

**CHRIST EPISCOPAL CHURCH  
FINANCIAL STATEMENTS  
DECEMBER 31, 2018**

## CHRIST EPISCOPAL CHURCH

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**CONSIDINE CONSIDINE**  
CERTIFIED PUBLIC ACCOUNTANTS

To The Vestry  
Christ Episcopal Church

**Independent Accountant's Review Report**

We have reviewed the accompanying financial statements of Christ Episcopal Church, which comprise the statement of financial position as of December 31, 2018, and the related statements of activities and changes in net assets, functional expenses, and cash flows 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 accounting principles generally accepted in the United States of America; this includes 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 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 accounting principles generally accepted in the United States of America. We believe that the results of our procedures provide a reasonable basis for our conclusion.

**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 accounting principles generally accepted in the United States of America.



CONSIDINE & CONSIDINE  
An Accountancy Corporation

October 8, 2019

Earning Your Trust Since 1946

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**CHRIST EPISCOPAL CHURCH  
STATEMENT OF FINANCIAL POSITION  
DECEMBER 31, 2018**

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<b>ASSETS</b>	
<b>CURRENT ASSETS</b>	
Cash	\$ 219,665
Receivables	62,592
Prepaid Expenses	4,706
	286,963
<b>PROPERTY AND EQUIPMENT (NOTE 3)</b>	2,168,173
<b>OTHER ASSETS</b>	
Investments (Note 4)	2,133,396
Beneficial Interest in Perpetual Trust (Note 5)	266,581
	2,399,977
<b>TOTAL ASSETS</b>	4,855,113
<b>LIABILITIES AND NET ASSETS</b>	
<b>CURRENT LIABILITIES</b>	
Accounts Payable and Accrued Liabilities	19,714
Deferred Revenue	267,930
	287,644
<b>TOTAL LIABILITIES</b>	287,644
<b>NET ASSETS</b>	
Net Assets Without Donor Restrictions	
Undesignated	2,144,097
Vestry Designated	2,003,645
	4,147,742
Total Net Assets Without Donor Restrictions	4,147,742
Net Assets With Donor Restrictions	
Purpose Restricted	79,221
Time Restricted for Future Periods	73,925
Perpetual in Nature	266,581
	419,727
Total Net Assets With Donor Restrictions	419,727
<b>TOTAL NET ASSETS</b>	4,567,469
<b>TOTAL LIABILITIES AND NET ASSETS</b>	\$ 4,855,113

See Independent Accountant's Review Report and Accompanying Notes

**CHRIST EPISCOPAL CHURCH**  
**STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS**  
**FOR THE YEAR ENDED DECEMBER 31, 2018**

	WITHOUT DONOR RESTRICTION	WITH DONOR RESTRICTION	TOTAL
<b>REVENUE</b>			
Church Revenue (See Page 21)	\$ 1,441,440	\$ 27,986	\$ 1,469,426
School Revenue (See Page 22)	1,038,490	47,479	1,085,969
Thrift Store Revenue (See Page 23)	93,675	-	93,675
	<u>2,573,605</u>	<u>75,465</u>	<u>2,649,070</u>
Special Events (Note 11)			
Special Events	85,156	-	85,156
Direct Benefits to Donors	(14,447)	-	(14,447)
	<u>70,709</u>	<u>-</u>	<u>70,709</u>
Net Assets Released From Restriction	129,891	(129,891)	-
	<u>2,774,205</u>	<u>(54,426)</u>	<u>2,719,779</u>
<b>EXPENSES</b>			
Church Expenses	905,536	-	905,536
School Expenses	1,212,037	-	1,212,037
Thrift Store Expenses	50,054	-	50,054
	<u>2,167,627</u>	<u>-</u>	<u>2,167,627</u>
<b>INCREASE/(DECREASE) IN NET ASSETS</b>	<u>606,578</u>	<u>(54,426)</u>	<u>552,152</u>
<b>NET ASSETS, BEGINNING OF YEAR</b>	<u>3,541,164</u>	<u>474,153</u>	<u>4,015,317</u>
<b>NET ASSETS, END OF YEAR</b>	<u>\$ 4,147,742</u>	<u>\$ 419,727</u>	<u>\$ 4,567,469</u>

**CHRIST EPISCOPAL CHURCH  
STATEMENT OF FUNCTIONAL EXPENSES  
FOR THE YEAR ENDED DECEMBER 31, 2018**

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	<u>PROGRAM SERVICES</u>	<u>MANAGEMENT AND GENERAL</u>	<u>DEVELOPMENT</u>	<u>TOTAL</u>
<b>EXPENSES</b>				
Church				
Clergy Special Expense	\$ 6,251	\$ -	\$ -	\$ 6,251
Depreciation	153,972	-	-	153,972
Facilities	92,441	-	-	92,441
Loss on Sale of Asset	31,705	-	-	31,705
Ministries	131,158	-	-	131,158
Mission Share	70,235	-	-	70,235
Office and Supplies	27,743	3,083	-	30,826
Donations	34,071	-	-	34,071
Payroll and Employee Benefits	309,457	38,247	-	347,704
Professional Services	-	7,173	-	7,173
	<u>857,033</u>	<u>48,503</u>	<u>-</u>	<u>905,536</u>
School				
Depreciation	28,655	-	-	28,655
Donations	1,749	-	-	1,749
Education Supplies	24,413	-	-	24,413
Facilities	55,882	-	-	55,882
Office and Supplies	85,527	9,503	-	95,030
Payroll and Employee Benefits	790,522	118,124	-	908,646
Professional Services	-	23,417	-	23,417
School Programs	33,913	-	-	33,913
Special Events	-	-	24,816	24,816
Substitutes	29,963	-	-	29,963
	<u>1,050,624</u>	<u>151,044</u>	<u>24,816</u>	<u>1,226,484</u>
Less: Direct Benefits of Donors at Special Events Included in Revenue	-	-	(14,447)	(14,447)
	<u>1,050,624</u>	<u>151,044</u>	<u>10,369</u>	<u>1,212,037</u>
Thrift Store				
Facilities	-	-	6,396	6,396
Office and Supplies	-	-	1,658	1,658
Outreach	42,000	-	-	42,000
	<u>42,000</u>	<u>-</u>	<u>8,054</u>	<u>50,054</u>
<b>TOTAL EXPENSES INCLUDED IN THE EXPENSE SECTION OF THE STATEMENT OF ACTIVITIES</b>				
	<u>\$ 1,949,657</u>	<u>\$ 199,547</u>	<u>\$ 18,423</u>	<u>\$ 2,167,627</u>

See Independent Accountant's Review Report and Accompanying Notes

**CHRIST EPISCOPAL CHURCH  
STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED DECEMBER 31, 2018**

<b>CASH FLOWS PROVIDED BY OPERATING ACTIVITIES</b>	
Increase in Net Assets	\$ 552,152
<b>ADJUSTMENTS TO RECONCILE CHANGE IN NET ASSETS TO NET CASH PROVIDED/(USED) BY OPERATING ACTIVITIES</b>	
Investment Return	144,171
Unrealized Loss on Beneficial Interest in Perpetual Trust	41,727
Donations of Investments Included in Contributions	25,964
Depreciation	182,627
Loss on Sale of Property and Equipment	31,705
Changes in Operating Assets and Liabilities:	
Receivables	(40,176)
Prepaid Expenses	62
Accounts Payable and Accrued Liabilities	(13,203)
Deferred Revenue	(32,658)
	340,219
<b>NET CASH PROVIDED BY OPERATING ACTIVITIES</b>	892,371
<b>CASH FLOWS USED BY INVESTING ACTIVITIES</b>	
Purchases of Property and Equipment	(200,245)
Proceeds from Sale of Investments	1,465,489
Purchases of Investments	(2,224,841)
<b>NET CASH USED BY INVESTING ACTIVITIES</b>	(959,597)
<b>NET DECREASE IN CASH</b>	(67,226)
<b>CASH, BEGINNING</b>	286,891
<b>CASH, ENDING</b>	\$ 219,665

**CHRIST EPISCOPAL CHURCH**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**DECEMBER 31, 2018**

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**NOTE 1 THE CHURCH**

Christ Episcopal Church (the "Church"), a California nonprofit corporation, operates as a religious Church. The Church is dedicated to spreading the Gospel through establishing, developing, and promoting all aspects of church ministry within Coronado, California, and the surrounding communities. The Church was founded in 1894 and is a member of the Episcopal Church in the United States of America, which is a member of the Anglican Communion. The Church is supported primarily through contributions from the congregation. The Church's programs consist of its worship and Church programs, Christian education programs, Christ Church Day School, and Christ Episcopal Church Thrift Store.

**NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Basis of Accounting** - The financial statements of the Church have been prepared on the accrual basis of accounting in accordance with generally accepted accounting principles (GAAP) in the United States of America.

**Financial Statement Presentation** - The Church follows the Financial Accounting Standards Board's (FASB) Financial Statements of Not-for-Profit Organizations for presentation of its financial statements which requires that net assets, support, revenue and expense be classified as with donor restrictions and without donor restrictions.

**Net Assets Without Donor Restrictions** - Consists of assets which are fully available, at the discretion of leadership and the Vestry, for the Church to utilize in any of its programs or supporting services. Net assets without donor restrictions also include amounts designated for certain purposes by the Vestry.

**Net Assets With Donor Restrictions** - These net assets consist of contributed funds subject to donor imposed restrictions contingent upon specific performance of a future event or a specific passage of time before the Church may spend the funds. These nets assets also include amounts that are restricted by donors that neither expire by the passage of time nor can be fulfilled or removed by actions of the Church.

**Use of Estimates** - The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

See Accountant's Review Report



**CHRIST EPISCOPAL CHURCH**  
**NOTES TO THE FINANCIAL STATEMENTS**  
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**NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

Cash - The Church considers financial instruments with a fixed maturity date of less than three months to be cash equivalents. The Church maintains accounts with financial institutions with funds insured by the Federal Deposit Insurance Corporation (FDIC). The Church maintains its cash balances in bank accounts which, at times, may exceed the federally insured limits. The Church has not experienced any losses in such accounts. The Church believes it is not exposed to any significant credit risk on cash and cash equivalents.

Receivables - Receivables consist of amounts to be received for student tuition and is presented net of the allowance for doubtful accounts. Management assesses the collectability of all accounts receivable at the close of each period and records an allowance for doubtful accounts based on specific identification. The allowance for doubtful accounts is \$0 for the year ended December 31, 2018.

Property and Equipment - Property and equipment are carried at cost for items purchased or at fair market value at the date of gift for donated items. Depreciation is calculated using the straight-line method over the estimated useful lives of the assets which range from three to 40 years. Maintenance and repairs are charged to the expense as incurred; major renewals and betterments are capitalized. When items of property and equipment are sold or retired, the related cost and accumulated depreciation are removed from the accounts, and any gain or loss is included in income.

A majority of the Church's land and building were donated in the late 1800s to the mid- 1900s. The Church recorded these items at the estimated fair value at the date of the donation using available documents and market information. These values approximated the actual value of the land and building at the dates of the original donation.

Investments - The Church reports its investments in accordance with GAAP for not-for-profit organizations, which establish accounting standards for investments in certain equity securities and for all debt securities. The guidance prescribes that covered investments be reported in the Statements of Financial Position at fair value with any realized or unrealized gains or losses reported in the Statements of Activities and Changes in Net Assets. Investment income is recognized as revenue in the period it is earned and gains and losses are recognized as changes in net assets in the accounting period in which it occurs.

Fair Value Measurement - The Church follows accounting standards consistent with the FASB codification which defines fair value, establishes a framework for measuring fair value and enhances disclosures about fair value measurements for all financial assets and liabilities.

See Accountant's Review Report

**CHRIST EPISCOPAL CHURCH**  
**NOTES TO THE FINANCIAL STATEMENTS**  
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**NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

Revenue Recognition - All contributions are considered to be without donor restriction unless specifically restricted by the donor. Amounts received designated for future periods of restricted by the donor for specific purposes are reported as with donor restrictions, increasing that net asset class. If a restriction is fulfilled in the same period in which the contribution is received, the support is reported as restricted and then released from restriction in the same period.

Deferred Revenue - The Church recognizes registration and tuition revenue in the period in which the related educational instruction is performed. Registration and tuition fees received for the future periods are deferred until earned, resulting in deferred revenue. The Church also recognizes 2019 pledged contributions received in 2018 as deferred revenue at December 31, 2018.

Donated Services - The Church follows standards relating to contributions received and contributions made as consistent with FASB codification. These standards require recording the value of donated services that create or enhance non-financial assets or require specialized skills. Volunteers have contributed significant amounts of their time to activities of the Church; however, since the above requirements were not met, the value of the contributed services is not recorded in the financial statements. There were no significant donated services that are required to be recognized for the year ended December 31, 2018.

Functional Expense Allocation – The Church allocates its expenses on a functional basis among its program and support services. Directly identifiable expenses are charged to program and supporting services. There are certain categories of expenses that are attributable to more than one program or supporting function and require allocation on a reasonable basis. Payroll and employee benefits are allocated on the basis of time and effort. Office, supplies, and other overhead expenses are allocated on an estimated percentage of usage.

Income Taxes - The Church, a California not-for-profit corporation, is exempt from taxes under Section 501(c)(3) of the Internal Revenue Code.

The Church follows accounting standards which clarify the accounting for uncertainty in income taxes recognized in the financial statements and prescribes a recognition threshold and measurement attribute for the financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return. It also provides guidance on derecognition and measurement of a tax position taken or to be taken in a tax return. As of December 31, 2018 the Church has not accrued interest or penalties to uncertain tax positions. The Church is required to file tax returns in the U.S. Federal jurisdiction and the State of California when unrelated business income (UBI) occurs. To date, the Church has not incurred UBI and has not filed any tax returns.

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**CHRIST EPISCOPAL CHURCH  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2018**

**NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

In August 2016, FASB issued Accounting Standards Update (ASU) 2016-14, Not-for Profit Entities (Topic 958) - Presentation of Financial Statements of Not-for-Profit Entities. The update addresses the complexity and understandability of net asset classification, deficiencies in information about liquidity and availability of resources, and the lack of consistency in the type of information provided about expenses and investment return. The ASU is effective for fiscal years beginning after December 15, 2017, with early adoption permitted. The Church's management elected to adopt this ASU effective for the year ending December 31, 2018.

The new standards change the following aspects of the Church's financial statements:

- The temporarily and permanently restricted net asset classes have been renamed net assets with donor restrictions.
- The unrestricted net asset class has been renamed net assets without donor restrictions.
- The financial statements include a new disclosure about liquidity and availability of resources (note 13).
- The net asset disclosure was expanded.
- The description of the method of allocation of functional expenses has been expanded.
- The financial statements include a statement of functional expenses.

**NOTE 3 PROPERTY AND EQUIPMENT**

Property and equipment are summarized as follows:

Building Improvements	\$ 2,505,144
Improvements	435,000
Furniture and Fixtures	192,960
Land	175,000
Computers	118,398
Smart Boards	82,086
Office Equipment	35,472
	3,544,060
Accumulated Depreciation	(1,375,887)
	\$ 2,168,173

Depreciation expense for the year ended December 31, 2018 was \$182,627.

**CHRIST EPISCOPAL CHURCH**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**DECEMBER 31, 2018**

**NOTE 4 INVESTMENTS**

Investments are stated at fair value and consist of the following at December 31, 2018:

	Cost	Fair Value
Mutual Funds	\$ 2,299,554	\$ 2,133,396

The following schedule summarizes the investment return of the assets shown above and its classification in the Statement of Activities and Changes in Net Assets for the year ended December 31, 2018:

Church

Interest and Dividends	\$ 68,746
Realized and Unrealized Gains, Net	(190,260)
Investment Expense	(17,387)
	(138,901)
Dividends from Oil and Gas Interest	1,621
Total Church Investment Return	\$ (137,280)

School

Interest and Dividends	\$ 14,575
Realized and Unrealized Gains, Net	(18,658)
Investment Expense	(2,808)
Total School Investment Return	\$ (6,891)

Total

Interest and Dividends	\$ 83,321
Realized and Unrealized Gains, Net	(208,918)
Investment Expense	(20,195)
	(145,792)
Dividends on Oil and Gas Interest	1,621
Total Investment Return	\$ (144,171)

In 2011, the Church was gifted a less than one half percent interest in an oil and gas well. The Church received approximately \$135 a month of investment income for the year ended December 31, 2018. For the year ended December 31, 2018, the Church received \$1,621 of income from this investment.

**CHRIST EPISCOPAL CHURCH**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**DECEMBER 31, 2018**

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**NOTE 5 BENEFICIAL INTEREST IN PERPETUAL TRUST**

The Church has a beneficial interest in a perpetual trust administered by an outside party. Pursuant to the terms of the trust, the Church has the irrevocable right to receive income earned on trust assets in perpetuity, but will never receive the assets held in the trust. Distributions from the perpetual trust are recorded as income with donor restrictions and released from restriction based on the donor's stipulations. The Church has recorded the asset at the fair market value of the Church's beneficial interest in the trust assets. The estimated value of the Church's beneficial interest in the perpetual trust was \$266,581 at December 31, 2018. Subsequent changes in fair value of the beneficial interest in the trust assets are recorded as unrealized gains/losses on beneficial interest in perpetual trust in the net assets with donor restriction class.

**NOTE 6 FAIR VALUE MEASUREMENT**

The Church follows the method of fair value to value its financial assets and liabilities. Fair value is based on the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. In order to increase consistency and comparability in fair value measurements, a fair value hierarchy that prioritizes observable and unobservable inputs used to measure fair value into three broad levels has been established, which are described below.

Level 1: Quoted prices (unadjusted) in active markets that are accessible at the measurement date for identical assets or liabilities. The fair value hierarchy gives the highest priority to Level 1 inputs.

Level 2: Observable inputs other than Level 1 prices such as quoted prices for similar assets or liabilities; quoted prices in inactive markets; or model-derived valuations in which all significant inputs are observable or can be derived principally from or corroborated with observable market data.

Level 3: Unobservable inputs are used when little or no market data is available. The fair value hierarchy gives the lowest priority to Level 3 inputs.

In determining fair value, the Church utilizes valuation techniques that maximize the use of observable inputs and minimize the use of unobservable inputs to the extent possible as well as considers counterparty credit risk in its assessment of fair value.

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**CHRIST EPISCOPAL CHURCH**  
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**NOTE 6 FAIR VALUE MEASUREMENT (Continued)**

Financial assets and liabilities carried at fair value at December 31, 2018 are classified below in one of three categories described above. The table below presents the balances of assets measured at fair value on a recurring basis.

	Level 1	Level 2	Level 3	Total
Assets				
Investments				
Mutual Funds	\$ 2,133,396	\$ -	\$ -	\$ 2,133,396
Beneficial Interest in Perpetual Trust	-	-	266,581	266,581
	\$ 2,133,396	\$ -	\$ 266,581	\$ 2,399,977

The investments in mutual funds are valued at market prices in active markets and are classified as Level 1. The beneficial interest in perpetual trust are valued at the fair market value of the Church's beneficial interest in the trust asset and is classified at Level 3.

	<u>Beneficial Interest in Perpetual Trust</u>
Balance at December 31, 2017	\$ 308,308
Change in Value	(26,312)
Distribution	(15,415)
Balance at December 31, 2018	\$ 266,581

**CHRIST EPISCOPAL CHURCH**  
**NOTES TO THE FINANCIAL STATEMENTS**  
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**NOTE 7 VESTRY DESIGNATED ASSETS**

Net assets without donor restrictions includes Vestry designated assets. Designated assets were approved by the Vestry for the following purposes at December 31, 2018:

Endowment	\$ 781,416
Savings	743,959
Facilities	346,584
Pay It Forward	56,938
Future Bad Debt	22,842
Rector Search	20,000
Memorial Garden	14,394
Youth	4,606
Outreach	2,929
Pastoral Needs	2,609
Altar Guild	2,422
Clergy	2,357
Other	1,387
Angel Wings	1,101
Pilgrims' Progress	101
	<u>\$ 2,003,645</u>

Net assets were released from Vestry designation by incurring expenses satisfying the designated purposes or by occurrence of other events specified by Vestry as follows:

Facilities	\$ 143,328
Pay It Forward	34,000
	<u>\$ 177,328</u>

**CHRIST EPISCOPAL CHURCH  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2018**

**NOTE 8 NET ASSETS WITH DONOR RESTRICTIONS**

Net assets with donor restrictions represent contributions and other inflows received by the Church, which are limited in use by the donor-imposed stipulations.

Net assets with donor restrictions at December 31, 2018 are available for the following purposes:

Beneficial Interest in Perpetual Trust	\$ 266,581
Endowment	79,221
Angel Wings	32,213
Clergy Special Expense	13,449
Youth	5,757
Pilgrims' Progress	5,106
Pastoral Needs	3,813
Outreach	3,201
Scholarships	3,063
Memorial Garden	2,475
Other	1,988
Erin Calhoun	1,200
Altar Guild	892
Turf Management	768
	<u>\$ 419,727</u>

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purposes or by occurrence of other events specified by donors as follows:

Outreach	\$ 47,312
Scholarships	20,000
Future Bad Debt	17,147
Angel Wings	9,223
Pilgrims Progress	7,296
Flowers	7,102
Clergy Special Expense	6,251
Teacher Appreciation	6,145
Other	3,256
Music	3,087
Pastoral Needs	1,601
Memorial Garden	932
Altar Guild	467
Youth	72
	<u>\$ 129,891</u>



**CHRIST EPISCOPAL CHURCH**  
**NOTES TO THE FINANCIAL STATEMENTS**  
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**NOTE 9 ENDOWMENT FUND**

The Church maintains long-term investments with donor restrictions held in an endowment fund. The fund is to help support the general purpose of the Church. The Church uses an outside investment manager to make investment decisions, which are approved by the Vestry.

The Church has interpreted the State Prudent Management of Institutional Funds Act (SPMIFA) as requiring the presentation of the fair value of the original gift as of the gift date of the donor-restricted endowment fund absent explicit donor stipulations to the contrary. As a result of this interpretation, the Church classifies as net assets with donor restrictions (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. In accordance with SPMIFA, the Church considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment fund: (1) the duration and preservation of the various funds, (2) the purposes of the donor-restricted endowment funds, (3) general economic conditions, (4) the possible effect of inflation and deflation, (5) the expected total return from income and the appreciation of investments, (6) other resources of the Church and (7) the Church's investment policies.

To achieve the desired objective, the Church has adopted an investment policy that attempts to maximize total return consistent with an acceptable level of risk. Endowment assets are invested in a well diversified asset mix that is intended to result in a consistent inflation-protected rate of return that has sufficient liquidity to meet the annual distribution policy rules while growing the fund if possible. Investment risk is measured in terms of the total endowment fund, investment assets and allocation between asset classes and strategies are managed to not expose the fund to unacceptable levels of risk.

The distribution policy of the fund is to allow for 5% of the fund equity to be distributed annually. If the market value of the fund is less than the initial contributions, then distributions will be limited to interest and dividends received.

The portion of the Endowment Fund that is classified as perpetual in nature is not reduced by losses on the investments of the fund. Losses on the investments of funds with donor restriction reduce the net assets with donor restriction to the extent that donor-imposed restrictions on net appreciation of the fund have not been met before the loss occurs.

In January of 2018 the Church received a bequest from Florence Fisher which was placed in a Vestry designated endowment fund. Vestry designated endowment funds are classified as net assets without donor restrictions, available to be appropriated for expenditure by the Church.

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**CHRIST EPISCOPAL CHURCH**  
**NOTES TO THE FINANCIAL STATEMENTS**  
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**NOTE 9 ENDOWMENT FUND (Continued)**

Changes in endowment net assets as of December 31, 2018 are as follows:

	Without Donor Restriction	With Donor Restriction	Total Endowment
Endowment Net Assets, Beginning of Year	\$ 28,015	\$ 71,482	\$ 99,497
Contributions	757,421	7,740	765,161
Unrealized Loss on Investments	(92,872)	-	(92,872)
Investment Fees	(8,317)	-	(8,317)
Distributions	-	-	-
Endowment Net Assets, End of Year	\$ 684,247	\$ 79,222	\$ 763,469

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor requires the Church to retain as a fund of perpetual duration. At December 31, 2018, the Church did not have a deficiency associated with the donor-restricted endowment funds.

**NOTE 10 SPECIAL EVENTS**

Special event revenues and expenses are directly related to a gala and consist of the following for the year ended December 31, 2018:

Revenue	\$ 85,156
Expenses	
Direct Benefits to Donors	14,447
Other Expenses	9,873
	24,320
Special Events Net Income	\$ 60,836

**NOTE 11 COMMITMENTS**

The Church leases office equipment under an operating lease agreement.

The minimum future lease payments under the non-cancelable lease for the year ended December 31 is as follows:

2019	\$	6,120
2020		6,120
2021		3,570
	\$	15,810

See Accountant's Review Report

**CHRIST EPISCOPAL CHURCH**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**DECEMBER 31, 2018**

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**NOTE 11 COMMITMENTS (Continued)**

Equipment lease expense for the year ended December 31, 2018 was approximately \$11,000.

The Church pays Mission Share pledges to the Episcopal Diocese of San Diego. The amount of the Mission Share pledge is calculated based on the next year's budget and is approved by the Vestry. For the year ended December 31, 2018, Mission Share pledges were \$70,235. In 2019, the Church expects to pay Mission Shares to the Episcopal Diocese of San Diego totaling \$66,141.

**NOTE 12 PENSION PLAN**

The Church maintains a defined contribution plan for its employees. The Church contributes 5% of the employees' compensation into the pension plan, and the employees' have the option to contribute up to 20% of their compensation, which the Church will match dollar for dollar up to an additional 4% of the compensation.

The Church contributed \$88,756 to the plan during the year ended December 31, 2018.

While the Church expects to continue the plan indefinitely, it has reserved the right to modify, amend, or terminate the plan. In the event of termination, the entire amount contributed under the plan must be applied to the payment of benefits to the participants or their beneficiaries.

**NOTE 13 LIQUIDITY AND AVAILABILITY**

The Church is substantially supported by contributions without restrictions and tuition. Revenue and expenses are monitored on a monthly basis by the Church management and the Vestry. The level of assets are monitored on an annual basis. The Church's goal is to be able to function within the boundaries of the income received throughout the year.

As part of the Church's liquidity management, it has structured its financial assets to be available as its general expenditures, liabilities and other obligations come due. The Church manages its liquidity following these guiding principles: operating within a prudent range of financial stewardship and stability and maintaining adequate liquid assets to fund near-term operating needs, to provide reasonable assurance that long-term obligations will be discharged.

**CHRIST EPISCOPAL CHURCH**  
**NOTES TO THE FINANCIAL STATEMENTS**  
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**NOTE 13 LIQUIDITY AND AVAILABILITY (Continued)**

The following reflect the Church's financial assets as of December 31, 2018, reduced by the amounts not available for general use because of donor-imposed restrictions within one year of the balance sheet date:

Financial assets at year-end:

Cash	\$ 219,865
Accounts Receivable	62,592
Investments	2,133,396
Beneficial Interest in Perpetual Trust	266,581
	<u>\$ 2,682,434</u>

Less those unavailable for general expenditures within one year due to:

Donor-imposed Restrictions	(419,727)
Vestry Designated	(2,003,645)
	<u>(2,423,372)</u>

Financial assets available to meet general expenditures within one year \$ 259,062

**NOTE 14 SUBSEQUENT EVENTS**

The Church has evaluated subsequent events through October 8, 2019, the date the financial statements were available to be issued. There were no material subsequent events which affected the amounts or disclosures in the financial statements.

See Accountant's Review Report

**CONSIDINE CONSIDINE**  
CERTIFIED PUBLIC ACCOUNTANTS

To The Vestry  
Christ Episcopal Church

**Independent Accountant's Review Report on Supplementary Information**

Our report on our review of the basic financial statements of Christ Episcopal Church for the year ended December 31, 2018 appears on page 2. The objective of that review was to perform procedures to obtain limited assurance as a basis for reporting whether we were aware of any material modifications that should be made to the financial statements for them to be in accordance with accounting principles generally accepted in the United States of America. The supplementary information included in the accompanying schedules of church activities and changes in net assets, school activities and changes in net assets and thrift store activities and changes in net assets are presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from, and relates to, the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the review procedures applied in our review of the basic financial statements. We are not aware of any material modifications that should be made to the information. We have not audited the information and, accordingly, do not express an opinion on such information.

*Considine & Considine*

CONSIDINE & CONSIDINE  
An Accountancy Corporation

October 8, 2019

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**CHRIST EPISCOPAL CHURCH**  
**SCHEDULE OF CHURCH ACTIVITIES AND CHANGES IN NET ASSETS**  
**FOR THE YEAR ENDED DECEMBER 31, 2018**

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	WITHOUT DONOR RESTRICTION	WITH DONOR RESTRICTION	TOTAL
<b>REVENUES</b>			
Contributions	\$ 1,574,626	\$ 54,298	\$ 1,628,924
Other Income	3,909	-	3,909
Interest Income	185	-	185
Unrealized Loss of Beneficial Interest of Perpetual Trust	-	(26,312)	(26,312)
Investment Return	(137,280)	-	(137,280)
	<u>1,441,440</u>	<u>27,986</u>	<u>1,469,426</u>
Net Assets Released from Restriction	74,119	(74,119)	-
	<u>1,515,559</u>	<u>(46,133)</u>	<u>1,469,426</u>
<b>EXPENSES</b>			
Clergy Special Expense	6,251	-	6,251
Depreciation	153,972	-	153,972
Facilities	92,441	-	92,441
Ministries	131,158	-	131,158
Mission Share	70,235	-	70,235
Office and Supplies	30,826	-	30,826
Other Expense	34,071	-	34,071
Payroll and Employee Benefits	347,704	-	347,704
Professional Services	7,173	-	7,173
<b>TOTAL EXPENSES</b>	<u>873,831</u>	<u>-</u>	<u>873,831</u>
<b>OTHER EXPENSE</b>			
Loss on Sale of Asset	31,705	-	31,705
<b>TOTAL EXPENSES INCLUDED IN THE EXPENSE SECTION OF THE STATEMENT OF ACTIVITIES</b>	<u>905,536</u>	<u>-</u>	<u>905,536</u>
<b>INCREASE/(DECREASE) IN NET ASSETS</b>	610,023	(46,133)	563,890
<b>NET ASSETS, BEGINNING OF YEAR</b>	<u>2,742,689</u>	<u>425,154</u>	<u>3,167,843</u>
<b>NET ASSETS, END OF YEAR</b>	<u>\$ 3,352,712</u>	<u>\$ 379,021</u>	<u>\$ 3,731,733</u>

See Accompanying Independent Accountant's Review Report on Supplementary Information

**CHRIST EPISCOPAL CHURCH**  
**SCHEDULE OF SCHOOL ACTIVITIES AND CHANGES IN NET ASSETS**  
**FOR THE YEAR ENDED DECEMBER 31, 2018**

	WITHOUT DONOR RESTRICTION	WITH DONOR RESTRICTION	TOTAL
<b>REVENUES</b>			
Tuition and Fees	\$ 938,642	\$ 47,479	\$ 986,121
Contributions	82,150	-	82,150
Other Income	24,533	-	24,533
Interest Income	56	-	56
Investment Return	(6,891)	-	(6,891)
	<u>1,038,490</u>	<u>47,479</u>	<u>1,085,969</u>
Special Events (Note 11)			
Special Events Revenue	85,156	-	85,156
Direct Benefits to Donors	(14,447)	-	(14,447)
	<u>70,709</u>	<u>-</u>	<u>70,709</u>
Net Assets Released from Restriction	55,772	(55,772)	-
	<u>1,164,971</u>	<u>(8,293)</u>	<u>1,156,678</u>
<b>EXPENSES</b>			
Depreciation	28,655	-	28,655
Donations	1,749	-	1,749
Education Supplies	24,413	-	24,413
Facilities	55,882	-	55,882
Office and Supplies	95,030	-	95,030
Payroll and Employee Benefits	908,646	-	908,646
Professional Services	23,417	-	23,417
School Programs	33,913	-	33,913
Special Events	24,816	-	24,816
Substitutes	29,963	-	29,963
<b>TOTAL EXPENSES</b>	<u>1,226,484</u>	<u>-</u>	<u>1,226,484</u>
Less: Direct Benefits to Donors at Special Events Included in Revenue	(14,447)	-	(14,447)
<b>TOTAL EXPENSES INCLUDED IN THE EXPENSE SECTION OF THE STATEMENT OF ACTIVITIES</b>	<u>1,212,037</u>	<u>-</u>	<u>1,212,037</u>
<b>DECREASE IN NET ASSETS</b>	(47,066)	(8,293)	(55,359)
<b>NET ASSETS, BEGINNING OF YEAR</b>	<u>455,631</u>	<u>48,999</u>	<u>504,630</u>
<b>NET ASSETS, END OF YEAR</b>	<u>\$ 408,565</u>	<u>\$ 40,706</u>	<u>\$ 449,271</u>

**CHRIST EPISCOPAL CHURCH**  
**SCHEDULE OF THRIFT STORE ACTIVITIES AND CHANGES IN NET ASSETS**  
**FOR THE YEAR ENDED DECEMEBER 31, 2018**

	WITHOUT DONOR RESTRICTIONS	WITH DONOR RESTRICTIONS	TOTAL
<b>REVENUES</b>			
Thrift Store Sales	\$ 93,675	\$ -	\$ 93,675
<b>OPERATING EXPENSES</b>			
Facilities	6,396	-	6,396
Office and Supplies	1,658	-	1,658
Outreach	42,000	-	42,000
	50,054	-	50,054
<b>INCREASE IN NET ASSETS</b>	43,621	-	43,621
<b>NET ASSETS, BEGINNING OF YEAR</b>	342,844	-	342,844
<b>NET ASSETS, END OF YEAR</b>	\$ 386,465	\$ -	\$ 386,465