

# ST. ANDREW'S PRESBYTERIAN CHURCH OF NEWPORT BEACH

Financial Statements  
With Independent Auditors' Report

December 31, 2021

# ST. ANDREW'S PRESBYTERIAN CHURCH OF NEWPORT BEACH

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## INDEPENDENT AUDITORS' REPORT

Session Board of Trustees  
St. Andrew's Presbyterian Church of Newport Beach  
Newport Beach, California

### ***Opinion***

We have audited the accompanying financial statements of St. Andrew's Presbyterian Church of Newport Beach, which comprise the statement of financial position as of December 31, 2021 and 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 St. Andrew's Presbyterian Church of Newport Beach as of December 31, 2021 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 *Auditors' Responsibilities for the Audit of the Financial Statements* section of our report. We are required to be independent of St. Andrew's Presbyterian Church of Newport Beach and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### ***Responsibilities of Management for the Financial Statements***

Management is responsible for the preparation and fair presentation of these financial statements in accordance with 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. Andrew's Presbyterian Church of Newport Beach's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Session Board of Trustees  
St. Andrew's Presbyterian Church of Newport Beach  
Newport Beach, California

***Auditors' 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 auditors' 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 St. Andrew's Presbyterian Church of Newport Beach'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. Andrew's Presbyterian Church of Newport Beach'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.

***Prior Period Adjustment***

As described in Note 10 to the financial statements, St. Andrew's Presbyterian Church of Newport Beach, identified an adjustment pertaining to government grants receivable, revenue, and change in net assets for the year ended December 31, 2020. Accordingly, these amounts for year ended December 31, 2020 have been restated to reflect this change. Our opinion has not been modified with respect to this matter.

*Capin Crouse LLP*

Brea, California  
August 11, 2022

# ST. ANDREW'S PRESBYTERIAN CHURCH OF NEWPORT BEACH

## Statement of Financial Position

December 31, 2021

### ASSETS:

#### Current assets:

Cash and cash equivalents	\$	4,387,131
Accounts and other receivables		41,656
Government grant receivable		1,113,864
Prepaid expenses		81,791
		<u>5,624,442</u>

Shared equity ownership investments		545,000
Land, buildings, and equipment, net		<u>22,540,975</u>

Total Assets	\$	<u><u>28,710,417</u></u>
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### LIABILITIES AND NET ASSETS:

#### Current liabilities:

Accounts payable	\$	31,735
Accrued liabilities		234,886
Deferred revenue		101,492
Capital lease obligation - current portion		32,495
Notes payable - current portion		954,301
		<u>1,354,909</u>

Capital lease obligation, net		31,670
Notes payable, net		<u>977,568</u>

Total liabilities		<u><u>2,364,147</u></u>
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#### Net assets:

Without donor restrictions		25,137,378
With donor restrictions		<u>1,208,892</u>
Total net assets		<u><u>26,346,270</u></u>

Total Liabilities and Net Assets	\$	<u><u>28,710,417</u></u>
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See notes to financial statements

# ST. ANDREW'S PRESBYTERIAN CHURCH OF NEWPORT BEACH

## Statement of Activities

Year Ended December 31, 2021

	Without Donor Restrictions	With Donor Restrictions	Total
<b>SUPPORT, REVENUE, AND RECLASSIFICATIONS:</b>			
Contributions	\$ 4,616,830	\$ 250,269	\$ 4,867,099
School tuition and fees, net	1,063,333	-	1,063,333
Government grant revenue	636,362	-	636,362
Other income	487,859	-	487,859
Net assets released from restrictions	497,856	(497,856)	-
<b>Total Support, Revenue, and Reclassifications</b>	<b>7,302,240</b>	<b>(247,587)</b>	<b>7,054,653</b>
<b>EXPENSES:</b>			
Program activities:			
Other	3,032,807	-	3,032,807
Send	2,201,302	-	2,201,302
Gather	1,959,711	-	1,959,711
Build	1,446,703	-	1,446,703
Total program activities	8,640,523	-	8,640,523
General and administrative	556,290	-	556,290
<b>Total expenses</b>	<b>9,196,813</b>	<b>-</b>	<b>9,196,813</b>
Change in Net Assets	(1,894,573)	(247,587)	(2,142,160)
Net Assets, Beginning of Year	27,031,951	1,456,479	28,488,430
Net Assets, End of Year	<b>\$ 25,137,378</b>	<b>\$ 1,208,892</b>	<b>\$ 26,346,270</b>

See notes to financial statements

# ST. ANDREW'S PRESBYTERIAN CHURCH OF NEWPORT BEACH

## Statement of Functional Expenses

Year Ended December 31, 2021

	Program Activities					General and Administrative	Total
	Gather	Build	Serve	Other	Total Program		
Salaries and benefits	\$ 1,005,057	\$ 727,254	\$ 981,351	\$ 1,474,304	\$ 4,187,966	\$ 295,012	\$ 4,482,978
Deprecation	307,558	422,892	346,002	672,782	1,749,234	173,001	1,922,235
Supplies and printing	96,196	119,371	120,866	685,467	1,021,900	12,569	1,034,469
Grants (benevolence)	-	-	560,070	10,000	570,070	-	570,070
Events	411,916	64,134	17,659	-	493,709	-	493,709
Occupancy	99,340	85,803	70,203	120,105	375,451	35,101	410,552
Professional services	39,644	27,249	22,295	43,351	132,539	39,197	171,736
Dues and fees	-	-	82,856	26,798	109,654	1,410	111,064
	\$ 1,959,711	\$ 1,446,703	\$ 2,201,302	\$ 3,032,807	\$ 8,640,523	\$ 556,290	\$ 9,196,813

See notes to financial statements

# ST. ANDREW'S PRESBYTERIAN CHURCH OF NEWPORT BEACH

## Statement of Cash Flows

Year Ended December 31, 2021

### CASH FLOWS FROM OPERATING ACTIVITIES:

Change in net assets	\$ (2,142,160)
Adjustments to reconcile change in net assets	
Depreciation expense	1,922,235
Loss on disposal of land, buildings, and equipment	4,635
Changes in:	
Accounts receivable	(1,336)
Government grant receivable	(636,360)
Prepaid expenses	(9,040)
Accounts payable	(96,869)
Accrued liabilities	(8,109)
Deferred revenue	48,969
Net Cash Used in Operating Activities	<u>(918,035)</u>

### CASH FLOWS FROM INVESTING ACTIVITIES:

Purchases of land, buildings, and equipment	(423,216)
Proceeds from sale of investments	22,442
Issuance of shared equity agreement	(200,000)
Net Cash Used in Investing Activities	<u>(600,774)</u>

### CASH FLOWS FROM FINANCING ACTIVITIES:

Payments on capital lease	(28,508)
Proceeds from Paycheck Protection Program loan	892,765
Payments on notes payable	(43,635)
Net Cash Provided by Financing Activities	<u>820,622</u>

Net change in Cash and Cash Equivalents (698,187)

Cash and Cash Equivalents, Beginning of Year 5,085,318

Cash and Cash Equivalents, End of Year \$ 4,387,131

### SUPPLEMENTAL DISCLOSURES AND NON-CASH TRANSACTION:

Cash paid for interest \$ 21,921

See notes to financial statements

# ST. ANDREW'S PRESBYTERIAN CHURCH OF NEWPORT BEACH

## Notes to Financial Statements

December 31, 2021

1. NATURE OF ORGANIZATIONS:

St. Andrew's Presbyterian Church of Newport Beach (the Church) is a nonprofit corporation under Section 501(c)(3) of the Internal Revenue Code, organized as a church in the city of Newport Beach, California. The Church exists to establish a church for the public worship for God in the City of Newport Beach. The primary source of support for the Church is contributions; however, the Church's activities include early childhood tuition-based programs for the purpose of service to the community and extending the ministerial outreach of the Church.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

### BASIS OF ACCOUNTING

The financial statements of the Church have been prepared on the accrual basis in accordance with accounting principles generally accepted in the United States of America. A summary of significant accounting policies followed are described below to enhance the usefulness of the financial statements to the reader.

### CASH AND CASH EQUIVALENTS

Cash and cash equivalents include cash on hand, money market accounts, and cash on deposit. These accounts may at times exceed federally insured limits. At December 31, 2021, the Church's cash balances exceeded federally insured limits by approximately \$3,742,000. However, the Church has not experienced any losses in such accounts.

### ACCOUNTS AND OTHER RECEIVABLES

Receivables consist of tuition based programs and a pastor note receivable. The tuition based program receivables are reported net of any anticipated losses due to uncollectible accounts. The pastor note receivable is reported net of any discount. The pastor note receivable was structured as a \$70,000 advance with an annual forgiveness averaging \$10,000 per year for each of the seven years of employment. The pastor note receivable was provided to cover transition expenses and is amortized into compensation expense as it is forgiven. The note receivable matures in March 2025. No amounts on any of the receivables were considered uncollectible at December 31, 2021. Receivables consisted of the following at December 31, 2021:

Tuition receivable	\$	15,304
Pastor note receivable		26,352
	\$	<u>41,656</u>

# ST. ANDREW'S PRESBYTERIAN CHURCH OF NEWPORT BEACH

## Notes to Financial Statements

December 31, 2021

### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued:

#### GOVERNMENT GRANT RECEIVABLE

Government grant receivable consists of the Employee Retention Credit (ERC). Management believes the ERC will be collected during the year ending December 31, 2022; therefore, no allowance has been recorded. However, laws and regulations concerning government programs, including the ERC, established by the Coronavirus Aid, Relief, and Economic Security (CARES) Act are complex and subject to varying interpretation. Claims made under the CARES Act may also be subject to retroactive audit and review. There can be no assurance that regulatory authorities will not challenge the Church's claim to the ERC, and it is not possible to determine the impact (if any) this would have upon the Church.

#### PREPAID EXPENSES

Prepaid expenses consist primarily of deposits and other expenditures made before calendar year end for future services or events.

#### SHARED EQUITY OWNERSHIP INVESTMENTS

As part of certain compensation arrangements, the Church has investments in the personal residences of two eligible employees. Under the terms of the agreements, the percentage of investment is based upon the investment of the respective parties. Upon sale to a third party, the net proceeds will be shared by the Church and the employee based upon the terms of the agreement. This investment is recorded at the historical cost of the Church's original investment or the Church's percentage of fair value, whichever is lower.

#### LAND, BUILDING, AND EQUIPMENT, NET

Land, building, and equipment purchased in excess of \$5,000 with a useful life in excess of one year are capitalized is stated at cost or, if donated, at the estimated fair market value at the date of donation. Property and equipment donated with restrictions regarding their use and contributions of cash to acquire property and equipment are reported as restricted support. The restriction is considered to be met when the property or equipment is placed in service. Depreciation is recorded using the straight-line method over the estimated useful lives. The range of estimated useful lives of asset categories are buildings and parsonage 39-40 years, building improvements 3-15 years, furniture and equipment 3-15 years, and vehicles 7 years.

#### NET ASSETS

The net assets of the Church have been reported in the following class:

*Net assets without donor restrictions* include resources that are currently available at the discretion of management for use in operations and those resources designated by the board for specific projects or purposes.

*Net assets with donor restrictions* consist of resources which are restricted by donors for various projects.

# ST. ANDREW'S PRESBYTERIAN CHURCH OF NEWPORT BEACH

## Notes to Financial Statements

December 31, 2021

### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued:

#### PUBLIC SUPPORT, REVENUE, AND EXPENSES

Revenue is recognized when earned and support when contributions are made, which may be when cash or unconditional promises are made or received. Contributions restricted by the donor for a specific purpose are recorded as net assets with donor restrictions. When a stipulated time restriction ends or purpose restriction is satisfied, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from purpose restrictions.

Student tuition and fees are recognized in the reporting period in which the academic programs are delivered. The academic programs are delivered ratably from August to June. Tuition payments received prior to the academic term are recorded as deferred revenue.

Student tuition and fees, net as of December 31, 2021 consist of:

Student tuition and fees	\$ 1,077,999
Less scholarships	<u>(14,666)</u>
Student tuition and fees, net	<u><u>\$ 1,063,333</u></u>

Program and other income is recorded when earned. Expenses of the Church are recorded when incurred in accordance with the accrual basis of accounting. All expenses are reported as reductions in net assets without donor restrictions.

#### FUNCTIONAL ALLOCATION OF EXPENSES

The costs of program and general and administrative activities have been summarized on a functional basis in the statement of activities. The statement of functional expenses presents the natural classification detail of expenses by function. Accordingly, certain costs have been allocated among the programs and general and administrative services benefited. There are certain categories of expenses that are attributed to more than one program or supporting function therefore, expenses require allocation on a reasonable basis that is consistently applied. The expenses that are allocated include information technology, copiers, supplies, insurance and support salaries and benefits, which are allocated on the basis of estimates of time used and effort. There were no material amounts incurred for fundraising during the year ended December 31, 2021.

*Gather* is the strategy of gathering members for worship and other functions. *Build* is the strategy of growing individuals and families in Christ. *Serve* is the strategy of sending people out of the Church to serve others. The program expenses are broken out on the accompanying statement of activities, into these three categories depending on what strategy the expense supports.

# ST. ANDREW'S PRESBYTERIAN CHURCH OF NEWPORT BEACH

## Notes to Financial Statements

December 31, 2021

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued:

USE OF ESTIMATES

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

3. LAND, BUILDING, AND EQUIPMENT, NET:

Land, Building, and equipment, net as of December 31, 2021 consist of:

Land	\$ 786,060
Buildings	27,514,215
Building improvements	14,397,065
Furniture and equipment	4,340,426
Vehicles	242,828
Parsonage	<u>2,334,687</u>
	49,615,281
Less accumulated depreciation	<u>(27,074,306)</u>
 Total land, building, and equipment, net	 <u><u>\$ 22,540,975</u></u>

4. CAPITAL LEASE PAYABLE:

In November 2018, the Church cancelled their 60-month capital lease agreement for office equipment and instead entered into a new 63-month capital lease agreement for office equipment and service fees. Monthly payments of \$3,618 include lease of the equipment, imputed interest and service fees. The net book value as of December 31, 2021 was approximately \$59,000. The client estimated the fair value of the service and the equipment using comparable information from a similar leasing company and imputed interest at a 5% rate per annum.

Year Ending December 31,

2022	\$ 32,495
2023	32,495
2024	<u>2,708</u>
	67,698
Less interest	<u>(3,533)</u>
	 <u><u>\$ 64,165</u></u>

# ST. ANDREW'S PRESBYTERIAN CHURCH OF NEWPORT BEACH

## Notes to Financial Statements

December 31, 2021

5. NOTES PAYABLE:

Notes payable as of December 31, 2021 consists of:

The Church entered into a mortgage payable to a bank which was secured by property owned by the Church. The mortgage has an interest rate of 1.5% over the LIBOR index, which was 1.6% as of December 31, 2021. The debt agreement was entered into in November 2016 and matures in November 2023, at which time a balloon payment is due. Total principal and interest payments of \$5,128 are due monthly. \$ 1,039,104

The Church was approved for a second draw of Paycheck Protection Program (PPP) loan through the CARES Act in May 2021. The loan is subject to Small Business Administration (SBA) regulation. When used for qualified purposes, the loan is forgivable in full. The loan had a fixed interest rate of 1% per annum. Subsequent to year-end, the PPP loan was forgiven in full. 892,765

\$ 1,931,869

Annual maturities are as follows:

<u>Year Ending December 31,</u>	
2022	\$ 954,301
2023	<u>977,568</u>
	<u><u>\$ 1,931,869</u></u>

The above mortgage has certain financial and reporting covenants. The Church was not in compliance and has received waivers regarding all financial and reporting covenants as of December 31, 2021.

# ST. ANDREW'S PRESBYTERIAN CHURCH OF NEWPORT BEACH

## Notes to Financial Statements

December 31, 2021

6. NET ASSETS:

Net assets without donor restrictions as of December 31, 2021 consist of:

Available for operations	\$ 22,726,459
Board designated	
Operating reserve	1,096,009
Capital reserve	694,563
Housing reserve	620,347
	<hr/>
	\$ 25,137,378
	<hr/> <hr/>

Net assets with donor restrictions as of December 31, 2021 consist of:

Serve	\$ 553,347
Vision programs	617,027
Other	38,518
	<hr/>
	\$ 1,208,892
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7. EMPLOYEE BENEFIT PLAN:

The Church has established a 403(b) contributory retirement contribution plan covering substantially all full-time employees. Employer contributions are discretionary and based on a percentage of a qualifying employee's base salary after completing three years of fulltime employment. Eligible employees apply the Church's retirement contribution towards a retirement plan arranged for by the employee. Retirement contribution expense under this plan for the year ended December 31, 2021, was approximately \$166,000, and included in benefits on the statement of functional expenses.

# ST. ANDREW'S PRESBYTERIAN CHURCH OF NEWPORT BEACH

## Notes to Financial Statements

December 31, 2021

8. LIQUIDITY:

As part of liquidity management, the Church has put a policy in place to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due. Financial assets available for general expenditure within one year consisted of the following at December 31, 2021:

Financial assets:

Cash and cash equivalents	\$ 4,387,131
Accounts receivable	41,656
Government grant receivable	<u>1,113,864</u>
Financial assets available within one year to meet general cash expenditures	<u><u>\$ 5,542,651</u></u>

The Church structures its financial assets to be available as its general expenditures, liabilities, and other obligations come due. Management monitors cash flows closely through detailed financial analysis.

9. RISKS AND UNCERTAINTIES:

The COVID-19 pandemic, whose effects first became known in January 2020, is having a broad and negative impact on commerce and financial markets around the world. The United States and global markets experienced significant declines in value resulting from uncertainty caused by the pandemic. The Church is closely monitoring its liquidity and is actively working to minimize the impact of these declines. The extent of the impact of COVID-19 on the Church's operational and financial performance will depend on certain developments, including the duration and spread of the outbreak and its impacts on the Church's donors, employees, and vendors, all of which at present, cannot be determined. Accordingly, the extent to which COVID-19 may impact the Church's financial position and changes in net assets and cash flows is uncertain and the accompanying financial statements include no adjustments relating to the effects of this pandemic.

On April 28, 2020, the Church obtained a loan for \$981,000 from the U.S. Small Business Administration (SBA), pursuant to the PPP under the CARES Act. In December 2020, the SBA granted forgiveness of the loan. On May 3, 2021, the Church obtained a second draw on the PPP loan for \$892,765 from the SBA, pursuant to the PPP under the CARES Act. Subsequent to year-end, the SBA granted forgiveness of the loan.

The ERC was provided by the CARES Act and modified by the Consolidated Appropriations Act. The ERC provided for payroll tax credits to help organizations retain employees on their payroll during COVID-19. The Church met these conditions and qualified for a credit of approximately \$636,000 during the year ended December 31, 2021. These credits have been recorded as government grants on the statement of activities. Subsequent to year-end, the Church received \$483,248.

# ST. ANDREW'S PRESBYTERIAN CHURCH OF NEWPORT BEACH

## Notes to Financial Statements

December 31, 2021

### 10. PRIOR PERIOD ADJUSTMENT:

During the year ended December 31, 2021, management applied for the ERC related to the COVID-19 pandemic. ERC related to expenses incurred during the year ended December 31, 2020, have been recorded in the year incurred, resulting in a prior period adjustment. The impact of this restatement on the financial statements is as follows:

	<u>As Previously Stated</u>	<u>Prior Period Restatement</u>	<u>As Restated</u>
Government grant receivable	\$ -	\$ 477,504	\$ 477,504
Government grant revenue	\$ -	\$ 477,504	\$ 477,504
Change in net assets without donor restrictions	\$ (1,319,784)	\$ 477,504	\$ (842,280)
Change in total net assets	\$ (1,410,912)	\$ 477,504	\$ (933,408)
Net assets without donor restrictions	\$ 26,554,447	\$ 477,504	\$ 27,031,951
Total net assets without donor restrictions	\$ 28,010,926	\$ 477,504	\$ 28,488,430

### 11. SUBSEQUENT EVENTS:

Subsequent events have been evaluated through August 11, 2022, which represents the date the financial statements were available to be issued. Subsequent events after that date have not been evaluated.