

St. Andrew's Church - Mount Pleasant, Inc.

Report on Financial Statements

Year Ended August 31, 2021



St. Andrew's Church - Mt. Pleasant, Inc.
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Independent Accountant's Review Report

To the Members of the Governing Board
St. Andrew's Church - Mount Pleasant, Inc.
Mount Pleasant, South Carolina

We have reviewed the accompanying financial statements of St. Andrew's Church - Mount Pleasant, Inc. (the Church), which comprise the statement of assets, liabilities, and net assets – modified cash basis as of August 31, 2021, and the related statements of revenues and expenses – modified cash basis and functional expenses – modified cash basis for the year then ended, and the related notes to the financial statements. A review includes primarily applying analytical procedures to management's financial data and making inquiries of company management. A review is substantially less in scope than an audit, the objective of which is the expression of an opinion regarding the financial statements as a whole. Accordingly, we do not express such an opinion.

Management's Responsibility 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; this includes determining that the modified cash basis of accounting the company uses is an acceptable basis for the preparation of 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.

Accountant's Responsibility

Our responsibility is to conduct the review engagement in accordance with Statements on Standards for Accounting and Review Services promulgated by the Accounting and Review Services Committee of the AICPA. Those standards require us to perform procedures to obtain limited assurance as a basis for reporting whether we are aware of any material modifications that should be made to the financial statements for them to be in accordance with the modified cash basis of accounting. We believe that the results of our procedures provide a reasonable basis for our conclusion.

We are required to be independent of St. Andrew's Church - Mt. Pleasant, Inc. and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements related to our review.

Accountant's Conclusion

Based on our review, we are not aware of any material modifications that should be made to the accompanying financial statements in order for them to be in accordance with the modified cash basis of accounting.

Basis of Accounting

We draw attention to Note A of the financial statements, which describes the basis of accounting. The financial statements are prepared in accordance with the modified cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America. Our conclusion is not modified with respect to this matter.

Veris LLC

Charleston, South Carolina
April 19, 2022



St. Andrew's Church - Mount Pleasant, Inc.
Statement of Assets, Liabilities, and Net Assets – Modified Cash Basis
August 31, 2021

Assets

Current Assets

Cash and cash equivalents	\$ 5,534,309
Current portion of notes receivable - minister's housing	<u>685</u>
Total Current Assets	<u>5,534,994</u>

Noncurrent Assets

Notes receivable - minister's housing, net of current portion	9,041
Notes receivable - Land Trust	<u>3,450,000</u>
Total Noncurrent Assets	<u>3,459,041</u>

Total Assets	<u><u>\$ 8,994,035</u></u>
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Liabilities and Net Assets

Current Liabilities

Current portion of notes payable	<u>\$ 16,077</u>
Total Current Liabilities	<u>16,077</u>

Non-Current Liabilities

Notes payable, net of current portion	<u>486,163</u>
Total Non-Current Liabilities	<u>486,163</u>

Total Liabilities	<u>502,240</u>
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Net Assets

Without Donor Restrictions	
Vestry designated	1,021,261
Undesignated	<u>7,451,647</u>
Total Without Donor Restrictions	<u>8,472,908</u>

With Donor Restrictions	<u>18,887</u>
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Total Net Assets	<u>8,491,795</u>
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Total Liabilities and Net Assets	<u><u>\$ 8,994,035</u></u>
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St. Andrew's Church - Mount Pleasant, Inc.
Statement of Revenues and Expenses – Modified Cash Basis
Year Ended August 31, 2021

	Without Donor Restrictions	With Donor Restrictions	Total
Support and Revenue			
Contributions	\$ 5,113,033	\$ -	\$ 5,113,033
Gain on PPP loan forgiveness	509,613	-	509,613
Day school receipts	477,824	-	477,824
Contributions - designated	364,972	-	364,972
International missions	246,818	-	246,818
Interest	146,680	-	146,680
Ridley receipts	47,394	-	47,394
Contributions - Anglican Diocese of the Carolinas	25,000	-	25,000
Miscellaneous receipts	17,516	-	17,516
Loss on sale of investments	(1,703)	-	(1,703)
Net assets released from restrictions	1,768	(1,768)	-
Total Support and Revenue	6,948,915	(1,768)	6,947,147
Expenses			
Campus expense	5,978,927	-	5,978,927
Day school expense	449,543	-	449,543
International missions expense	231,550	-	231,550
Designated expense	140,241	-	140,241
Ridley expense	41,144	-	41,144
Total Expenses	6,841,405	-	6,841,405
Change in Net Assets	107,510	(1,768)	105,742
Net Assets - Beginning of Year	8,365,398	20,655	8,386,053
Net Assets - End of Year	\$ 8,472,908	\$ 18,887	\$ 8,491,795

St. Andrew's Church - Mount Pleasant, Inc.
Statement of Functional Expenses – Modified Cash Basis
Year Ended August 31, 2021

Expenses

Campus Expense:

Land Trust support	\$ 2,000,000
Salaries, wages and benefits	1,909,662
Facilities	1,068,924
Administration	257,778
Diocesan support	200,000
Retirement	149,558
Worship arts and ministries	132,166
Alpha/Evangelism/Mercy/Dom & International Missions	87,893
Children, youth and young adults	75,485
Payroll taxes	73,721
Connect, LifeGroups and corporate fellowship	19,263
Men, women, family ministries and conferences	2,260
ACNA and ACC support	1,200
Supplies	579
Miscellaneous	438
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Total Campus Expense	<u>\$ 5,978,927</u>

Day School Expense:

Salaries, wages and benefits	\$ 351,956
Payroll taxes	26,102
Repairs and maintenance	22,656
Miscellaneous	21,908
Supplies	18,216
Tuition scholarships and discounts	7,654
Programs and events	903
In-kind	148
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Total Day School Expense	<u>\$ 449,543</u>

International Missions Expense:

Missions	\$ 231,450
Miscellaneous	100
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Total International Missions Expense	<u>\$ 231,550</u>

St. Andrew's Church - Mount Pleasant, Inc.
Statement of Functional Expenses – Modified Cash Basis
Year Ended August 31, 2021

Expenses (Continued)

Designated Expense:

Mercy Fund - Local	\$ 56,355
Mercy Fund Rectors	32,489
Rector's Best Use	16,048
Disaster Relief	10,000
Children's Ministry	6,528
Miscellaneous	5,140
Worship arts	4,012
Flower Fund	3,993
Samaritan Fund	3,000
Mercy Fund Parishioners	2,300
Ridley Fund	254
Day school	122
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Total Designated Expense	<u>\$ 140,241</u>

Ridley Expense:

Programs and events	\$ 29,459
Miscellaneous	9,244
Scholarship	1,768
Advertising	673
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Total Ridley Expense	<u>\$ 41,144</u>

St. Andrew's Church - Mount Pleasant, Inc.
Notes to the Financial Statements

Note A – Summary of Significant Accounting Policies

Nature of Activities

St. Andrew's Church - Mount Pleasant, Inc. (the Church) began as a constituent of The Episcopal Church of the United States of America. On March 28, 2010, the Church officially withdrew from the Episcopal Church and subsequently joined the Anglican Church of North America. In September 2010, the Church opened City Church at the Music Farm in Charleston. In November 2013, the Church opened Park Circle Church in North Charleston. The Ridley Institute was opened in 2009 and is located in Mount Pleasant. The Church also runs a Day School for toddlers through kindergarten. The Church is dedicated to spreading the gospel through establishing, developing, and promoting all aspects of church ministry within Mount Pleasant, South Carolina, and surrounding communities. The Church is supported primarily through contributions from the congregation.

Accounting Methods

The financial statements of the Church have been prepared on the modified cash basis of accounting. Modified cash basis is a special purpose framework, which is a basis of accounting other than accounting principles generally accepted in the United States of America. Under this method, revenues are recorded when cash is received, and expenses are recorded when paid. Accounts receivable and payable, prepaid assets, and most accrued expenses are not recorded, which would be recorded under generally accepted accounting principles. Notes receivable are reflected in the Statement of Assets, Liabilities and Net Assets – Modified Cash Basis. Changes in fair market value of investments are reflected in the Statement of Revenues and Expenses – Modified Cash Basis.

Basis of Presentation

The Church applies the Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) Topic 958, *Not for Profit Organizations*. Under ASC Topic 958, the Church is required to report information regarding its financial position according to two classes of net assets: net assets without donor restrictions and net assets with donor restrictions.

Accordingly, net assets of the Church and changes therein are classified and reported as follows:

Net assets without donor restrictions - Net assets that are not subject to or are no longer subject to donor-imposed stipulations.

Net assets with donor restrictions - Net assets whose use is limited by donor-imposed time and/or purpose restrictions.

Support that is restricted by the donor is reported as an increase in net assets without donor restrictions if the restriction expires in the reporting period in which the support is recognized. All other donor-restricted support is reported as an increase in net assets with donor restrictions. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the Statement of Revenues and Expenses – Modified Cash Basis as net assets released from restrictions.

St. Andrew's Church - Mount Pleasant, Inc.
Notes to the Financial Statements

The Church has further segregated net assets without donor restrictions into undesignated and vestry designated. Vestry designated are funds received without outside donor restrictions that the Vestry *earmarks* or *designates* for special purposes. With a vote of the Vestry, these funds could become undesignated and available for operations.

Functional Allocation of Expenses

The Church allocates its expenses on a functional basis among its various programs and support services. Expenses that can be identified with a specific program or support services are allocated directly according to the appropriate expenditure classification. Other expenses that are common to several functions are allocated by various statistical bases as determined by Management.

Income Taxes

The Church is exempt from federal and state income taxes under Section 501(c)(3) of the Internal Revenue Code. The FASB provides guidance on the Church's evaluation of accounting for uncertainty in income taxes. Management evaluated the Church's tax position and concluded that the Church had taken no uncertain tax positions that require adjustment to the financial statements to comply with the provisions of this guidance.

Use of Estimates

The preparation of financial statements in conformity with the modified cash basis, which is a special purpose framework, Other Comprehensive Basis of Accounting, requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Cash and Cash Equivalents

For purposes of the financial statements, the Church considers all unrestricted highly liquid investments with an initial maturity of three months or less to be cash equivalents.

Donated Assets

Donated marketable securities and other non-cash donations are recorded as contributions at their estimated fair values at the date of donation.

Donated Services

No amounts have been reflected in the financial statements for donated services. The Church pays for most services requiring specific expertise. However, many individuals volunteer their time and perform a variety of tasks that assist the Church with specific outreach programs, various committee assignments, and campaign solicitations.

Revenue Recognition

Contributions are recorded as revenue when received. Contributions received are recorded as net assets without donor restrictions or net assets with donor restrictions, depending on the existence and/or nature of any donor-imposed restrictions. Contributions that are restricted by the donor are reported as an increase in net assets without donor restrictions if the restriction expires in the reporting period in which the contributions is recognized. All other donor restricted contributions are reported as an increase in net assets with donor restrictions, depending on the nature of restriction. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), 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.

St. Andrew's Church - Mount Pleasant, Inc.
Notes to the Financial Statements

Contributions with donor-imposed stipulations regarding how long the contributed assets must be used are recorded as net assets with donor restrictions; otherwise, the contributions are recorded as net assets without donor restrictions.

Note B – Concentration of Credit Risk

The Church maintains its cash and cash equivalents in bank deposit accounts which, at times, may exceed federally insured limits. The Church has not experienced any losses in such accounts, and management believes the Church is not exposed to any significant credit risk on cash and cash equivalents.

Note C – Related Party Transactions

In June 2017, the Church issued a promissory note in the amount of \$50,000 to one of its ministers. The principal in total was due upon the resignation of the pastor prior to May 31, 2022. If the borrower had served as minister for the Church until May 31, 2022, the note would have been forgiven. Effective September 2020, the minister of the Church resigned. Upon resigning, the minister repaid the \$50,000 note receivable for minister's housing in full.

The Church had the following notes receivables from related parties outstanding at August 31, 2021:

	Current	Noncurrent	Total
Note receivable - Land Trust			
In June 2009, the Church issued a promissory note in the amount of \$3,450,000 to Saint Andrew's Church - Mount Pleasant Land Trust (Land Trust). The note bears an interest rate of 4.25% with an annual payment of interest only. The note and any unpaid interest are due on June 30, 2029. All property and equipment of the Church is held in trust and maintained on the Land Trust's financial statements.	\$ -	\$ 3,450,000	\$ 3,450,000
 Note receivable - minister's housing			
In April 2004, the Church issued a promissory note in the amount of \$20,000 to one of its ministers. The note bears an interest rate of 5.25% with monthly payments of \$110. The full repayment of the principal and interest, if not sooner paid, is due upon the earliest occurrence of the following: (1) the sale or transfer of the parcel or land owned by the minister or (1) the termination of employment.	685	9,041	9,726
Total	\$ 685	\$ 3,459,041	\$ 3,459,726

There was no allowance for doubtful accounts or bad debt expense deemed necessary by management related to notes receivable, as of and for the year ended August 31, 2021.

St. Andrew's Church - Mount Pleasant, Inc.
Notes to the Financial Statements

The minimum notes receivable payments on these are as follows as of August 31:

2022	\$	685
2023		721
2024		760
2025		801
2026		844
Thereafter		3,455,915
	\$	3,459,726

On June 30, 2009, the Church entered into an exclusive agreement with the Land Trust to pay a user fee of \$725,000 annually for ten years. During the year ended August 31, 2020, the agreement was extended an additional ten years through June 30, 2029. In addition to the user fee, related party transactions between the Land Trust and the Church include reimbursement of employee time by the Land Trust, interest collected from the Land Trust, and funds transferred to the Land Trust to pay down debt.

The following are amounts paid to and collected from the Land Trust during the year ended August 31, 2021:

Interest collected from Land Trust	\$	146,680
Support of Land Trust		(2,000,000)
Reimbursed salaries, wages, taxes and benefits collected from Land Trust		54,422
User fee paid to the Land Trust		(725,000)
Net Paid to Land Trust	\$	(2,523,898)

Donations by members of the Vestry totaled \$264,542 for the year ended August 31, 2021.

Note D – Long-Term Debt

In April 2020, the Church received a note payable of \$509,613 from a bank in conjunction with the Paycheck Protection Program. The note would mature on July 14, 2023 and bear interest of 1.00%. During the year ended August 31, 2021, the Church applied for loan forgiveness and had the full amount forgiven. In accordance with ASC 405-20, *Liabilities – Extinguishments of Liabilities*, the amount that has been forgiven is recognized in the statement of revenue and expenses – modified cash basis as a gain on PPP loan forgiveness.

St. Andrew's Church - Mount Pleasant, Inc.
Notes to the Financial Statements

Long-term debt consists of the following at August 31, 2021:

Note payable to a bank in conjunction with the Paycheck Protection Program. The note would mature on March 16, 2026 and bear interest of 1.00%. This note is eligible for forgiveness and the full amount was forgiven subsequent to August 31, 2021 (See Note I). If the full amount of the note had not been forgiven, the expected monthly principal and interest payments of \$11,515 would have began on July 1, 2022.	<u>\$ 502,240</u>
Total Long-Term Debt	<u>502,240</u>
Less: current portion	<u>(16,077)</u>
Long-Term Debt, Net of Current Portion	<u><u>\$ 486,163</u></u>

The principal payments for the next five years are as follows:

Year ending August 31:	
2022	\$ 16,077
2023	133,926
2024	135,272
2025	136,631
2026	<u>80,334</u>
	<u><u>\$ 502,240</u></u>

Note E – Retirement Plan

The Church maintains a 401(k) plan for non-clergy employees. The Church contributes up to five percent of the employee’s salary and matches up to another four percent of the employee’s contribution. Clergy employees participate in a separate retirement plan covered by the Anglican Church of North America. The amount contributed on their behalf by the Church is fifteen percent of clergy salary and housing. Total retirement expense for the year ended August 31, 2021 was \$149,558.

Note F – Net Assets with Donor Restrictions

Net assets with donor restrictions are restricted for the purpose of Christian Education Scholarships. The balance subject to donor restrictions is \$18,887 as of August 31, 2021.

St. Andrew's Church - Mount Pleasant, Inc.
Notes to the Financial Statements

Note G – Net Assets without Donor Restrictions – Vestry Designated

Net asset balances without donor restrictions that have a purpose designated by the Vestry are composed of the following as of August 31, 2021:

Mercy - Local	\$ 359,414
International Missions	305,215
Disaster Relief	88,450
Clergy Housing	73,249
Vision	38,354
Ridley	33,457
Mercy - Associate Rectors	25,927
Rector's Best Use	20,211
Children's Ministry	13,841
Women's Ministry	12,164
Medical Clinic	9,986
Samaritan	8,678
Youth Ministry	8,493
Day School	6,286
Music	6,026
Mercy - Parishioners	4,775
Parent Committee	4,612
Operating	1,942
Mercy - Rector	181
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Total	<u>\$ 1,021,261</u>

Note H – Liquidity and Availability of Financial Assets

The Church's working capital and cash flows have variations throughout the year attributable to the timing of support and contributions. To manage liquidity, the Church evaluates cash on a regular basis as part of the monthly review of the internal financial statements and estimates cash needs based on budgeted and current expenses.

St. Andrew's Church - Mount Pleasant, Inc.
Notes to the Financial Statements

The following reflects the Church's financial assets as of the balance sheet date, reduced by amounts available for general use within one year of the balance sheet date because of contractual or donor-imposed restrictions or internal designations.

Cash and cash equivalents	\$ 5,534,309
Current portion of notes receivable - minister's housing	<u>685</u>
Total Financial Assets	<u>5,534,994</u>
Less: Amounts not available to be used within one year:	
Net assets with time or purpose restrictions	(18,887)
Net assets designated by Board	(1,021,261)
Add back: Net assets with purpose or time restrictions to be met in less than a year	<u>18,887</u>
Total Amounts Not Available to be Used Within One Year	<u>(1,021,261)</u>
Total Financial Assets Available to Meet Cash Needs for Expenditures Within One Year	<u><u>\$ 4,513,733</u></u>

Note I – Subsequent Events

Management has evaluated subsequent events through the date which the financial statements were available to be issued.

On April 6, 2022, the Church's note payable to a bank in conjunction with the Paycheck Protection Program in the amount of \$502,240 was forgiven in full.