

CHURCH OF THE REDEEMER

FINANCIAL STATEMENTS

DECEMBER 31, 2023 AND 2022



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INDEPENDENT AUDITORS' REPORT

To the Vestry of
Church of the Redeemer

Qualified Opinion

We have audited the accompanying financial statements of Church of the Redeemer, which comprise the statements of financial position as of December 31, 2023 and December 31, 2022, and the related statements of activities and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, except for the possible effects of the matter described in the Basis for Qualified Opinion section of our report, the financial statements referred to in the first paragraph present fairly, in all material respects, the financial position of Church of the Redeemer as of December 31, 2023 and December 31, 2022, 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 Qualified Opinion

As disclosed in Note 5 to the financial statements, no depreciation has been recorded within the accompanying financial statements. In our opinion, accounting principles generally accepted in the United States of America require that depreciation be recorded according to the assets' useful lives. It was not practical to determine the effects of the unrecorded depreciation on the financial statements.

As disclosed in Note 5 to the financial statements, no collection items have been recorded within the accompanying financial statements. In our opinion, accounting principles generally accepted in the United States of America require that collection items be recorded according to the assets' historical costs. It was not practical to determine the effects of the unrecorded collection items on the financial statements.

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 Church of the Redeemer 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 qualified audit opinion.

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 Church of the Redeemer's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

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 Church of the Redeemer'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 Church of the Redeemer'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.

Pellegrino McFarland & Tortora, P.A.

Pellegrino McFarland & Tortora, P.A.
Sarasota, Florida
May 22, 2024

Church of the Redeemer
Statements of Financial Position
December 31, 2023 and 2022

	2023	2022
ASSETS		
Current Assets		
Cash and cash equivalents	\$ 1,547,013	\$ 1,381,975
Investments	6,837,189	6,593,743
Other receivables	110,446	68,877
Inventory	55,234	49,171
Prepaid expenses	56,297	21,683
Total Current Assets	8,606,179	8,115,449
Property and equipment	15,306,892	14,672,120
Other Assets		
Investment in subsidiary	2,317,217	2,338,035
Total Assets	\$ 26,230,288	\$ 25,125,604
LIABILITIES AND NET ASSETS		
Current Liabilities		
Accounts payable	\$ 73,359	\$ 47,561
Other payables	93,476	6,501
Deferred revenue	506,670	2,310
Retirement payable, current portion	35,400	44,069
Line of credit	5,127	5,127
Loan payable, current portion	-	375,000
Total Current Liabilities	714,032	480,568
Net Assets		
Net assets without donor restrictions	22,752,164	21,742,856
Net assets with donor restrictions	2,764,092	2,902,180
Total Net Assets	25,516,256	24,645,036
Total Liabilities and Net Assets	\$ 26,230,288	\$ 25,125,604

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

Church of the Redeemer
Statements of Activities
For the Years Ended December 31, 2023 and 2022

	Without Donor Restrictions	With Donor Restrictions	Total 2023	Total 2022
Support and Revenue				
Contributions	\$ 3,158,046	\$ -	\$ 3,158,046	\$ 2,580,316
Gifts and bequests	325,244	360,775	686,019	1,632,044
Auxiliary organizations	183,764	-	183,764	184,301
Forgiveness of debt	-	-	-	-
Other income	78,493	-	78,493	68,329
Investment income	615,618	280,155	895,773	(945,008)
Net income (loss) of subsidiary	(20,819)	-	(20,819)	(38,160)
Gain (loss) on disposition of assets	-	-	-	-
Net assets released from restrictions	899,120	(899,120)	-	-
Total support and revenue	5,239,466	(258,190)	4,981,276	3,481,822
Expenses				
Buildings and ground maintenance	540,195	-	540,195	462,184
Diocesan apportionment	342,440	-	342,440	308,138
Giving outside parish	298,686	-	298,686	203,949
Music	220,342	-	220,342	229,394
Parish support	139,205	-	139,205	130,475
Salaries and benefits	1,729,871	-	1,729,871	1,530,943
Investment expense	34,175	-	34,175	53,266
General expenses	238,372	-	238,372	171,477
Christian education	72,997	-	72,997	67,299
Expenditures for special purposes	355,595	-	355,595	675,144
Auxiliary organizations	138,178	-	138,178	167,294
Total expenses	4,110,056	-	4,110,056	3,999,563
Change in Net Assets	1,129,410	(258,190)	871,220	(517,741)
Net Assets at Beginning of Year	21,742,856	2,902,180	24,645,036	25,162,777
Interfund transfer	(120,102)	120,102	-	-
Net Assets at End of Year	\$ 22,752,164	\$ 2,764,092	\$ 25,516,256	\$ 24,645,036

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

Church of the Redeemer
Statements of Cash Flows
For the Years Ended December 31, 2023 and 2022

	2023	2022
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 871,220	\$ (517,741)
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Donated securities	(118,474)	(103,942)
Realized (gain) loss on investments	(66,851)	(181,021)
Unrealized (gain) loss on investments	(475,695)	1,607,053
(Gain) loss on disposition of property and equipment	-	-
(Increase) decrease in operating assets:		
Other receivables	(41,569)	(42,545)
Inventory	(6,063)	(8,596)
Prepaid expenses	(34,614)	9,465
Increase (decrease) in operating liabilities:		
Accounts payable	25,798	(80,787)
Other payables	86,975	(694)
Deferred revenue	504,360	2,310
Retirement payable	(8,669)	1,569
	736,418	685,071
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property and equipment, net	(634,772)	(388,030)
Purchase of investments, net	417,574	(1,475,378)
Investment in subsidiary	20,818	38,160
	(196,380)	(1,825,248)
CASH FLOWS FROM FINANCING ACTIVITIES		
Line of credit, net of repayments	-	(367,315)
Loan payable, net of repayments	(375,000)	375,000
Paycheck protection program, net of repayments	-	-
	(375,000)	7,685
Net Increase (Decrease) in Cash and Cash Equivalents	165,038	(1,132,492)
Cash and Cash Equivalents at Beginning of Year	1,381,975	2,514,467
Cash and Cash Equivalents at End of Year	\$ 1,547,013	\$ 1,381,975
SUPPLEMENTAL DISCLOSURES		
Interest paid	\$ 7,693	\$ 13,037
Fair value of contributed investments received	\$ 118,474	\$ 103,942

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

Church of the Redeemer
Notes to the Financial Statements
December 31, 2023 and 2022

NOTE 1 – ORGANIZATION

The Church of the Redeemer (the “Church”) is a not-for-profit corporation located in Sarasota, Florida. The Church is a constituent of The Episcopal Church in the United States of America and is a parish in the Episcopal Diocese of Southwest Florida. Its purpose is to serve the spiritual needs of the community. The Church of the Redeemer has a membership of more than 2,900.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Basis of Presentation

The accompanying financial statements of the Church have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (US GAAP), which require the Organization to report information regarding its financial position and activities according to the following net asset classifications:

Net assets without donor restrictions: Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the Organization. These net assets may be used at the discretion of the Organization’s management and the board of directors.

Net assets with donor restrictions: Net assets subject to stipulations imposed by donors, and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of the Organization or by the passage of time. Other donor restrictions are perpetual in nature, whereby the donor has stipulated the funds be maintained in perpetuity.

Revenues are reported as increases in net assets without donor restrictions unless use of the related assets is limited by donor-imposed restrictions. Expenses are reported as decreases in net assets without donor restrictions. Gains and losses on investments and other assets or liabilities are reported as increases or decreases in net assets without donor restrictions unless their use is restricted by explicit donor stipulation or by law. Expirations of net assets with donor restrictions are reported as reclassifications between the applicable classes of net assets. As contributions with donor-imposed restrictions are expended, 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 restriction.

Contributions, including unconditional promises to give (pledges), are recognized as revenue in the period received. Conditional promises to give are not recognized until they become unconditional, that is when the conditions on which they depend are substantially met. Contributions of assets other than cash are recorded at their estimated fair value. At December 31, 2022 and 2021, the Church had no outstanding pledges or bequests.

Church of the Redeemer
Notes to the Financial Statements
December 31, 2023 and 2022

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

B. Use of Estimates

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

C. Fair Value Measurement

The consolidated financial statements are prepared in accordance with FASB ASC 820, *Fair Value Measurement*, for all financial assets and liabilities and for nonfinancial assets and liabilities recognized or disclosed at fair value in the consolidated financial statements or on a recurring basis (at least annually). Fair value is defined as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on a measurement date. The standard also establishes a fair value hierarchy which requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. There are three levels of inputs that may be used to measure fair value:

Level 1: Quoted prices for identical instruments in active markets.

Level 2: Quoted prices for similar or identical instruments in active markets or non-active markets or other significant observable inputs.

Level 3: Valuations derived from valuation techniques in which one or more significant inputs or significant value drivers are unobservable.

D. Cash and Cash Equivalents

For purposes of the statement of cash flows, the Church of the Redeemer considers all highly liquid investments with an original maturity of three months or less to be cash equivalents.

E. Investments

Investments in marketable securities with readily determinable fair values and all investments in debt securities are reported at their fair values in the statement of financial position. Realized and unrealized gains and losses are reflected in the statements of activities.

Church of the Redeemer
Notes to the Financial Statements
December 31, 2023 and 2022

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

F. Property and Equipment

Property and equipment are recorded at cost or, if donated, estimated fair market value at the date of gift. Donations of property and equipment are recorded as contributions at their estimated fair value. Such donations are reported as unrestricted contributions unless the donor has restricted the donated asset to a specific purpose. Assets donated with explicit restriction regarding their use and contributions of cash that must be used to acquire property and equipment are reported as restricted contributions. Absent donor stipulations regarding how long those donated assets must be maintained, the Church reports expirations of donor restrictions when the donated or acquired assets are placed in service. The Church reclassifies temporarily restricted net assets to unrestricted net assets at that time. No depreciation has been recorded on property and equipment.

G. Donated Services

Contributions of services are recognized if the services received (a) create or enhance nonfinancial assets or (b) require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by the donation.

Significant amounts of volunteer services are donated to the Church of the Redeemer by various individuals. However, these services were not recognized in the financial statements because they did not meet the above criteria.

H. Federal Income Tax

The Church of the Redeemer is classified as a church and is tax exempt under Section 501(c)(3) of the Internal Revenue Code. The Church's status as a tax-exempt organization is considered a tax position subject to reporting requirements under FASB Accounting Standards Codification 740-10. Entities are required to examine all tax positions and determine if it is more likely than not that the positions would be sustained upon examination by taxing authorities. The Church has not recorded any accruals for uncertain income tax positions at December 31, 2023 or December 31, 2022.

I. Functional Expenses

According to US GAAP, the Church must report expenses on a functional basis between various programs and supporting services. The Church considers all expenses to be program related.

Church of the Redeemer
Notes to the Financial Statements
December 31, 2023 and 2022

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

J. Promises to Give

Contributions are recognized when the donor makes a promise to give to the Church that is, in substance, unconditional and legally enforceable. It is against Church policy to legally enforce the pledges therefore the pledges receivable are not recorded in the Church's financial statements.

NOTE 3 – CONCENTRATION OF RISK

The Church maintains cash accounts in commercial banks located in Sarasota County, Florida. Accounts are guaranteed by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000 per bank. The Church did not have any uninsured balances at December 31, 2023.

NOTE 4 – INVENTORY

Inventory consists of books, cards, calendars and other bookstore items valued at cost. At December 31, 2023 and December 31, 2022, inventory is \$55,234 and \$49,171 respectively.

NOTE 5 – PROPERTY AND EQUIPMENT

Property and equipment as of December 31, is summarized as follows:

	<u>2023</u>	<u>2022</u>
Buildings	\$ 11,500,938	\$ 11,147,872
Land	518,390	518,390
Improvements, fixtures and equipment	3,005,858	3,002,358
Vehicles	19,090	-
Construction in progress	<u>262,616</u>	<u>3,500</u>
	<u>\$ 15,306,892</u>	<u>\$ 14,672,120</u>

Assets do not reflect accumulated depreciation and depreciation expense has not been recorded for the years ended December 31, 2023 and December 31, 2022.

The Church possesses collection items which include valuable works of art, historical, religious, scientific and similar items. These items have not been recorded.

Church of the Redeemer
Notes to the Financial Statements
December 31, 2023 and 2022

NOTE 6 – LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS

The Church is primarily funded by contributions from donors which are either with or without donor restrictions. Contributions with donor restrictions require that those resources be used in a certain manner or in a future period. Therefore, the Church must maintain adequate resources to meet those responsibilities to its donors and certain financial assets may not be available for general expenditure within one year. As part of its liquidity management, the Church has a policy to structure its financial assets to be available as general expenditures, liabilities, and other obligations become due. The Vestry designates amounts to certain ministries which could be utilized in the event of an unanticipated liquidity need.

The table below presents the Church’s financial assets as of December 31, 2023, reduced by amounts which are not available for general use within one year due to donor-imposed restrictions: Amounts that are not available also include Church designated amounts which could be utilized if the Church’s Vestry approved the use:

	2023	2022
Financial assets, at December 31,	\$ 8,494,648	\$ 8,044,595
Less those unavailable for general expenditures within one year due to:		
Contractual or donor-imposed restrictions:		
Restricted by donor with time or purpose restriction	(2,764,092)	(2,902,180)
Current liabilities	(202,235)	(98,131)
Loan payable, current portion	-	(375,000)
	(2,966,327)	(3,375,311)
Financial assets available to meet cash needs for general expenditures within one year	\$ 5,528,321	\$ 4,669,284

NOTE 7 – INVESTMENTS

At December 31, 2023 and 2022, the investment securities portfolio was comprised of equity securities which are carried at fair market value. These investments are measured at the reporting date using Level 1 inputs.

The amortized cost and fair value of investment securities at December 31, 2023, were as follows:

	Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
Mutual and index funds	\$ 6,869,367	\$ -	\$ 32,178	\$ 6,837,189
Investments – current				(6,837,189)
Investments – long-term				\$ -

Church of the Redeemer
Notes to the Financial Statements
December 31, 2023 and 2022

NOTE 7 – INVESTMENTS – CONTINUED

The amortized cost and fair value of investment securities at December 31, 2022, were as follows:

	<u>Cost</u>	<u>Gross Unrealized Gains</u>	<u>Gross Unrealized Losses</u>	<u>Fair Value</u>
Mutual and index funds	\$ <u>7,101,609</u>	\$ _____ -	\$ <u>507,866</u>	\$ <u>6,593,743</u>
Investments – current				<u>(6,593,743)</u>
Investments – long-term				\$ _____ -

Investment income, gains for assets limited as to use, cash equivalents, and other investments are comprised of the following for the year ended December 31, 2023:

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Investment income:			
Interest and dividends	\$ 353,227	\$ -	\$ 353,227
Realized gains (losses) on investments	66,851	-	66,851
Unrealized gains (losses) on investments	<u>475,695</u>	<u>-</u>	<u>475,695</u>
	\$ <u>895,773</u>	\$ _____ -	\$ <u>895,773</u>

Investment income, gains for assets limited as to use, cash equivalents, and other investments are comprised of the following for the year ended December 31, 2022:

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Investment income:			
Interest and dividends	\$ 481,024	\$ -	\$ 481,024
Realized gains (losses) on investments	181,021	-	181,021
Unrealized gains (losses) on investments	<u>(1,607,053)</u>	<u>-</u>	<u>(1,607,053)</u>
	\$ <u>(945,008)</u>	\$ _____ -	\$ <u>(945,008)</u>

Church of the Redeemer
Notes to the Financial Statements
December 31, 2023 and 2022

NOTE 8 – INVESTMENT IN SUBSIDIARY

In March of 2018 the Church purchased, through a Florida limited liability company solely owned and controlled by the Church (the “Company”), three units in a condominium in Sarasota County. The Church used \$390,000 of endowment funds without donor restrictions to finance this acquisition, with the remainder financed through donor restricted funds. The Company’s purpose is to acquire, own, operate, lease, rent, sell, exchange, and otherwise manage and control real and personal property for the benefit of the Church of the Redeemer Endowment Fund and for the promotion of the moral and spiritual values of the Christian tradition.

The following represents the Church’s investment in the Company for the year ended, December 31:

	2023	2022
Investment at January 1	\$ 2,338,035	\$ 2,376,195
Income of subsidiary	51,118	54,441
Expenses of subsidiary	(71,936)	(92,601)
Dividends paid to Church	-	-
Investment at December 31	\$ 2,317,217	\$ 2,338,035

Throughout the year, the Company needs additional funding to maintain the real property. The Church, provides this funding as a non-interest bearing loan to be paid back when cash flow permits. As of December 31, 2023 and 2022, the Company owes the Church \$106,849 and \$68,567, respectively.

NOTE 9 – LINE OF CREDIT AND LOAN PAYABLE

In June of 2018 the Church obtained a \$3,000,000 line of credit for any cash flow needs of the Church. The interest rate was changed in July of 2020 to a variable rate of 2.75% with a base of 2.5% for the remaining term. Advances on the line of credit shall be limited to 80% of the current market value of the collateral account less any restricted funds. If at any time during the term of the line of credit, the outstanding balance exceeds 90% of the then-current market value of collateral, the Church will be required to prepay the amount outstanding so that the principal balance shall not exceed the advance limit.

In July of 2022 the Church converted the outstanding line of credit balance to a term loan of \$375,000. The term loan bore an interest rate of 3.5% and was due payable on July 28, 2023. The balance of the term loan was paid in full in July of 2023.

Additionally, in July of 2022 the Church renewed the \$3,000,000 line of credit for any cash flow needs of the Church. The renewed line of credit has a maturity of July 28, 2027 and bears an interest rate of 6.5%. The balance of the line of credit is \$5,127 and \$5,127 at December 31, 2023 and 2022, respectively.

Both the line of credit and term loan are secured by investments without donor restrictions held at a separate institution.

Church of the Redeemer
Notes to the Financial Statements
December 31, 2023 and 2022

NOTE 10 – NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions consist of gifts and other unexpended support available for the following at December 31:

	<u>2023</u>	<u>2022</u>
Temporarily restricted		
Children education – Hund Moeller	\$ 85,766	\$ 55,267
Designated special gifts/contributions	331,971	350,943
Guest preachers – Moser	22,771	17,619
Mallory Goewey Capital Endowment	1,645,264	1,964,823
Music – Huber	2,238	1,860
Music fund	146,093	-
Publicity – Moeri	8,445	6,533
Theological education – Martin	14,777	11,309
Theological education – Whitcomb	8,258	6,463
Theological education – Boyer	2,827	2,827
Vestments	<u>1,147</u>	<u>270</u>
	2,269,557	2,417,914
Permanently restricted		
Children education	251,125	251,125
Endowment	74,770	70,770
Guest preachers	20,878	17,788
Music	112,164	111,064
Publicity	7,748	6,601
Theological education	21,556	21,556
Vestments	<u>6,294</u>	<u>5,362</u>
	<u>494,535</u>	<u>484,266</u>
Total net assets with donor restrictions	\$ <u>2,764,092</u>	\$ <u>2,902,180</u>

NOTE 11 – BOARD-DESIGNATED NET ASSETS

Designated net assets consist of amounts without donor restrictions reserved by the Church for designated purposes. The Church had designated the following at December 31:

	<u>2023</u>	<u>2022</u>
Asset replacement reserve	\$ 22,611	\$ 22,611
Endowment	5,749,124	5,749,124
Ministry growth fund	330,000	200,000
Music fund	-	126,846
Rectory expansion	<u>200,000</u>	<u>200,000</u>
	\$ <u>6,301,735</u>	\$ <u>6,298,581</u>

Church of the Redeemer
Notes to the Financial Statements
December 31, 2023 and 2022

NOTE 12 – ENDOWMENT FUND

In October of 2006, the Church established the Church of the Redeemer Endowment Fund (the “endowment”). The primary objective of the endowment is to enable the Church to fulfill its mission more completely by insuring the future growth and preservation of the Church. Accordingly, the Church has created an Endowment Investment Committee responsible for the management and investment of the endowment consistent with the investment guidelines established in the Investment Policy Statement and the Constitution and Canons of the Diocese of Southwest Florida.

The Church’s endowment consists of several individual funds established for a variety of purposes. Its endowment includes both donor-restricted endowment funds and funds designated by the Church to function as endowments. As required by GAAP, net assets associated with endowment funds, including funds designated by the Church to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

Interpretation of Relevant Law

The Church has interpreted the wishes of donors and state law as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations of the contrary. As a result of this interpretation, the Church classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the Church in a manner consistent with the standard of prudence prescribed by the Florida Uniform Prudent Management of Institutional Funds Act (FUPMIFA).

In accordance with FUPMIFA, the Church considers the following factors in making a determination to appropriate or accumulate donor-restricted endowments funds:

- (1) The duration and preservation of the fund
- (2) The purposes of the Church and the donor-restricted endowment fund
- (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
- (7) The investment policies of the Church

Church of the Redeemer
Notes to the Financial Statements
December 31, 2023 and 2022

NOTE 12 – ENDOWMENT FUND – CONTINUED

For the years ended December 31, 2023 and 2022, the Church has elected not to add appreciation for cost of living or other spending policies to its permanently restricted endowment for inflation and other economic conditions.

Investment Return Objectives, Risk Parameters, and Strategies

The Church has adopted investment and spending policies, approved by the Diocese of Southwest Florida, for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment funds while also maintaining the purchasing power of those endowment assets over the long-term. Accordingly, the investment process seeks to achieve an after-cost total real rate of return, including investment income as well as capital appreciation, which exceeds the annual distribution with acceptable levels of risk.

Endowment assets are invested in a well-diversified asset mix, which includes real estate, equity and fixed-income securities, that is intended to result in a consistent inflation-protected rate of return that has sufficient liquidity to provide a high level of cash distribution, while growing the funds if possible. Therefore, the Church expects its endowment assets, over time, to produce an average rate of return of approximately seven to nine percent annually. Actual returns in any given year may vary from this amount. Investment risk is measured in terms of the total endowment fund, investment assets and allocation between asset classes, and strategies and managed to not expose the fund to unacceptable levels of risk.

Spending Policy

The Church is operating under an endowment spending policy which dictates the endowment fund may transfer an agreed-upon percentage to the operating fund. Funds available for distribution will be limited to three to five percent of the market value of the corpus, net of the fees for investment and management expenses. Any unexpended funds from those available for distribution in a given year will be accrued and will continue to be considered “available for distribution” in subsequent years unless otherwise designated by action of the Church. In addition, up to ten percent of the total amount of board-designated endowment funds may be spent in the event of an emergency or significant capital need.

In establishing this policy, the Church considers the long-term expected return on its investment assets, the nature and duration of the individual endowment funds, many of which must be maintained in perpetuity because of donor-restrictions, and the possible effects of inflation. This is consistent with the Church’s objective to maintain the purchasing power of the endowment assets as well as to provide additional real growth through new gifts and investment return.

Church of the Redeemer
Notes to the Financial Statements
December 31, 2023 and 2022

NOTE 12 – ENDOWMENT FUND – CONTINUED

Endowment net asset composition by type of fund as of December 31, 2023 is a follows:

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total Endowment Net Assets</u>
Board-designated endowment funds	\$ 6,035,258	\$ -	\$ 6,035,258
With donor restrictions endowment funds	<u>-</u>	<u>74,770</u>	<u>74,770</u>
	\$ <u>6,035,258</u>	\$ <u>74,770</u>	\$ <u>6,110,028</u>

Changes in endowment net assets for the year ended December 31, 2023 is a follows:

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total Endowment Net Assets</u>
Balance, beginning of year	\$ 5,749,124	\$ 70,770	\$ 5,819,894
Contributions	-	4,000	4,000
Interest and dividends, net of investment expenses	164,439	-	164,439
Net appreciation	264,705	-	264,705
Amount appropriated for expenditures	<u>(143,010)</u>	<u>-</u>	<u>(143,010)</u>
Balance, end of year	\$ <u>6,035,258</u>	\$ <u>74,770</u>	\$ <u>6,110,028</u>

Church of the Redeemer
Notes to the Financial Statements
December 31, 2023 and 2022

NOTE 12 – ENDOWMENT FUND – CONTINUED

Endowment net asset composition by type of fund as of December 31, 2022 is a follows:

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total Endowment Net Assets</u>
Board-designated endowment funds	\$ 5,749,124	\$ -	\$ 5,749,124
With donor restrictions endowment funds	<u>-</u>	<u>70,770</u>	<u>70,770</u>
	\$ <u>5,749,124</u>	\$ <u>70,770</u>	\$ <u>5,819,894</u>

Changes in endowment net assets for the year ended December 31, 2022 is a follows:

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total Endowment Net Assets</u>
Balance, beginning of year	\$ 6,546,477	\$ 66,770	\$ 6,613,247
Contributions	-	4,000	4,000
Interest and dividends, net of investment expenses	234,611	-	234,611
Net appreciation	(896,209)	-	(896,209)
Amount appropriated for expenditures	<u>(135,755)</u>	<u>-</u>	<u>(135,755)</u>
Balance, end of year	\$ <u>5,749,124</u>	\$ <u>70,770</u>	\$ <u>5,819,894</u>

Church of the Redeemer
Notes to the Financial Statements
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NOTE 13 – AUXILIARY ACTIVITIES

The Church's auxiliary activities consist of a thrift shop, a gift shop, and other activities. Each activity is not incorporated and is wholly run by the Church. Auxiliary activities are included in the financial statements of the Church.

NOTE 14 – DEFINED CONTRIBUTION PLAN

The Church has established a tax-deferred annuity plan under section 403(b) of the Internal Revenue Code for lay employees. The plan provides for the matching of amounts contributed by the employees up to certain percentages of gross wages. A retirement plan is available for clergy through the Church Pension Fund, which is administered by the Episcopal Church. The Church contributes 18% of eligible clergy's compensation to the plan. The Church's contribution to these plans in 2023 is \$163,887 and in 2022 is \$135,459.

NOTE 15 – NEW ACCOUNTING GUIDANCE IMPLEMENTATION

As of January 1, 2022, the Church changed its accounting method for leases as a result of implementing the requirements in the Financial Accounting Standard Board's Accounting Standards Codification (ASC) 842, Leases, using the modified retrospective transition method. There was no cumulative effect adjustment to the Church's statement of financial position as of January 1, 2022.

The new lease guidance requires the recognition of a right-of-use asset and a lease liability for operating leases. The Church elected the package of practical expedients, which allowed, among other things, for not reassessing the lease classification or initial direct costs for existing leases. The Church has not elected the hindsight practical expedient.

Adoption of the new guidance did not have a significant impact to the statement of activities or cash flows for the year ended December 31, 2022.

NOTE 16 – EVALUATION OF SUBSEQUENT EVENTS

In preparing the audited financial statements, the Church has evaluated events and transactions for potential recognition or disclosure through May 22, 2024, the date that the audited financial statements were available to be issued. No events requiring disclosure were identified.