is the largest benefit that has a greater than 50% likelihood of being realized upon ultimate settlement with the relevant tax authority.

The Church is subject to income tax regulations in the U.S. federal jurisdiction and certain state jurisdictions. Tax regulations within each jurisdiction are subject to the interpretation of the related tax laws and regulations and require significant judgment to apply. With few exceptions, the Church is no longer subject to income tax examinations by the applicable tax authorities for the years before 2020. If any were to be incurred, the Church's policy is to record penalties and interest assessed by income tax authorities as operating expenses.

THE COLONIAL PRESBYTERIAN CHURCH
NOTES TO FINANCIAL STATEMENTS
June 30, 2023 and 2022

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Change in Accounting Principle

Effective July 1, 2022, the Church adopted Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) Topic 842 *Leases*. The new standard establishes a right of use (ROU) model that requires a lessee to record a ROU asset and a lease liability on the statement of financial position for all leases with terms longer than twelve months. Leases are classified as either finance or operating, with classification affecting the pattern of expense recognition in the statement of activities. Leases with a term of less than twelve months will not record a ROU asset and lease liability, and the payments will be recognized as an expense on a straight-line basis over the lease term.

The Church elected to adopt ASC 842 using the optional transition method that allows the Church to initially apply the standard at the adoption date and recognize a cumulative effect adjustment to the opening balance of net assets in the period of adoption. The adoption had no effect on the opening balance of net assets.

The Church elected to adopt the package of practical expedients available under the transition guidance with the new standard. This package includes the following: relief from determination of lease contracts included in existing or expiring leases at the point of adoption, relief from having to reevaluate the classification of leases in effect at the point of adoption, and relief from reevaluation of existing leases that have initial direct costs associated with the execution of the lease contract. The Church also elected to adopt the practical expedient to use hindsight to determine the lease term and assess impairment of the ROU assets.

The adoption of ASC 842 resulted in the following impact at July 1, 2022:

Noncurrent operating ROU assets	<u>\$ 57,995</u>
Current operating lease liabilities	\$ 24,323
Noncurrent operating lease liabilities	<u>33,672</u>
	<u>\$ 57,995</u>

THE COLONIAL PRESBYTERIAN CHURCH
NOTES TO FINANCIAL STATEMENTS
June 30, 2023 and 2022

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Leases

At inception, the Church determines whether an arrangement is a lease and the appropriate lease classification under ASC 842. ROU assets represent the Church's right to use an underlying asset for the lease term, and lease liabilities represent the obligation to make lease payments arising from the lease. ROU assets and lease liabilities are recognized at the commencement date based on the present value of minimum lease payments over the lease term using the rate implicit in the lease, if available. As the Church's leases do not generally provide a rate implicit in the lease, the Church used the risk-free rate with a maturity similar to the lease term.

Subsequent Events

Subsequent events have been evaluated through January 4, 2024, which is the date the financial statements were available to be issued.

NOTE 2 - BANK LINE OF CREDIT

The Church has a \$500,000 line of credit with a bank. The line is collateralized by the assets of the Church, bears interest at a variable rate based on the Wall Street Journal Prime Rate (8.25% at June 30, 2023), and expires in December 2024. There were no borrowings on the line of credit during either year ended June 30, 2023 or 2022.

NOTE 3 - LAND, BUILDINGS, AND EQUIPMENT

Land, buildings, and equipment included the following at June 30:

	<u>2023</u>	<u>2022</u>
Buildings and improvements	\$ 23,584,222	23,518,722
Equipment and furnishings	<u>1,388,816</u>	<u>1,342,038</u>
	24,973,038	24,860,760
Less accumulated depreciation	<u>11,247,954</u>	<u>10,631,461</u>
	13,725,084	14,229,299
Land	<u>1,068,456</u>	<u>1,068,456</u>
Land, buildings, and equipment, net	<u>\$ 14,793,540</u>	<u>15,297,755</u>

THE COLONIAL PRESBYTERIAN CHURCH
NOTES TO FINANCIAL STATEMENTS
June 30, 2023 and 2022

NOTE 4 - OPERATING LEASES

The Church leases equipment under operating lease agreements that expire at various dates through September 2025. Only lease options that the Church believes are reasonably certain to exercise are included in the measurement of the lease assets and liabilities. The lease agreements do not include any restrictive covenants.

The following summarizes the line items in the statement of financial position that include amounts for operating leases as of June 30, 2023:

Noncurrent operating right of use assets	<u>\$ 33,672</u>
Current operating lease liabilities	\$ 25,023
Noncurrent operating lease liabilities	<u>8,649</u>
	<u>\$ 33,672</u>

Operating lease expense for the years ended June 30, 2023 and 2022 was \$25,656 and \$28,041, respectively, and is included in materials, supplies, office equipment, and other expense on the accompanying statements of functional expenses.

The maturities of the operating lease liabilities as of June 30, 2023 are as follows:

<u>Years Ending June 30,</u>	<u>Amount</u>
2024	\$ 25,656
2025	8,151
2026	<u>579</u>
Total lease payments	34,386
Less interest	<u>714</u>
Present value of leases	<u>\$ 33,672</u>

The weighted average lease term and discount rate as of June 30, 2023 were as follows:

Weighted average remaining lease term	1.4 years
Weighted average discount rate	2.84%

The following summarizes the cash flow information related to the operating leases for the year ended June 30, 2023, including the impact of adopting ASC 842:

Operating cash flows for operating leases	<u>\$ 25,656</u>
Lease assets obtained in exchange for lease liabilities	<u>\$ 57,995</u>

THE COLONIAL PRESBYTERIAN CHURCH
NOTES TO FINANCIAL STATEMENTS
June 30, 2023 and 2022

NOTE 5 - NET ASSETS WITH DONOR RESTRICTIONS

Net assets restricted by donor stipulations were held for the following purposes at June 30:

	<u>2023</u>	<u>2022</u>
Building projects	\$ 362,085	424,386
Ministry	203,620	206,780
Missions	527,059	431,981
Preschool	<u>477,928</u>	<u>222,846</u>
Total net assets with donor restrictions	<u>\$ 1,570,692</u>	<u>1,285,993</u>

Net assets released from restrictions due to satisfaction of donor requirements were as follows for the years ended June 30:

	<u>2023</u>	<u>2022</u>
Building projects	\$ 81,692	438,411
Ministry	222,460	257,286
Missions	924,538	627,347
Preschool	<u>72,861</u>	<u>114,383</u>
Total net assets released from restrictions	<u>\$ 1,301,551</u>	<u>1,437,427</u>

NOTE 6 - DESIGNATED NET ASSETS

Net assets without restrictions were designated for the following purposes at June 30:

	<u>2023</u>	<u>2022</u>
Capital projects	\$ 455,373	339,621
Ministry	160,495	172,995
Missions	<u>32,490</u>	<u>41,933</u>
Total designated net assets	<u>\$ 648,358</u>	<u>554,549</u>

NOTE 7 - RELATED PARTY TRANSACTION

The Church paid a voluntary per capita fee to the EPC based on its voluntary affiliation with this organization. The Church paid \$65,985 and \$65,050 in fees related to this affiliation for the years ended June 30, 2023 and 2022, respectively.

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NOTE 8 - EMPLOYEE BENEFIT PLANS

The Church contributed to a 403(b) plan covering all clergy and all covered employees. This plan, which is administered by the EPC, allows for voluntary salary deferrals. The Church contributes an amount equal to 10% of base salary and housing allowance for clergy, and through December 31, 2021, the Church matched 33.3% of the first 6% of employee contributions for non-clergy staff. Beginning January 1, 2022, the Church matches 50% of the first 6% of employee contributions for non-clergy staff. Pension expenses under this plan were \$102,716 and \$100,007 for the years ended June 30, 2023 and 2022, respectively, and are included in employee benefits and expenses on the accompanying statements of functional expenses.

NOTE 9 - CONCENTRATION OF RISK

The Church maintains accounts in two commercial banks. These balances are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000 at each bank. The Church has an insured cash sweep deposit placement agreement with one of the banks that results in funds over \$250,000 being placed at destination institutions. The amount placed at each destination institution will not exceed \$250,000. At June 30, 2023 and 2022, the balance of this insured cash sweep account was \$2,906,801 and \$2,258,787, respectively. In addition, \$59,660 and \$443,606 of the remaining balances with the banks were in excess of FDIC coverage at June 30, 2023 and 2022, respectively.

NOTE 10 - LIQUIDITY AND AVAILABILITY

The Church receives contributions that are restricted by donors for particular purposes, such as capital projects, missions, crisis and disaster relief, and others. The Church seeks to honor the donor restrictions for all of these funds. Additionally, the Church receives significant contributions that are not restricted by donors. These contributions are available to meet the majority of current cash operating needs. The Session also has designated contributions without donor restrictions to be used for specific purposes as they see fit. These funds function as a board-designated reserve as the Session has the ability to draw upon them for any operational need. These policies serve to provide sufficient resources to meet the ongoing operational needs of the Church.

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NOTE 10 - LIQUIDITY AND AVAILABILITY - Continued

	<u>2023</u>	<u>2022</u>
Financial assets, at year-end:		
Cash and cash equivalents	\$ 3,204,803	2,826,618
Less those unavailable for general expenditures within one year, due to:		
Net assets with donor restrictions	1,570,692	1,285,993
Board designated reserves	<u>648,358</u>	<u>554,549</u>
	<u>2,219,050</u>	<u>1,840,542</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 985,753</u>	<u>986,076</u>

As part of the Church's liquidity management plan, the Church periodically invests cash in interest-bearing cash accounts. The Church can also use the line of credit discussed in Note 2 to meet liquidity needs.

NOTE 11 - REVENUE FROM CONTRACTS WITH CUSTOMERS

The following table provides information about accounts receivable, contract assets, and contract liabilities (preschool enrollment fees) for the years ended June 30:

	<u>Accounts Receivable</u>	<u>Contract Assets</u>	<u>Contract Liabilities</u>
Balances, June 30, 2021	\$ -	-	44,022
Revenue recognized that was deferred at the beginning of year	-	-	(44,022)
Increase in deferred revenue due to receipts during the year ended June 30, 2022	<u>-</u>	<u>-</u>	<u>37,090</u>
Balances, June 30, 2022	-	-	37,090
Revenue recognized that was deferred at the beginning of the year	-	-	(37,090)
Increase in deferred revenue due to receipts during the year ended June 30, 2023	<u>-</u>	<u>-</u>	<u>40,622</u>
Balances, June 30, 2023	<u>\$ -</u>	<u>-</u>	<u>40,622</u>

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NOTE 12 - FUNCTIONALIZED EXPENSES

The financial statements report certain categories of expenses that are attributable to more than one program or supporting function. Therefore, expenses require allocations on a reasonable basis that is consistently applied. All salaries, benefits, and other human resources costs have been allocated based on estimates of time and effort. All facilities related costs have been allocated based primarily on square footage. All other costs were allocated based on identification of the specific area benefited.