

PENNSYLVANIA SOUTHEAST CONFERENCE  
OF THE UNITED CHURCH OF CHRIST



***PENNSYLVANIA SOUTHEAST CONFERENCE OF  
THE UNITED CHURCH OF CHRIST***

**FINANCIAL STATEMENTS AND  
SUPPLEMENTARY INFORMATION**

**Years Ended December 31, 2015 and 2014**

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## **INDEPENDENT AUDITOR'S REPORT**

**To the Conference Consistory  
Pennsylvania Southeast Conference of the United Church of Christ  
Pottstown, Pennsylvania**

We have audited the accompanying financial statements of Pennsylvania Southeast Conference of the United Church of Christ (a nonprofit organization), which comprise the statements of financial position as of December 31, 2015 and 2014, and the related statements of activities and cash flows for the years then ended, and the related notes to the financial statements.

### **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.

### **Auditor's Responsibility**

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

## Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Pennsylvania Southeast Conference of the United Church of Christ as of December 31, 2015 and 2014, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

## Supplementary Information

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedules of investments, special funds are presented for purposes of additional analysis and are not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepting in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

*Herbein + Company, Inc.*

**Reading, Pennsylvania  
May 5, 2016**

**PENNSYLVANIA SOUTHEAST CONFERENCE  
OF THE UNITED CHURCH OF CHRIST**

**STATEMENTS OF FINANCIAL POSITION**

	December 31	
	2015	2014
<b>ASSETS</b>		
<b>CURRENT ASSETS</b>		
Cash	\$ 193,379	\$ 312,321
Restricted cash	289,102	271,695
Contributions receivable	218,639	224,632
Prepaid expenses and other current assets	<u>55,718</u>	<u>13,958</u>
<b>TOTAL CURRENT ASSETS</b>	756,838	822,606
<b>PROPERTY AND EQUIPMENT</b> , less accumulated depreciation of \$160,358 in 2015 and \$154,994 in 2014	13,844	8,672
<b>INVESTMENTS</b>		
Investments	1,024,527	921,910
Restricted investments	<u>676,354</u>	<u>775,396</u>
<b>TOTAL INVESTMENTS</b>	1,700,881	1,697,306
<b>OTHER ASSETS</b>		
Security deposit	<u>3,000</u>	<u>3,000</u>
<b>TOTAL ASSETS</b>	<u><u>\$ 2,474,563</u></u>	<u><u>\$ 2,531,584</u></u>
<b>LIABILITIES AND NET ASSETS</b>		
<b>CURRENT LIABILITIES</b>		
Accounts payable and accrued expenses	\$ 98,733	\$ 118,458
Accrued payroll and payroll taxes	<u>7,225</u>	<u>6,674</u>
<b>TOTAL CURRENT LIABILITIES</b>	<u>105,958</u>	<u>125,132</u>
<b>TOTAL LIABILITIES</b>	105,958	125,132
<b>NET ASSETS</b>		
Unrestricted	1,403,149	1,359,362
Temporarily restricted	316,993	302,094
Permanently restricted	<u>648,463</u>	<u>744,996</u>
<b>TOTAL NET ASSETS</b>	<u>2,368,605</u>	<u>2,406,452</u>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<u><u>\$ 2,474,563</u></u>	<u><u>\$ 2,531,584</u></u>

See accompanying notes.

**PENNSYLVANIA SOUTHEAST CONFERENCE  
OF THE UNITED CHURCH OF CHRIST**

**STATEMENTS OF ACTIVITIES**

	Year Ended December 31, 2015				Year Ended December 31, 2014			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
<b>REVENUES AND OTHER SUPPORT</b>								
Contributions	\$ 765,183	\$ 22,929	\$ -	\$ 788,112	\$ 802,838	\$ 14,466	\$ -	\$ 817,304
Contributions - Our Churches Wider								
Mission National	95,650	-	-	95,650	93,120	-	-	93,120
Other program income	87,520	-	-	87,520	91,075	-	-	91,075
Investment income	31,810	1,474	95,504	128,788	43,153	886	27,603	71,642
Unrealized gain (loss) on investments	(43,565)	(1,496)	(151,456)	(196,517)	13,485	117	41,069	54,671
Net assets released from restriction	8,008	(8,008)	-	-	100,566	(100,566)	-	-
Transfer 6% earnings	40,581	-	(40,581)	-	37,062	-	(37,062)	-
<b>TOTAL REVENUES AND OTHER SUPPORT</b>	<b>985,187</b>	<b>14,899</b>	<b>(96,533)</b>	<b>903,553</b>	<b>1,181,299</b>	<b>(85,097)</b>	<b>31,610</b>	<b>1,127,812</b>
<b>EXPENSES</b>								
Program expenses:								
Church and ministry	516,971	-	-	516,971	609,611	-	-	609,611
Contributions - Our Churches Wider								
Mission National	95,650	-	-	95,650	93,120	-	-	93,120
Depreciation and amortization	5,364	-	-	5,364	4,488	-	-	4,488
Management and general	323,415	-	-	323,415	338,947	-	-	338,947
Interest expense	-	-	-	-	48,393	-	-	48,393
<b>TOTAL EXPENSES</b>	<b>941,400</b>	<b>-</b>	<b>-</b>	<b>941,400</b>	<b>1,094,559</b>	<b>-</b>	<b>-</b>	<b>1,094,559</b>
<b>INCOME (LOSS) PRIOR TO DISPOSAL OF LONG-LIVED ASSETS</b>	<b>43,787</b>	<b>14,899</b>	<b>(96,533)</b>	<b>(37,847)</b>	<b>86,740</b>	<b>(85,097)</b>	<b>31,610</b>	<b>33,253</b>
<b>DISPOSAL OF LONG-LIVED ASSETS</b>								
Loss on sale of Mensch Mill Camp	-	-	-	-	(337,105)	-	-	(337,105)
Loss on transfer of Bethel Church	-	-	-	-	(3,705)	-	-	(3,705)
<b>CHANGE IN NET ASSETS</b>	<b>43,787</b>	<b>14,899</b>	<b>(96,533)</b>	<b>(37,847)</b>	<b>(254,070)</b>	<b>(85,097)</b>	<b>31,610</b>	<b>(307,557)</b>
<b>NET ASSETS AT BEGINNING OF YEAR</b>	<b>1,359,362</b>	<b>302,094</b>	<b>744,996</b>	<b>2,406,452</b>	<b>1,613,432</b>	<b>387,191</b>	<b>713,386</b>	<b>2,714,009</b>
<b>NET ASSETS AT END OF YEAR</b>	<b>\$ 1,403,149</b>	<b>\$ 316,993</b>	<b>\$ 648,463</b>	<b>\$ 2,368,605</b>	<b>\$ 1,359,362</b>	<b>\$ 302,094</b>	<b>\$ 744,996</b>	<b>\$ 2,406,452</b>

See accompanying notes.

**PENNSYLVANIA SOUTHEAST CONFERENCE  
OF THE UNITED CHURCH OF CHRIST**

**STATEMENTS OF CASH FLOWS**

	Year Ended December 31	
	2015	2014
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Change in net assets	\$ (37,847)	\$ (307,557)
Adjustments to reconcile change in net assets to net cash from operating activities:		
Depreciation	5,364	4,488
Unrealized (gain) loss on investments	196,517	(54,671)
(Gain) loss on disposal of property and equipment	-	340,810
Change in:		
Contributions receivable	5,993	21,121
Prepaid expenses and other current assets	(41,760)	14,315
Loan fees	-	7,975
Accounts payable and accrued expenses	(19,725)	(14,030)
Accrued payroll and payroll taxes	551	(9,371)
	109,093	3,080
<b>NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</b>	<b>109,093</b>	<b>3,080</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchases of property and equipment	(10,536)	-
Proceeds from sale of property and equipment	-	1,125,000
Change in investments	(200,092)	203,900
	(210,628)	1,328,900
<b>NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES</b>	<b>(210,628)</b>	<b>1,328,900</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Principal payments on long-term debt	-	(1,306,392)
	-	(1,306,392)
<b>NET INCREASE (DECREASE) IN CASH</b>	<b>(101,535)</b>	<b>25,588</b>
<b>CASH AT BEGINNING OF YEAR</b>	<b>584,016</b>	<b>558,428</b>
<b>CASH AT END OF YEAR</b>	<b>\$ 482,481</b>	<b>\$ 584,016</b>
<b>RECONCILIATION OF CASH</b>		
Cash	\$ 193,379	\$ 312,321
Restricted cash	289,102	271,695
	<b>\$ 482,481</b>	<b>\$ 584,016</b>
<b>SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION</b>		
Cash paid during the year for interest	\$ -	\$ 48,393

See accompanying notes.

**PENNSYLVANIA SOUTHEAST CONFERENCE OF THE UNITED CHURCH OF CHRIST**

**NOTES TO FINANCIAL STATEMENTS**

**December 31, 2015 and 2014**

Pennsylvania Southeast Conference (the "Conference") is an association of various churches with a mission to extend the ministry, witness, and outreach of the United Church of Christ in the Conference area.

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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**Basis of Accounting**

These financial statements have been prepared on the accrual basis and, accordingly, reflect all significant receivables, payables, and other liabilities.

**Use of Estimates**

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts 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.

**Financial Statement Presentation**

The Conference reports information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets.

**Contributions and Contributions Receivable**

Contributions that are restricted by the donor are reported as increases in unrestricted net assets if the restrictions expire (that is, when a stipulated time restriction ends or purpose restriction is accomplished) in the reporting period in which the revenue is recognized. All other donor-restricted contributions are reported as increases in temporarily or permanently restricted net assets, depending on the nature of the restrictions. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

Contributions receivable at December 31 represent funds received from various churches early in the following year which were earmarked for the prior year.

**Revenues and Receivables**

Support received from grantors or from fees for programs is recorded as revenue when the related costs are met or services provided. Amounts received in advance are recorded as deferred revenues. Amounts earned but not received are recorded as grants or contributions receivable. The Conference provides for losses on grants or accounts receivable using the allowance method. Receivables are considered impaired if full payments are not received based on the actual billing. The Conference charges off uncollectible accounts receivable when management determines the receivable will not be collected.



**PENNSYLVANIA SOUTHEAST CONFERENCE OF THE UNITED CHURCH OF CHRIST**

**NOTES TO FINANCIAL STATEMENTS**

**December 31, 2015 and 2014**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED**

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**Cash Balances**

At various times during the years, the Conference's cash in bank balances exceeded the federally insured limits.

**Property and Equipment**

Property and equipment are recorded at historical cost or estimated cost or fair market value at the date of contribution, in the case of gifts, and are depreciated over their estimated useful lives. Equipment, furniture, and fixtures are depreciated over five to 10 years, and buildings and improvements are depreciated over 40 years. Repairs and maintenance are expensed as incurred.

**Donated Materials and Services**

Donated materials and services are reflected as contributions in the Conference's statements at their estimated values at date of receipt. No amounts have been reflected in the statements for donated services, since no objective basis is available to measure the value of such services; however, a substantial number of volunteers have donated significant amounts of their time in the Conference's fundraising campaigns.

**Spending Policy**

The Conference has an approved spending policy that allows the operating fund to receive and utilize six percent of the investment fund balance annually. Usually this is done in three percent withdrawals twice a year (June and December).

**Tax-Exempt Status**

The Conference is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code.

**Subsequent Events**

In preparing these financial statements, the Conference has evaluated events and transactions for potential recognition through May 5, 2016, the date the financial statements were available to be issued.

PENNSYLVANIA SOUTHEAST CONFERENCE OF THE UNITED CHURCH OF CHRIST

NOTES TO FINANCIAL STATEMENTS

December 31, 2015 and 2014

**NOTE 2 - INVESTMENTS**

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The Conference records investments at market value (quoted market price). For the years ended December 31, 2015 and 2014, unrealized losses of \$196,517 and unrealized gains of \$54,671, respectively, were recorded.

The following table represents investments held at December 31:

	2015		2014	
	Market Value	Book Value	Market Value	Book Value
Cash equivalents	\$ 15,360	\$ 15,360	\$ 13,635	\$ 13,635
Stocks and mutual funds:				
Common stocks	162,717	67,970	218,465	64,793
Mututal funds	1,522,804	1,173,543	1,465,206	1,116,691
	<u>1,685,521</u>	<u>1,241,513</u>	<u>1,683,671</u>	<u>1,181,484</u>
Total Investments	<u>\$ 1,700,881</u>	<u>\$ 1,256,873</u>	<u>\$ 1,697,306</u>	<u>\$ 1,195,119</u>

Marketable securities are in the custody of the financial institutions contracted by Pennsylvania Southeast Conference of the United Church of Christ to advise the trustees on investment decisions.

There are no securities whose market value represents more than five percent of net assets at December 31, 2015 and 2014.

**NOTE 3 - FAIR VALUE OF FINANCIAL INSTRUMENTS**

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The Conference, in accordance with generally accepted accounting principles, has applied fair value measurement and disclosure in these financial statements as follows:

The primary effect of fair value measurement on the Conference was to expand the required disclosures pertaining to the methods used to determine fair value.

**PENNSYLVANIA SOUTHEAST CONFERENCE OF THE UNITED CHURCH OF CHRIST**

**NOTES TO FINANCIAL STATEMENTS**

**December 31, 2015 and 2014**

**NOTE 3 - FAIR VALUE OF FINANCIAL INSTRUMENTS - CONTINUED**

Generally accepted accounting principles establishes a fair value hierarchy that prioritizes the inputs to valuation methods used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lower priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy are as follows:

- Level 1:* Unadjusted quoted prices in active markets are accessible at the measurement date for identical, unrestricted assets or liabilities.
- Level 2:* Quoted prices in markets that are not active, or inputs that are observable either directly or indirectly, for substantially the full term of the asset or liability.
- Level 3:* Prices or valuation techniques that require inputs that are both significant to the fair value measurement and unobservable (i.e., supported with little or no market activity).

An asset's or liability's level within the fair value hierarchy is based on the lowest level of input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

The following tables, set forth by level, within the fair value hierarchy. The fair value as of December 31, 2015 and 2014:

Description	December 31, 2015	(Level 1) Quoted Prices in Active Markets for Identical Assets	(Level 2) Significant Other Observable Inputs	(Level 3) Significant Unobservable Inputs
Cash equivalents	\$ 15,360	\$ 15,360	\$ -	\$ -
Common stock	162,717	162,717	-	-
Mutual funds	1,522,804	1,522,804	-	-
Total fair value measurements	<u>\$ 1,700,881</u>	<u>\$ 1,700,881</u>	<u>\$ -</u>	<u>\$ -</u>

PENNSYLVANIA SOUTHEAST CONFERENCE OF THE UNITED CHURCH OF CHRIST

NOTES TO FINANCIAL STATEMENTS

December 31, 2015 and 2014

NOTE 3 - FAIR VALUE OF FINANCIAL INSTRUMENTS - CONTINUED

Description	December 31, 2014	(Level 1) Quoted Prices in Active Markets for Identical Assets	(Level 2) Significant Other Observable Inputs	(Level 3) Significant Unobservable Inputs
Cash equivalents	\$ 13,635	\$ 13,635	\$ -	\$ -
Common stock	218,465	218,465	-	-
Mutual funds	<u>1,465,206</u>	<u>1,465,206</u>	-	-
Total fair value measurements	<u>\$ 1,697,306</u>	<u>\$ 1,697,306</u>	<u>\$ -</u>	<u>\$ -</u>

The following information should not be interpreted as an estimate of the fair value of the entire Conference since a fair value calculation is only provided for a limited portion of the Conference's assets and liabilities. Due to a wide range of valuation techniques and the degree of subjectivity used in making the estimates, comparisons between the Conference's disclosures and those of other companies may not be meaningful. The following methods and assumptions were used to estimate the fair value of the Conference's financial instruments at December 31, 2015 and 2014:

**Cash and cash equivalents:** The carrying amounts approximate fair value because of the short maturity of these instruments.

**Common stock:** Valued at the closing price reported in the active market in which the individual security is traded (Level 1).

**Mutual funds:** Valued at closing price reported in the active market in which the individual securities are traded (Level 1).

PENNSYLVANIA SOUTHEAST CONFERENCE OF THE UNITED CHURCH OF CHRIST

NOTES TO FINANCIAL STATEMENTS

December 31, 2015 and 2014

**NOTE 4 - PROPERTY AND EQUIPMENT/LONG-LIVED ASSETS TO BE DISPOSED**

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A summary of property and equipment at December 31 is as follows:

	<u>2015</u>	<u>2014</u>
Furniture and fixtures	\$ 174,202	\$ 163,666
Less accumulated depreciation	<u>(160,358)</u>	<u>(154,994)</u>
	<u>\$ 13,844</u>	<u>\$ 8,672</u>

In late 2012, the Conference voted to sell the Collegeville Church House property and the Mensch Mill Camp property. In 2013, the Collegeville Church House was sold for \$950,000 resulting in a gain on the sale of the property of \$263,114. In 2013, Mensch Mill Camp activities and programs were curtailed. At December 31, 2013 the Mensch Mill Camp property was available for sale and an impairment loss, totaling \$684,415, was recognized. On September 23, 2014, the Conference sold the Mensch Mill Camp property to an unrelated third party for \$1,125,000 resulting in a loss on the sale of the property of \$337,105, bringing the total decline in the value of the property to \$1,021,520.

On June 12, 2014, the Conference transferred the Bethel Church property to the Church resulting in a loss on the transfer of the property of \$3,705. In addition to the property, the Conference also transferred \$36,992 that was restricted for the property to the Church.

**NOTE 5 - OUR CHURCH'S WIDER MISSION/RELATED PARTY TRANSACTIONS**

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The Conference serves as a conduit for donations received for Our Church's Wider Mission. The Conference has the availability to use the money received for Conference expenses incurred. For the years ended December 31, 2015 and 2014, total contributions received for Our Church's Wider Mission were \$844,377 and \$885,432, respectively. The aggregate contribution to the National United Church of Christ was \$95,650 and \$93,120, respectively, for the years ended December 31, 2015 and 2014.

**PENNSYLVANIA SOUTHEAST CONFERENCE OF THE UNITED CHURCH OF CHRIST**

**NOTES TO FINANCIAL STATEMENTS**

**December 31, 2015 and 2014**

**NOTE 6 - TEMPORARILY RESTRICTED NET ASSETS**

Temporarily restricted net assets at December 31 consisted of contributions restricted for the following purposes:

	<u>2015</u>	<u>2014</u>
Local church ministries	\$ 32,191	\$ 34,691
Ensuring the future	58,902	58,902
Ecumenical relations savings	2,500	-
Church development	86,229	84,069
2020 Vision scholarship	1,000	-
Interim minister training	2,538	2,538
Mass incarceration project	812	-
Zion disaster response ministries	6,911	6,911
Spring meeting scholarship	2,035	-
Goldbeck	83,931	75,531
National Youth Event	7,500	1,500
Camper scholarship	4,553	7,553
St. John's Philadelphia Dissolution	27,891	30,399
	<u>\$ 316,993</u>	<u>\$ 302,094</u>

Temporarily restricted net assets are released from donor restrictions when the reason for the restriction is met. Net assets released from restrictions for the year ended December 31 are as follows:

	<u>2015</u>	<u>2014</u>
Local church ministries	\$ 2,500	\$ 26,001
Church development	-	53,894
Mensch Mill	-	19,484
Camper scholarship	3,000	426
St. John's Philadelphia Dissolution	2,508	761
	<u>\$ 8,008</u>	<u>\$ 100,566</u>

**PENNSYLVANIA SOUTHEAST CONFERENCE OF THE UNITED CHURCH OF CHRIST**

**NOTES TO FINANCIAL STATEMENTS**

**December 31, 2015 and 2014**

**NOTE 7 - PERMANENTLY RESTRICTED NET ASSETS/ENDOWMENT**

Permanently restricted net assets for the years ended December 31, 2015 and 2014 are net assets subject to donor-imposed endowment restrictions requiring the net assets be maintained in perpetuity as follows:

	<u>2015</u>	<u>2014</u>
Church development	\$ 214,288	\$ 233,551
Education and nurturing	65,829	70,181
Mission and outreach	150,415	203,287
Outdoor and retreat	27,769	37,478
Retirees	6,348	6,919
Conference administration	<u>183,814</u>	<u>193,580</u>
	<u>\$ 648,463</u>	<u>\$ 744,996</u>

Endowment Net Asset Composition by Type of Funds as of December 31:

	<u>2015</u>	<u>2014</u>
Donor-restricted endowment funds	<u>\$ 648,463</u>	<u>\$ 744,996</u>

**Changes in Endowment Net Assets for the Fiscal Year Ended December 31:**

Endowment net assets, beginning of year	\$ 744,996	\$ 713,386
Investment return:		
Investment income	95,504	27,603
Net appreciation (depreciation) (unrealized)	<u>(151,456)</u>	<u>41,069</u>
Total investment return	(55,952)	68,672
Contributions	-	-
Transfers (based on spending policy)	<u>(40,581)</u>	<u>(37,062)</u>
Endowment net assets, end of year	<u>\$ 648,463</u>	<u>\$ 744,996</u>

The Conference complies with the disclosure provisions of FASB ASC 958-205 and subsections, *Endowments of Not-for-Profit Organizations: Net Asset Classification of Funds Subject to an Enacted Version of the Uniform Prudent Management of Institutional Funds Act, and Enhanced Disclosures for All Endowment Funds.*

**PENNSYLVANIA SOUTHEAST CONFERENCE OF THE UNITED CHURCH OF CHRIST**

**NOTES TO FINANCIAL STATEMENTS**

**December 31, 2015 and 2014**

**NOTE 7 - PERMANENTLY RESTRICTED NET ASSETS/ENDOWMENT - CONTINUED**

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The Commonwealth of Pennsylvania has not adopted the Uniform Management of Institutional Funds Act (UMIFA) or the Uniform Prudent Management of Institutional Funds Act (UPMIFA). Rather, the Pennsylvania Uniform Principal and Income Act (Pennsylvania Act) governs the investment, use, and management of the Conference's endowment funds. The Pennsylvania Act does not require the preservation of the fair value of a donor's original gift as of the gift date of an interpretation of the Pennsylvania Act and relevant accounting literature, the Conference classifies as permanently restricted net assets for reporting purposes; (i) the original value of gifts donated to the permanent endowment; (ii) the original value of subsequent gifts to the permanent endowment; and (iii) 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 Pennsylvania Act allows a nonprofit to elect to appropriate for expenditure between two percent and seven percent of the endowment's fair value, determined at least annually and averaged over a period of three or more preceding years.

The spending policy for the Conference is disclosed in Note 1.

**NOTE 8 - RETIREMENT PLAN**

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All ministers and employees eligible may participate in the Annuity Plan described in Section 403(b)(9) of the Internal Revenue Code of 1986. A church or an employer (the Conference) may make contributions to the Plan on behalf of eligible ministers or employees. Contributions made to the Plan were \$40,405 and \$39,767 for the years ended December 31, 2015 and 2014, respectively.



PENNSYLVANIA SOUTHEAST CONFERENCE OF THE UNITED CHURCH OF CHRIST

NOTES TO FINANCIAL STATEMENTS

December 31, 2015 and 2014

NOTE 9 - LEASE COMMITMENTS

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The Conference entered into operating leases for office space in April 2013. The lease is for a five-year term beginning May 1, 2013 and ending May 31, 2018. The lease is then renewable for a period of three years. Base rent for year one is \$36,000 with a two percent increase each subsequent year. The Conference also entered into a five-year equipment lease with monthly payments of \$361. Minimum annual rental commitments under the leases are as follows for the years ending December 31:

2016	\$	42,224
2017		41,898
2018		<u>16,236</u>
	\$	<u>100,358</u>

Rent expense for the years ended December 31, 2015 and 2014 totaled \$43,147 and \$41,351, respectively.

**SUPPLEMENTARY INFORMATION**

**PENNSYLVANIA SOUTHEAST CONFERENCE  
OF THE UNITED CHURCH OF CHRIST**

**SCHEDULE OF INVESTMENTS, SPECIAL FUNDS**

**Year Ended December 31, 2015**

	Market Value December 31, 2014	Investment Income	Contributions	Net Transfers from Operating and Special Funds	Unrealized Gain (Loss)	Market Value December 31, 2015
First Christian Building	\$ 159,568	\$ 4,323	\$ -	\$ (9,547)	\$ (7,944)	\$ 146,400
Mission in the 80's - Dunkel's Church	7,252	253	-	(424)	(418)	6,663
Mount Hermon	12,644	404	-	(757)	(690)	11,601
Park Church Endowment	54,089	1,803	-	(3,241)	(3,029)	49,622
Church Development	156,769	5,117	-	(9,381)	(8,672)	143,833
Continuing Education	1,152	40	-	(67)	(66)	1,059
Reading Classis	24,436	299	-	-	(900)	23,835
Shetler Theological Students	11,896	378	-	(712)	(648)	10,914
Shetler Campus Ministry	4,487	160	-	(268)	(262)	4,117
Arcadia Make a Difference	143,742	3,574	-	(12,087)	(6,801)	128,428
Church and Ministry	1,664	59	-	(100)	(97)	1,526
Paul Slinghoff Memorial	1,176	42	-	(70)	(69)	1,079
Cheryl and Sancho Robinson	19,620	655	-	(1,149)	(1,101)	18,025
Emergency Reserve	8,253	269	-	(483)	(456)	7,583
Disaster Fund Savings	58,774	2,063	-	(3,443)	(3,398)	53,996
Outdoor and Retreat	17,712	546	-	(1,060)	(948)	16,250
Shetler Retirees Fund	4,161	144	-	(249)	(238)	3,818
Unrestricted Endowment	1,751	72	16,193	(102)	(569)	17,345
Make a Difference - Conference	3,740	96	-	(223)	(181)	3,432
Spatz - Retirees	2,759	94	-	(165)	(156)	2,532
Spatz - Education and Nurturing	7,553	254	-	(452)	(425)	6,930
Spatz - Conference Administration	1,206	41	-	(72)	(68)	1,107
Executive Staff - Continuing Education	2,188	74	-	(131)	(124)	2,007
Retirees Unrestricted Fund	1,175	33	-	(69)	(59)	1,080
Mensch Mill Development	128	4	-	(8)	(6)	118
St. John's of Philadelphia - Dissolution	30,399	807	-	(1,819)	(1,496)	27,891
New Ministries Fund	145,180	1,843	-	7,500	(5,934)	148,589
Charles Yetter Endowment	6,216	103	-	(307)	417	6,429
Heidelberg Endowment	203,288	5,919	-	(10,242)	(48,550)	150,415
Richard Wentzel Endowment	19,636	285	-	(923)	(7,598)	11,400
Nationwide Fund Class D	201,256	13,075	-	(18,156)	(10,681)	185,494
Anna M. Goldbeck - Irrevocable Trust	171,598	79,565	-	(10,959)	(77,546)	162,658
John Z. Zeller - Irrevocable Trust	17,036	209	-	-	(627)	16,618
Investing in the Future	148,138	1,813	-	-	(5,458)	144,493
Church Builders' Bonus Investment	-	3,078	-	135,000	-	138,078
General Savings	46,664	571	-	-	(1,719)	45,516
	<u>\$ 1,697,306</u>	<u>\$ 128,065</u>	<u>\$ 16,193</u>	<u>\$ 55,834</u>	<u>\$ (196,517)</u>	<u>\$ 1,700,881</u>

**PENNSYLVANIA SOUTHEAST CONFERENCE  
OF THE UNITED CHURCH OF CHRIST**

**SCHEDULE OF INVESTMENTS, SPECIAL FUNDS**

**Year Ended December 31, 2014**

	Market Value December 31, 2013	Investment Income	Contributions	Net Transfers from Operating and Special Funds	Unrealized Gain (Loss)	Market Value December 31, 2014
First Christian Building	\$ 163,561	\$ 4,733	\$ -	\$ (9,252)	\$ 526	\$ 159,568
Mission in the 80's - Dunkel's Church	7,410	262	-	(395)	(25)	7,252
Mount Hermon	12,961	434	-	(734)	(17)	12,644
Park Church Endowment	55,441	1,929	-	(3,136)	(145)	54,089
Church Development	160,691	5,492	-	(9,090)	(324)	156,769
Continuing Education	1,177	42	-	(63)	(4)	1,152
Reading Classis	23,687	335	-	-	414	24,436
Shetler Theological Students	12,193	407	-	(690)	(14)	11,896
Shetler Campus Ministry	4,599	170	-	(260)	(22)	4,487
Arcadia Make a Difference	151,497	4,298	-	(12,677)	624	143,742
Church and Ministry	1,705	63	-	(96)	(8)	1,664
Paul Slinghoff Memorial	1,205	45	-	(68)	(6)	1,176
Cheryl and Sancho Robinson	20,049	683	-	(1,071)	(41)	19,620
Emergency Reserve	8,433	281	-	(450)	(11)	8,253
Disaster Fund Savings	60,060	2,140	-	(3,209)	(217)	58,774
Outdoor and Retreat	18,155	589	-	(1,027)	(5)	17,712
Shetler Retirees Fund	4,265	154	-	(241)	(17)	4,161
Unrestricted Endowment	1,786	64	-	(94)	(5)	1,751
Make a Difference - Conference	3,834	106	-	(217)	17	3,740
Spatz - Retirees	2,828	100	-	(160)	(9)	2,759
Spatz - Education and Nurturing	7,742	272	-	(438)	(23)	7,553
Spatz - Conference Administration	1,236	44	-	(70)	(4)	1,206
Executive Staff - Continuing Education	2,242	80	-	(127)	(7)	2,188
Retirees Unrestricted Fund	1,201	34	-	(64)	4	1,175
Mensch Mill Development	132	3	-	(7)	-	128
St. John's of Philadelphia - Dissolution	31,160	885	-	(1,763)	117	30,399
New Ministries Fund	521,011	22,937	-	(397,250)	(1,518)	145,180
Charles Yetter Endowment	5,558	120	-	(267)	805	6,216
Heidelberg Endowment	174,243	6,029	-	(8,495)	31,511	203,288
Richard Wentzel Endowment	16,102	211	-	(698)	4,021	19,636
Nationwide Fund Class D	187,665	5,328	-	(9,342)	17,605	201,256
Anna M. Goldbeck - Irrevocable Trust	166,171	10,829	-	(10,027)	4,625	171,598
John Z. Zeller - Irrevocable Trust	16,535	233	-	(17)	285	17,036
Investing in the Future	-	770	-	150,000	(2,632)	148,138
General Savings	-	243	-	47,250	(829)	46,664
	<u>\$ 1,846,535</u>	<u>\$ 70,345</u>	<u>\$ -</u>	<u>\$ (274,245)</u>	<u>\$ 54,671</u>	<u>\$ 1,697,306</u>