

**CHURCH OF THE PALMS – PRESBYTERIAN (U.S.A.), INC.**

**SARASOTA, FLORIDA**

**FINANCIAL STATEMENTS  
and  
INDEPENDENT AUDITOR'S REPORT  
YEAR ENDED DECEMBER 31, 2021**

**CHURCH OF THE PALMS – PRESBYTERIAN (U.S.A.), INC.**

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## **INDEPENDENT AUDITOR'S REPORT**

The Session  
**Church of the Palms - Presbyterian (U.S.A.), Inc.**  
Sarasota, Florida

### **Opinion**

We have audited the accompanying financial statements of Church of the Palms - Presbyterian (U.S.A.), Inc. (a nonprofit organization), which comprise the statement of financial position as of December 31, 2021 and the related statements of activities 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 Church of the Palms - Presbyterian (U.S.A.), Inc., 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 Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Church of the Palms - Presbyterian (U.S.A.), Inc. 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 the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the church's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

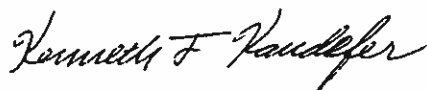
## **Auditor's Responsibilities for the Audit of the Financial Statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements, including omissions, are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the church's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the church's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.



Kenneth F. Kandefer  
Certified Public Accountant

Available for Release: August 12, 2022

Audit Release Date: November 29, 2022

**CHURCH OF THE PALMS - PRESBYTERIAN (U.S.A.), INC.**  
**STATEMENT OF ASSETS, LIABILITIES AND FUND BALANCES**  
**MODIFIED CASH BASIS**  
**DECEMBER 31, 2021**

**ASSETS**

Cash and Cash Equivalents (Note 2)	\$ 2,909,707
Property and Equipment	8,726,597
Accumulated Depreciation	(2,726,677)
Prepaid Insurance	77,323
Prepaid Other	2,859
	<u>8,989,809</u>
<b>TOTAL ASSETS</b>	<b><u>8,989,809</u></b>

**LIABILITIES**

Insurance Withholding	3,762
Prepaid Pledges and Tuition	24,084
	<u>27,846</u>
<b>TOTAL LIABILITIES</b>	<b><u>27,846</u></b>

**NET ASSETS**

Without Donor Restrictions	
General Funds	1,265,178
Designated Funds	735,873
Palms Preschool	111,682
Property and Equipment	5,999,920
With Donor Restrictions	849,310
	<u>8,961,963</u>
<b>TOTAL FUND BALANCES</b>	<b><u>8,961,963</u></b>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b><u>\$ 8,989,809</u></b>

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

**CHURCH OF THE PALMS - PRESBYTERIAN (U.S.A.), INC.**  
**STATEMENT OF SUPPORT, REVENUES, EXPENSES, CAPITAL ADDITIONS**  
**AND CHANGES IN FUND BALANCES**  
**MODIFIED CASH BASIS**  
**YEAR ENDED DECEMBER 31, 2021**

	WITHOUT DONOR RESTRICTIONS				WITH DONOR RESTRICTIONS	TOTAL ALL FUNDS
	OPERATING	DESIGNATED	PALMS PRESCHOOL	PROPERTY & EQUIPMENT		
<b>SUPPORT AND REVENUE</b>						
Contributions	\$ 3,195,778	\$ 21,800	\$ -	\$ -	\$ 577,877	\$ 3,795,455
Bequests	130,000	-	-	-	-	130,000
PPP Loan Forgiveness	441,141	-	-	-	-	441,141
Grants	-	50,000	-	-	216,000	266,000
Palms Preschool Income	-	-	1,005,466	-	-	1,005,466
Building Use and Reimbursements	2,400	-	-	-	-	2,400
Other Income	33,219	-	-	-	-	33,219
Expired and Satisfied Restrictions	1,112,304	(382,339)	-	-	(729,965)	-
<b>TOTAL SUPPORT AND REVENUE</b>	<b>4,914,842</b>	<b>(310,539)</b>	<b>1,005,466</b>	<b>-</b>	<b>63,912</b>	<b>5,673,681</b>
<b>EXPENSES</b>						
<b>Program Services</b>						
Personnel	1,053,553	-	842,794	-	-	1,896,347
Spiritual Community	131,526	-	-	-	-	131,526
Missions	162,661	-	-	-	-	162,661
Miscellaneous	3,703	-	-	-	-	3,703
Denominational	58,424	-	-	-	-	58,424
Designated Expenses	382,339	-	-	-	-	382,339
Restricted Expenses	100,862	-	-	-	-	100,862
Palms Preschool Expenses	-	-	21,574	-	-	21,574
<b>Support Services</b>						
Personnel	725,616	-	-	-	-	725,616
Spiritual Community	6,015	-	-	-	-	6,015
Organizational Community	712,470	-	-	-	-	712,470
Palms Preschool Expenses	-	-	45,066	-	-	45,066
Depreciation	-	-	-	327,850	-	327,850
<b>TOTAL EXPENSES</b>	<b>3,337,169</b>	<b>-</b>	<b>909,434</b>	<b>327,850</b>	<b>-</b>	<b>4,574,453</b>
<b>EXCESS (DEFICIT) SUPPORT AND REVENUE OVER EXPENSES</b>	<b>1,577,673</b>	<b>(310,539)</b>	<b>96,032</b>	<b>(327,850)</b>	<b>63,912</b>	<b>1,099,228</b>
<b>FUND BALANCES, Beginning of Year</b>	<b>908,802</b>	<b>427,911</b>	<b>15,650</b>	<b>5,698,667</b>	<b>765,186</b>	<b>7,816,216</b>
<b>OTHER CHANGES</b>						
Investment Income	15,404	-	-	-	-	15,404
<b>New Assets</b>	<b>(629,103)</b>	<b>-</b>	<b>-</b>	<b>629,103</b>	<b>-</b>	<b>-</b>
Prior Year Adjustments	31,115	-	-	-	-	31,115
Transfers	(638,713)	618,501	-	-	20,212	-
<b>FUND BALANCES, End of Year</b>	<b>\$ 1,265,178</b>	<b>\$ 735,873</b>	<b>\$ 111,682</b>	<b>\$ 5,999,920</b>	<b>\$ 849,310</b>	<b>\$ 8,961,963</b>

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

**Church of the Palms - Presbyterian (U.S.A.), Inc.**

**Statement of Functional Expenses  
Modified Cash Basis  
Year Ended December 31, 2021**

	<u>Program Services</u>	<u>Support Services</u>	<u>Preschool</u>	<u>Property Equipment Improvements</u>	<u>Total</u>
Pastors	\$ 557,425	\$ -	\$ -	\$ -	\$ 557,425
Spiritual Staff	299,590	-	-	-	299,590
Organizational Staff	-	625,008	-	-	625,008
Partnered Staff	51,761	-	-	-	51,761
Teaching Staff	-	-	632,724	-	632,724
Staff Benefits	144,477	100,609	210,070	-	455,156
Worship	48,512	-	-	-	48,512
Congregational Life	15,867	-	-	-	15,867
Children	11,520	-	-	-	11,520
Middle School	6,471	-	-	-	6,471
High School	24,887	-	-	-	24,887
Family Life	-	2,258	-	-	2,258
Hospitality	-	3,756	-	-	3,756
Health and Wellness	24,569	-	-	-	24,569
Administration	-	77,441	-	-	77,441
Finance	-	7,672	-	-	7,672
Facilities	-	527,128	-	-	527,128
Food Service	-	28,193	-	-	28,193
Media	-	18,049	-	-	18,049
Communications	-	53,987	-	-	53,987
Benevolences	23,000	-	-	-	23,000
Worldwide Missions	38,500	-	-	-	38,500
Local Missions	42,793	-	-	-	42,793
Sessions Missions	58,368	-	-	-	58,368
Presbytery	58,424	-	-	-	58,424
Consumables	-	-	16,521	-	16,521
Teaching Materials	-	-	4,079	-	4,079
Programs	-	-	974	-	974
Other School Expenses	3,703	-	45,066	-	48,769
Designated Expenses	382,339	-	-	-	382,339
Restricted Expenses	100,862	-	-	-	100,862
Depreciation	-	-	-	327,850	327,850
<b>Total expenses</b>	<b>\$ 1,893,068</b>	<b>\$ 1,444,101</b>	<b>\$ 909,434</b>	<b>\$ 327,850</b>	<b>\$ 4,574,453</b>

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

**CHURCH OF THE PALMS – PRESBYTERIAN (U.S.A.), INC.  
MODIFIED CASH BASIS  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED DECEMBER 31, 2021**

**NOTE 1 – NATURE OF OPERATION**

Church of the Palms – Presbyterian (U.S.A.), Inc. (the Church) is located in Sarasota, Florida, and is organized for the purpose of supporting worship of Almighty God and instruction in the Christian religion according to the Constitution of the Presbyterian Church (U.S.A.). The Church was established as a mission church in 1957.

The Early Childhood Center is now being referred to as the Palms Preschool which began in 1961 for basic education needs and became a full time childcare program in 1982.

**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Basis of Accounting**

The Church's policy is to prepare the financial statements on a modified cash basis of accounting; consequently, contributions and other revenues are recognized when received rather than when promised or earned, and certain expenses and purchases of assets are recognized when cash is disbursed rather than when the obligation is incurred.

Tuition payments are recognized when received. The Preschool bills parents in advance and these amounts have been recognized at year end as prepaid tuition..

**Property, Equipment and Improvements**

Acquisitions of property, equipment and improvements in excess of \$10,000 and that have a useful life of more than one year are capitalized. Property and equipment are carried at cost. The Church records the value of donated property when there is an objective basis available to measure the value. Donated property is reflected as other revenues in the accompanying statements at their estimated values at the date of receipt. Donated property not used for Church operations is held for sale and is not depreciated. Depreciation is computed on a straight-line basis over the useful lives of the assets generally as follows:

Equipment – 5 to 10 years  
Buildings – 40 years

**Revenue Recognition**

Contributions and gifts are recorded as income in the year received if not designated for the subsequent year.

Tuition is recorded when payment is received except for the year end.

**Income Taxes**

The Church is exempt from Federal income taxes, except for unrelated business income, under Internal Revenue Code Section 501(c)(3).



**CHURCH OF THE PALMS – PRESBYTERIAN (U.S.A.), INC.**  
**MODIFIED CASH BASIS**  
**NOTES TO FINANCIAL STATEMENTS**  
**YEAR ENDED DECEMBER 31, 2021**

**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)**

**Use of Estimates**

The preparation of financial statements on the modified cash basis requires the Church's management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

**Contributed Services**

The Church receives a substantial amount of services donated by its members in carrying out the Church's ministry. No amounts have been reflected in the financial statements for those services, since no objective basis is available to measure the value of such services.

**Cash and Cash Equivalents**

Cash and cash equivalents include all monies in banks and highly liquid investments with original maturity dates of less than three months. The carrying value of cash and cash equivalents approximates fair value due to the short maturities of those financial instruments.

**Functional Expenses**

Functional expenses have been allocated between ministries based on an analysis of personnel time and expenses for the related activities.

**Donated Assets**

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

**Restricted Funds**

To ensure observance of limitations and restrictions placed on contributions received for specific purposes, such contributions are recorded as restricted funds and may be expended only for the purpose specified at the time of contribution. Separate accounts are maintained for each fund; however, in the accompanying financial statements, funds that have similar characteristics have been combined into fund groups.

**Liquidity**

The Church has \$2,060,397 of cash and cash equivalents available within 1 year of the balance sheet date to meet cash needs for general expenditure. None of the financial assets are subject to donor or other contractual restrictions that make them unavailable for general expenditure within one year of the balance sheet date. The Church has a goal to maintain financial assets, which consist of cash and short-term investments, on hand to meet 60 days of normal operating expenses. The Church has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due. In addition, as part of its liquidity management, The Church invests some cash in excess of daily requirements in various short-term investments, including certificates of deposits.

**CHURCH OF THE PALMS – PRESBYTERIAN (U.S.A.), INC.  
MODIFIED CASH BASIS  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED DECEMBER 31, 2021**

**NOTE 3 – PROPERTY, EQUIPMENT AND IMPROVEMENTS**

Property, equipment and improvements consist of the following:

Buildings and Improvements	\$ 6,674,138
Vehicles	64,946
Office and Other Equipment	150,774
Media and Technology	343,144
Furniture and Fixtures	106,344
HVAC Equipment	419,352
Musical Equipment & Instruments	38,988
Improvements	<u>928,911</u>
	8,726,597
Less accumulated depreciation	<u>(2,726,677)</u>
	<u><u>\$ 5,999,920</u></u>

**NOTE 4 - RELATED PARTY TRANSACTIONS**

The Church paid \$21,218 for scholarships for the year ended December 31, 2021, to the Palms Preschool. This income is reflected in tuition income reported.

**NOTE 5 – UNINSURED CASH BALANCE**

The Church maintains cash balances at financial institutions located in Sarasota, Florida. Accounts at each financial institution are secured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000 per customer. There were \$1,428,762 in uninsured balances in excess of FDIC as of December 31, 2021.

**NOTE 6 – DATE OF MANAGEMENT REVIEW**

In preparing the financial statements, the Church has evaluated events and transactions for potential recognition or disclosure through the date indicated on the Auditor’s letter labeled “available for Issue” date.

**NOTE 7 – CENTER STATE PPP LOAN**

The Church received a loan from Center State bank to assist in the payment of payroll expenses during the time the Church was shut down due to COVID-19. This loan was forgiven in January 2021 and was recognized as income.

**CHURCH OF THE PALMS - PRESBYTERIAN (USA) INC.**  
**DONOR RESTRICTED FUND ACTIVITY -**  
**MODIFIED CASH BASIS**  
**YEAR ENDED DECEMBER 31, 2021**

<b>Donor Restricted</b>	<b>Beginning Balance</b>	<b>Contributions</b>	<b>Grants</b>	<b>Expenses</b>	<b>Transfers</b>	<b>Ending Balance</b>
Global Missions	\$ 5,579	\$ 150,692	\$ -	\$ (26,962)	\$ -	\$ 129,309
Student Director Seach	2,730	-	-	(2,730)	-	-
Music	13,564	24,870	-	(6,666)	(4,300)	27,468
Rustin Music & Arts Fund	5,107	1,425	-	(400)	-	6,132
Preschool Special	7,669	1,475	-	(6,724)	-	2,420
Preschool Tuition Assistance	3,948	-	-	(2,606)	-	1,342
Day of Hope	36,907	68,774	-	(83,172)	-	22,509
Media	13,755	18,740	-	(20,647)	-	11,848
Leadership Theology Educ	6,046	-	22,000	(26,026)	-	2,020
Communications Grant	488	-	-	-	(488)	-
College Ministry Grant	18,872	350	-	(1,543)	-	17,679
Wilkinson Mentoring	5,000	420	-	-	-	5,420
Back 40 Upgrades	-	4,000	170,000	-	25,000	199,000
Open Palms/Extra Mile Campaign	212,683	62,973	-	(191,338)	-	84,318
Speaker Series	21,847	250	10,000	(16,058)	-	16,039
2 Cents-A-Meal	3,358	2,511	-	(3,496)	-	2,373
Congregational Care	2,881	1,480	-	-	-	4,361
Presbyterian Women	5,260	10,755	-	(5,240)	-	10,775
Pastor's Discretionary	9,795	3,500	-	(2,420)	-	10,875
Student Sponsorship	46,996	53,431	-	(35,505)	-	64,922
Tutoring	18,243	272	-	(2,679)	-	15,836
Food Pantry	286,851	146,144	-	(262,721)	-	170,274
Flower Fund	18,809	8,495	-	(5,868)	-	21,436
Memorial Gardens	18,798	17,320	14,000	(27,164)	-	22,954
<b>Donor Restricted Total</b>	<b>\$ 765,186</b>	<b>\$ 577,877</b>	<b>\$ 216,000</b>	<b>\$ (729,965)</b>	<b>\$ 20,212</b>	<b>\$ 849,310</b>

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

CHURCH OF THE PALMS - PRESBYTERIAN (USA) INC.  
 BOARD DESIGNATED FUND ACTIVITY -  
 MODIFIED CASH BASIS  
 YEAR ENDED DECEMBER 31, 2021

Designated Funds	Beginning				Ending	
	Balance	Contributions	Grants	Disbursements		Transfers
Capital Reserve	\$ 378,278	\$ -	\$ -	\$ (172,480)	\$ 358,333	\$ 564,131
Employee Bonuses	6,400	-	-	(6,400)	10,000	10,000
New Ministry Initiative	4,600	21,000	-	(41,422)	81,071	65,249
Global Partners	-	-	-	(50,000)	100,000	50,000
Session Missions	-	-	50,000	(100,000)	50,000	-
Advent Dinner	550	800	-	(1,350)	-	-
Martha Church Estate	16,071	-	-	-	(16,071)	-
Digital Ministry	-	-	-	(7,000)	25,000	18,000
Music Ministry	-	-	-	-	10,000	10,000
Sabbatical Leave	22,012	-	-	(3,687)	-	18,325
In/Out Funds	-	-	-	-	168	168
<b>Designated Total</b>	<b>\$ 427,911.14</b>	<b>\$ 21,800.00</b>	<b>\$ 50,000.00</b>	<b>\$ (382,339)</b>	<b>\$ 618,501</b>	<b>\$ 735,873</b>

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