



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, 2020 and 2019

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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, 2020 and 2019, and the related statements of activities, functional expenses, 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 in the first paragraph present fairly, in all material respects, the financial position of Pennsylvania Southeast Conference of the United Church of Christ as of December 31, 2020 and 2019, 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
April 27, 2021**

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

STATEMENTS OF FINANCIAL POSITION

	December 31	
	2020	2019
ASSETS		
CURRENT ASSETS		
Cash	\$ 421,805	\$ 59,412
Restricted cash	141,545	136,815
Contributions receivable	232,561	214,135
Prepaid expenses and other current assets	<u>15,979</u>	<u>13,066</u>
TOTAL CURRENT ASSETS	811,890	423,428
FURNITURE AND EQUIPMENT , less accumulated depreciation of \$98,133 in 2020 and \$96,034 in 2019	-	2,099
INVESTMENTS		
Investments	1,734,594	1,785,284
Restricted investments	<u>1,348,534</u>	<u>1,247,271</u>
TOTAL INVESTMENTS	3,083,128	3,032,555
OTHER ASSETS		
Security deposit	<u>3,000</u>	<u>3,000</u>
TOTAL ASSETS	<u>\$ 3,898,018</u>	<u>\$ 3,461,082</u>
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable and accrued expenses	\$ 65,663	\$ 60,746
Accrued payroll and payroll taxes	25,311	21,333
Deferred revenue	-	7,245
Paycheck protection program loan	<u>92,308</u>	<u>-</u>
TOTAL CURRENT LIABILITIES	<u>183,282</u>	<u>89,324</u>
TOTAL LIABILITIES	183,282	89,324
NET ASSETS		
Without donor restrictions	1,992,972	1,987,672
With donor restrictions:		
Purpose restrictions	898,453	629,789
Restricted in perpetuity	<u>823,311</u>	<u>754,297</u>
Total with donor restrictions	<u>1,721,764</u>	<u>1,384,086</u>
TOTAL NET ASSETS	<u>3,714,736</u>	<u>3,371,758</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 3,898,018</u>	<u>\$ 3,461,082</u>

See accompanying notes.

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

STATEMENTS OF ACTIVITIES

	Year Ended December 31, 2020			Year Ended December 31, 2019		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
REVENUES AND OTHER SUPPORT						
Contributions	\$ 743,070	\$ 16,495	\$ 759,565	\$ 802,990	\$ 47,670	\$ 850,660
Contributions - Our Churches Wider Mission National	84,966	-	84,966	82,700	-	82,700
Program income	26,531	-	26,531	90,085	-	90,085
Investment return, net	138,973	127,671	266,644	257,929	165,054	422,983
Net assets released from restriction	12,670	(12,670)	-	33,541	(33,541)	-
Transfer earnings (3% in 2020 and 4% in 2019)	25,502	(25,502)	-	32,156	(32,156)	-
TOTAL REVENUES AND OTHER SUPPORT	1,031,712	105,994	1,137,706	1,299,401	147,027	1,446,428
EXPENSES						
Program expenses:						
Church and ministry	681,438	-	681,438	760,572	-	760,572
Management and general	344,974	-	344,974	343,501	-	343,501
TOTAL EXPENSES	1,026,412	-	1,026,412	1,104,073	-	1,104,073
CHANGE IN NET ASSETS BEFORE CHURCH CLOSURE FUNDS	5,300	105,994	111,294	195,328	147,027	342,355
CHURCH CLOSURE FUNDS	-	231,684	231,684	-	148,598	148,598
CHANGE IN NET ASSETS AFTER CHURCH CLOSURE FUNDS	5,300	337,678	342,978	195,328	295,625	490,953
NET ASSETS AT BEGINNING OF YEAR	1,987,672	1,384,086	3,371,758	1,792,344	1,088,461	2,880,805
NET ASSETS AT END OF YEAR	\$ 1,992,972	\$ 1,721,764	\$ 3,714,736	\$ 1,987,672	\$ 1,384,086	\$ 3,371,758

See accompanying notes.

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

STATEMENTS OF FUNCTIONAL EXPENSES

	Year Ended December 31, 2020			Year Ended December 31, 2019		
	Program Service	Management and General	Total	Program Service	Management and General	Total
Salaries	\$ 215,674	\$ 187,775	\$ 403,449	\$ 212,027	\$ 186,742	\$ 398,769
Payroll taxes	16,679	14,466	31,145	16,040	14,244	30,284
Other employee benefits	67,286	49,847	117,133	56,460	52,932	109,392
TOTAL PAYROLL AND RELATED EXPENSES	299,639	252,088	551,727	284,527	253,918	538,445
Our Churches Wider Mission National	84,966	-	84,966	82,700	-	82,700
Youth ministries	5,628	-	5,628	12,251	-	12,251
Conference administrative expenses	14,990	4,458	19,448	72,661	1,519	74,180
Clergy development ministries	37,980	-	37,980	78,011	-	78,011
Church development and stewardship ministries	15,078	-	15,078	105,817	-	105,817
Conference supported ministries	182,625	-	182,625	36,751	-	36,751
Information technology	14,386	-	14,386	15,942	-	15,942
Equipment purchases	-	-	-	4,771	-	4,771
Rent expense	-	41,012	41,012	-	40,209	40,209
Repairs and maintenance	-	11,382	11,382	-	7,754	7,754
Postage and mailing	-	1,259	1,259	-	2,277	2,277
Office expenses	-	5,124	5,124	-	7,259	7,259
Telephone	-	8,875	8,875	-	9,563	9,563
Equipment lease expense	-	8,009	8,009	-	6,549	6,549
Conferences and meetings	7,059	-	7,059	39,068	-	39,068
Audit fees	-	9,747	9,747	-	9,174	9,174
Miscellaneous	19,087	921	20,008	28,073	1,733	29,806
TOTAL EXPENSES BEFORE DEPRECIATION	681,438	342,875	1,024,313	760,572	339,955	1,100,527
Depreciation	-	2,099	2,099	-	3,546	3,546
TOTAL EXPENSES	\$ 681,438	\$ 344,974	\$ 1,026,412	\$ 760,572	\$ 343,501	\$ 1,104,073

See accompanying notes.

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

STATEMENTS OF CASH FLOWS

	Year Ended December 31	
	2020	2019
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 342,978	\$ 490,953
Adjustments to reconcile change in net assets to net cash from operating activities:		
Depreciation	2,099	3,546
Unrealized gain on investments	(183,568)	(296,980)
Changes in:		
Contributions receivable	(18,426)	(16,039)
Prepaid expenses and other current assets	(2,913)	5,569
Accounts payable and accrued expenses	4,917	(15,410)
Accrued payroll and payroll taxes	3,978	2,055
Deferred revenue	(7,245)	7,245
	141,820	180,939
NET CASH PROVIDED BY OPERATING ACTIVITIES	141,820	180,939
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sale of investments	332,756	633,834
Purchases of investments	(199,761)	(864,154)
	132,995	(230,320)
NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES	132,995	(230,320)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from Paycheck Protection Loan	92,308	-
	92,308	-
NET INCREASE (DECREASE) IN CASH	367,123	(49,381)
CASH AT BEGINNING OF YEAR	196,227	245,608
CASH AT END OF YEAR	\$ 563,350	\$ 196,227
RECONCILIATION OF CASH		
Cash	\$ 421,805	\$ 59,412
Restricted cash	141,545	136,815
	\$ 563,350	\$ 196,227

See accompanying notes.

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

NOTES TO FINANCIAL STATEMENTS

December 31, 2020 and 2019

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Activities

The 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. The Conference is the link that connects our churches' various and diverse ministries locally and globally. Together, we provide our local churches, pastors, and congregations with the training and inspiration to carry out our churches' wider mission.

Member Churches

The Conference is made up of 155 member churches in the greater Philadelphia area and the surrounding six counties, representing 36,816 members of the United Church of Christ. The Conference provides support and training (both lay and clergy) and congregational formation support to strengthen local churches. Part of the Conference's mission is to encourage local churches toward new and renewed ministries; nurturing strong pastoral and lay leadership; while celebrating and developing the God-given gifts of all members. The member churches provide congregational gifts through Our Church's Wider Mission to support the Conference as well as the national organization of the United Church of Christ.

Member church closures occur from time to time within the Conference. With church closures, the Conference often receives any residual assets from the church which may include cash, investments, and property and equipment. In December 2020, the Conference received one-time restricted funds from the closure of a member church. The church liquidated their assets and provided the remaining cash, totaling \$231,684, to the Conference to be used for new church ministries. This amount is included in net assets with donor restrictions at December 31, 2020. In the prior year, the Conference also received one-time restricted funds from the closure of a member church totaling \$145,598.

Basis of Accounting

These financial statements have been prepared on the accrual basis of accounting in conformity with accounting principles generally accepted in the United States of America.

Cash

For purposes of the statements of cash flows, the Conference considers all cash, deposited in bank accounts or highly liquid investments, to be cash on the accompanying statement of financial position.

At various times during the year, the Conference may have cash balances in excess of the federally insured limit in deposit accounts.

At December 31, 2020 and 2019, the Conference has cash restricted for various ministry programs totaling \$141,545 and \$136,815, respectively.

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

NOTES TO FINANCIAL STATEMENTS

December 31, 2020 and 2019

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Investments

Investments in debt and marketable securities are measured at fair value in the statement of financial position. Investment income or loss, including gains and losses of investments, interest and dividends, and investment fees are included in the statement of activities as increases or decreases in net assets without donor restrictions unless the income or loss is restricted by donor or law.

Investments are exposed to various risks such as interest rate, credit, and overall market volatility. Due to the level of risk associated with certain investment securities, it is reasonably possible that changes in the fair value of investments will occur in the near-term and that such changes could materially affect the amounts reported in the statement of financial position.

Furniture and Equipment

Purchased furniture and equipment are capitalized at cost. Donations of furniture and equipment are recorded as contributions at their fair market value. The Conference's policy is to capitalize any assets in excess of \$2,500 with an estimated useful life of more than one year. Depreciation is computed using the straight-line method over the estimated useful lives of the related assets. Furniture and equipment are depreciated over five years.

Maintenance and repairs of property and equipment are charged to operations and major improvements are capitalized. Upon retirement, sale, or other disposition of property and equipment, the cost and accumulated depreciation are eliminated from the accounts and gain or loss is included in operations.

Net Assets

The Conference is required to report information regarding its financial position and activities according to two classes of net assets:

Net Assets Without Donor Restrictions - Net assets without donor restrictions include funds not subject to donor-imposed stipulations. In general, the revenues received, and expenses incurred in conducting the Conference's charitable mission are included in this category.

Net Assets With Donor Restrictions - Net assets with donor restrictions include gifts, grants, and pledges whose use by the Conference has been limited by donors to later periods of time or after specified dates, to specified purposes, or in perpetuity.

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

NOTES TO FINANCIAL STATEMENTS

December 31, 2020 and 2019

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Net Assets - continued

The Conference reports gifts of cash and other assets as revenue with donor restrictions if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, the net assets are reclassified as net assets without donor restriction and reported in the statements of activities as net assets released from restrictions. Some net assets with donor restrictions include a stipulation that assets provided be maintained permanently (perpetual in nature) while permitting the Conference to expend the income generated by the assets in accordance with the provisions of additional donor imposed stipulations or a Board approved spending policy.

Contributions

The Conference recognizes revenue from contributions in accordance with Accounting Standards Update ASU 2018-08, *Not-For-Profit Entities (Topic 958); Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. In accordance with ASU 2018-08, the Conference evaluates whether a transfer of assets is (1) an exchange transaction in which a resource provider is receiving commensurate value in return for the resources transferred or (2) a contribution. If the transfer of assets is determined to be an exchange transaction, the Conference applies guidance under ASC-606. If the transfer of assets is determined to be a contribution, the Conference evaluates whether the contribution is conditional based upon whether the agreement includes both (1) one or more barriers that must be overcome before the Conference is entitled to the assets transferred and promised, and (2) a right of return of assets transferred or a right or release of a promisor's obligation to transfer assets.

The Conference records unconditional contributions as net assets with donor restrictions if they are received with donor stipulations that limit their use either through purpose or time. When donor restrictions expire, that is when a purpose restriction is fulfilled or a time restriction ends, net assets with donor restrictions are reclassified to net assets without donor restrictions, and reports 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.

Donated Services and Materials

Gifts of property and equipment are presented as support without donor restrictions unless explicit donor stipulations specify how the donated assets must be used. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire long-lived assets are reported as support with donor restrictions. Absent explicit donor stipulations about how long those long-lived assets must be maintained, the Conference reports expirations of donor restrictions when the donated or acquired long-lived assets are placed in service (as the assets are used in the Conference's activities).

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

NOTES TO FINANCIAL STATEMENTS

December 31, 2020 and 2019

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Donated Services and Materials - continued

Donated materials, furniture, fixtures, equipment, and certain services are reflected as contributions in the accompanying financial statements at their estimated fair value at the date of receipt. A substantial number of volunteers have donated significant hours to the Conference's program services and fundraising campaigns during the year; however, these donated services are not reflected in the financial statements since the services do not require specialized skills.

Revenue Recognition

In accordance with Financial Accounting Standards Board (FASB), Accounting Standards Codification Topic 606, *Revenue from Contracts with Customers* ("ASC 606"), the Conference recognizes revenue when control of the promised services is transferred to the Conference's outside parties in an amount that reflects the consideration the Conference expects to be entitled to in exchange for those services. The standard outlines a five-step process whereby revenue is recognized as performance obligations within a contract are satisfied.

Program Income

The Conference provides various leadership development, retreats, and support for clergy and lay leaders throughout the Conference. The related fee is recognized as revenue when the program or event occurs. Fees paid in advance are maintained as deferred revenue until the event occurs. No amounts were deferred at December 31, 2020. Deferred revenue totaled \$7,245 at December 31, 2019.

Functional Expense Allocations

Expenses that can be identified with specific programs and support services are allocated directly to their natural expenditure classification. Expenses relating to more than one function are allocated to program and supporting services based on the Conference's estimate of time devoted and related expenses incurred for the programs and supporting services benefited.

Tax-Exempt Status

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

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.

Subsequent Events

In preparing these financial statements, the Conference has evaluated events and transactions for potential recognition or disclosure through April 27, 2021, 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, 2020 and 2019

NOTE 2 - FURNITURE AND EQUIPMENT

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

	<u>2020</u>	<u>2019</u>
Furniture and equipment	\$ 98,133	\$ 98,133
Less accumulated depreciation	<u>(98,133)</u>	<u>(96,034)</u>
	<u>\$ -</u>	<u>\$ 2,099</u>

NOTE 3 - INVESTMENTS AND FAIR VALUE MEASUREMENTS

Investments as of December 31 are summarized as follows:

	<u>2020</u>	<u>2019</u>
Cash equivalents	\$ 12,362	\$ 7,385
Stocks and mutual funds:		
Common stocks	220,718	208,462
Mutual funds	2,502,493	2,479,422
Fixed Income	<u>347,555</u>	<u>337,286</u>
	<u>3,070,766</u>	<u>3,025,170</u>
Total investments	<u>\$ 3,083,128</u>	<u>\$ 3,032,555</u>

Included in investment return, net is summarized as follows at December 31:

	<u>2020</u>	<u>2019</u>
Interest and dividend income	\$ 54,165	\$ 52,785
Unrealized gains	183,568	296,980
Realized gains	32,742	76,109
Investment fees	<u>(3,831)</u>	<u>(2,891)</u>
Total investment return, net	<u>\$ 266,644</u>	<u>\$ 422,983</u>

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

NOTES TO FINANCIAL STATEMENTS

December 31, 2020 and 2019

NOTE 3 - INVESTMENTS AND FAIR VALUE MEASUREMENTS - CONTINUED

Financial accounting standards require the use of fair value measurement. The Conference, in accordance with generally accepted accounting principles, has applied fair value measurement and disclosure in these consolidated financial statements as follows:

That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques 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 lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy are described below:

Level 1: Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Conference has the ability to access.

Level 2: Inputs to the valuation methodology include:

- Quoted prices for similar assets and liabilities in active markets;
- Quoted prices for identical or similar assets and liabilities in inactive markets;
- Inputs other than quoted prices that are observable for the asset or liability;
- Inputs that are derived principally from or corroborated by observable market data by correlation or other means.

Level 3: Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset's or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any 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.

Following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in the methodologies used at December 31, 2020 and 2019.

Long-Term Investments

Custodians hold the investments of the Conference in accordance with the investment policy of the Conference. Amounts held are invested to diversify the funds to minimize the risk of large losses and preserve the capital. Investments are comprised of certificates of deposits and mutual funds for which fair value is based on quoted market prices in an active market. If a quoted market price is not available, fair value is estimated using quoted market prices for similar securities.

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

NOTES TO FINANCIAL STATEMENTS

December 31, 2020 and 2019

NOTE 3 - INVESTMENTS AND FAIR VALUE MEASUREMENTS - CONTINUED

Long-Term Investments - continued

The methods described previously may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while the Conference believes its reliance on the valuation methods of the financial institutions are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

The following tables set forth the Conference's assets at fair value by level within the fair value hierarchy, as of December 31:

Description	December 31, 2020	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Common stock	\$ 220,718	\$ 220,718	\$ -	\$ -
Mutual funds	2,502,493	691,520	1,810,973	-
Fixed income	347,555	-	347,555	-
Total fair value measurements	<u>\$ 3,070,766</u>	<u>\$ 912,238</u>	<u>\$ 2,158,528</u>	<u>\$ -</u>

Description	December 31, 2019	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Common stock	\$ 208,462	\$ 208,462	\$ -	\$ -
Mutual funds	2,479,422	604,878	1,874,544	-
Fixed income	337,286	-	337,286	-
Total fair value measurements	<u>\$ 3,025,170</u>	<u>\$ 813,340</u>	<u>\$ 2,211,830</u>	<u>\$ -</u>

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

NOTES TO FINANCIAL STATEMENTS

December 31, 2020 and 2019

NOTE 4 - NET ASSETS

The Conference's net assets without donor restrictions are comprised of undesignated funds. From time to time the Board may designate a portion of net assets for specific purposes which would be included with net assets without donor restrictions. There were no board designations at December 31, 2020 and 2019. Net assets with donor restrictions are summarized as follows at December 31:

	2020	2019
Purpose:		
Local church ministries	\$ 32,191	\$ 32,191
Ensuring the future	59,150	59,150
Ecumenical relations savings	133	133
Church development	17,259	17,259
2020 Vision scholarship	2,100	2,100
Interim minister training	1,393	2,038
Mass incarceration project	812	812
Zion disaster response ministries	11,207	10,032
Immigration work grant	500	500
Spring meeting scholarship	2,980	2,980
New church ministries	544,707	304,214
MID education support	177,538	157,204
Camper scholarship	20	10
St. John's Philadelphia Dissolution	34,663	31,555
Debt-Ministerial Assistance	6,000	-
Pension Boards Campaign	7,800	9,611
Total purpose	898,453	629,789
Perpetuity:		
Church development	266,319	242,443
Education and nurturing	88,320	79,496
Mission and outreach	210,871	190,114
Outdoor and retreat	37,484	32,983
Retirees	7,890	7,182
Conference administration	212,427	202,079
Total perpetuity	823,311	754,297
Total net assets with donor restrictions	\$ 1,721,764	\$ 1,384,086

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

NOTES TO FINANCIAL STATEMENTS

December 31, 2020 and 2019

NOTE 4 - NET ASSETS - CONTINUED

Net assets with donor restrictions are released from donor restrictions when the reason for the restriction is met. Net assets released from restrictions for the years ended December 31 are as follows:

	<u>2020</u>	<u>2019</u>
St. John's Philadelphia Dissolution	\$ 904	\$ 1,162
Disaster Response Grant	-	400
Church Development	-	1,250
Pension Boards Campaign	11,121	29,644
Local Flood Relief	-	500
Interim Minister Training	645	500
Spring Meeting Scholarship	-	85
	<u>\$ 12,670</u>	<u>\$ 33,541</u>

NOTE 5 - ENDOWMENT FUNDS

The Conference's endowment consists of contributions with restrictions from donors to be held in perpetuity. As required by generally accepted accounting principles, net assets associated with the endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

Interpretation of Relevant Law: 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 2% and 7% of the endowment's fair value, determined at least annually and averaged over a period of three or more preceding years.

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

NOTES TO FINANCIAL STATEMENTS

December 31, 2020 and 2019

NOTE 5 - ENDOWMENT FUNDS - CONTINUED

Investment Objectives: The primary investment objective is to achieve a steady and growing source of income to the Conference in perpetuity while preserving capital and growing it for future generations to support the mission of the Conference.

Spending Policy: The Conference has an approved spending policy that allows the operating fund to receive and utilize 3% and 4% of the investment fund balance annually for the years ended December 31, 2020 and 2019, respectively.

Underwater Endowment Funds: The Conference considers a fund to be underwater if the fair value of the fund is less than the sum of (a) the original value of initial and subsequent gift amounts donated to the fund, and (b) any accumulations to the fund that are required to be maintained in perpetuity in accordance with the director of the applicable donor gift instrument. The Conference has no underwater endowment funds at December 31, 2020 or 2019.

Endowment net asset composition for donor-restricted funds as of December 31 is as follows:

	<u>2020</u>	<u>2019</u>
Donor-restricted endowment funds	<u>\$ 823,311</u>	<u>\$ 754,297</u>
Changes in Endowment Net Assets for the Year Ended December 31:		
Endowment net assets, beginning of year	\$ 754,297	\$ 653,398
Investment return:		
Investment income	32,554	52,119
Net appreciation (unrealized)	61,962	80,936
Total investment return	<u>94,516</u>	<u>133,055</u>
Transfers (based on spending policy)	<u>(25,502)</u>	<u>(32,156)</u>
Endowment net assets, end of year	<u>\$ 823,311</u>	<u>\$ 754,297</u>

**PENNSYLVANIA SOUTHEAST CONFERENCE OF
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NOTES TO FINANCIAL STATEMENTS

December 31, 2020 and 2019

NOTE 6 - OUR CHURCH'S WIDER MISSION/RELATED-PARTY TRANSACTIONS

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, 2020 and 2019, total contributions received for Our Church's Wider Mission were \$770,606 and \$824,044, respectively. The related contribution passed through to the National United Church of Christ was \$84,966 and \$82,700 for the years ended December 31, 2020 and 2019, respectively.

NOTE 7 - RETIREMENT PLAN

All ministers and employees eligible may participate in the Annuity Plan (the "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 \$44,337 and \$43,041 for the years ended December 31, 2020 and 2019, respectively.

NOTE 8 - LEASE COMMITMENTS

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 was then renewed for a period of three years. Base rent for year one is \$36,000 with a 2% increase each subsequent year. The office lease was amended effective January 1, 2021 for a five-year term. Base rent for year one is \$24,000. The Conference also entered into a five-year equipment lease with monthly payments of \$468 through December 20, 2021. Minimum annual rental commitments under the leases are as follows for the years ending December 31:

2021	\$ 29,148
2022	24,000
2023	24,000
2024	24,000
2025	<u>24,000</u>
	<u>\$ 125,148</u>

Rent and equipment lease expense for the years ended December 31, 2020 and 2019, totaled \$49,021 and \$46,758, respectively.

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NOTES TO FINANCIAL STATEMENTS

December 31, 2020 and 2019

NOTE 9 - PAYCHECK PROTECTION PROGRAM LOAN

In April 2020, the Conference received a Paycheck Protection Program Loan (the "PPP Loan") from a qualified lender totaling \$92,308. This loan program was implemented by the U.S. Small Business Administration ("SBA") under the Coronavirus Aid, Relief, and Economic Security Act. The PPP Loan bears interest at a fixed rate of 1.0% per annum, has a term of two years, and is unsecured and guaranteed by the SBA. On June 5, 2020, the Paycheck Protection Flexibility Act (the "Act") was signed into law, which allows the Conference and the lender to amend certain terms of the loan in accordance with the Act. The Act also extended the repayment deferral period which is now defined as (1) when the loan forgiveness is determined by the SBA, or (2) ten months after the end of the borrower's covered period if forgiveness is not requested.

The principal amount of the PPP Loan is subject to forgiveness under the Paycheck Protection Program upon the Conference's request to the extent that the PPP Loan proceeds are used to pay expenses permitted by the Paycheck Protection Program. Subsequent to year end, the Conference applied to the bank for forgiveness of the full amount of the PPP Loan with respect to these covered expenses. They received notice on April 5, 2021, that the SBA had confirmed the loan forgiveness and the approved payoff had been posted to their loan balance. The total loan amount of \$92,308 is included as a liability at December 31, 2020 and will be recognized as forgiven in the fiscal year ending December 31, 2021.

NOTE 10 - AVAILABILITY OF FINANCIAL RESOURCES

The following reflects the Conference's financial assets as of December 31, 2020 and 2019, reduced by amounts not available for general use within one year because of contractual or donor-imposed restrictions. The Conference's financial assets include cash, receivables, and various types of investments. The Conference has limitations on those assets consisting of donor-imposed restrictions.

	<u>2020</u>	<u>2019</u>
Cash	\$ 563,350	\$ 196,227
Contributions receivable	232,561	214,135
Investments	<u>3,083,128</u>	<u>3,032,555</u>
Total financial assets	3,879,039	3,442,917
Less:		
Contractual or donor-imposed restrictions:		
Restricted by donors with purpose restrictions	(898,453)	(629,789)
Donor restricted endowment	<u>(823,311)</u>	<u>(754,297)</u>
Total financial assets available to meet cash needs for general expenses within one year	<u>\$ 2,157,275</u>	<u>\$ 2,058,831</u>

**PENNSYLVANIA SOUTHEAST CONFERENCE OF
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NOTES TO FINANCIAL STATEMENTS

December 31, 2020 and 2019

NOTE 11 - COVID-19 PANDEMIC

In March 2020, the World Health Organization declared the outbreak of a novel coronavirus (COVID-19) as a pandemic which has caused major disruptions worldwide. The ongoing pandemic poses increased and unexpected business risks. The specific impact of the pandemic and the duration of this disruption is not yet determinable as of the report date; therefore, the financial statements do not include any adjustments that might result from the outcome of this uncertainty. Many of the Conference's programs were canceled or modified. Additionally, member churches were significantly impacted, and the Conference provided funding to member churches totaling \$157,000 to provide support during the pandemic in the year ended December 31, 2020.

NOTE 12 - NEW ACCOUNTING PRONOUNCEMENTS

In February 2016, the FASB issued ASU No. 2016-02, *Leases (Topic 842)*. Under this guidance, lessees will need to recognize the following for all leases (with the exception of leases with a term of twelve months or less) at the commencement date: (a) a lease liability, which is a lessee's obligation to make lease payments arising from a lease, measured on a discounted basis; and (b) a right-of-use asset, which is an asset that represents the lessee's right to use, or control the use of, a specified asset for the lease term. Under the new guidance, lessor accounting is largely unchanged. The guidance requires a modified retrospective transition approach for leases existing at, or entered into after, the beginning of the earliest comparative period presented in the financial statements. The modified retrospective approach would not require any transition accounting for leases that expire before the earliest comparative period presented. A full retrospective transition approach is not permitted. This standard is effective for fiscal years beginning after December 15, 2021, with early application permitted. The Conference is evaluating the impact this standard will have on the financial statements.

SUPPLEMENTARY INFORMATION

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

SCHEDULE OF INVESTMENTS, SPECIAL FUNDS

Year Ended December 31, 2020

	Market Value December 31, 2019	Investment Income	Contributions	Net Transfers from Operating and Special Funds	Unrealized Gain (Loss)	Market Value December 31, 2020
First Christian Building Mission in the 70's - Dunkel's Church	\$ 165,635	\$ 8,088	\$ -	\$ (4,749)	\$ 12,973	\$ 181,947
Mount Hermon	7,539	440	-	(217)	519	8,281
Park Church Endowment	13,125	714	-	(377)	956	14,418
Church Development	56,143	3,144	-	(1,609)	3,995	61,673
Continuing Education	162,730	8,989	-	(4,663)	11,703	178,759
Reading Classis	1,198	70	-	(34)	83	1,317
Shetler Theological Students	32,201	1,388	-	-	2,778	36,367
Shetler Campus Ministry	12,348	670	-	(354)	900	13,564
Arcadia Make a Difference	4,658	273	-	(133)	319	5,117
Church and Ministry	98,979	4,125	-	(3,513)	8,574	108,165
Paul Slinghoff Memorial	1,727	101	-	(49)	118	1,897
Cheryl and Sancho Robinson	1,220	72	-	(35)	83	1,340
Emergency Reserve	20,396	1,155	-	(584)	1,438	22,405
Disaster Fund Savings	8,580	477	-	(246)	614	9,425
Outdoor and Retreat	61,099	3,584	-	(1,751)	4,184	67,116
Shetler Retirees Fund	18,386	977	-	(527)	1,361	20,197
Unrestricted Endowment	4,318	249	-	(124)	300	4,743
Make a Difference - Conference	22,850	320	-	(17,677)	(5,493)	-
MID Education Support - Pilgrim Community	3,883	184	-	(111)	310	4,266
Spatz - Retirees	157,204	3,331	-	-	17,003	177,538
Spatz - Education and Nurturing	2,865	162	-	(82)	202	3,147
Spatz - Conference Administration	7,621	429	-	(218)	540	8,372
Executive Staff - Continuing Education	1,251	71	-	(36)	88	1,374
Retirees Unrestricted Fund	2,272	129	-	(65)	159	2,495
Mensch Mill Development	1,222	60	-	(34)	94	1,342
St. John's of Philadelphia - Dissolution	133	7	-	(4)	10	146
New Ministries Fund	31,555	1,521	-	(904)	2,491	34,663
Charles Yetter Endowment	55,316	1,812	-	(1,845)	5,572	60,855
Heidelberg Endowment	8,268	310	-	(249)	1,423	9,752
Richard Wentzel Endowment	190,114	9,063	-	(6,015)	17,708	210,870
Nationwide Fund Class D	14,464	397	-	(438)	2,718	17,141
Anna M. Goldbeck - Irrevocable Trust	258,705	10,876	-	(6,897)	46,775	309,459
John Z. Zeller - Irrevocable Trust	174,495	4,389	-	(9,862)	12,408	181,430
Investing in the Future	22,451	626	-	-	2,279	25,356
New Church Ministries - Pilgrim Community	195,212	4,904	-	-	20,348	220,464
Church Builders' Bonus Investment	304,214	8,809	-	-	-	313,023
General Savings	155,543	4,352	-	-	-	159,895
Citizens Investments	240,667	(7,243)	-	(156,500)	(15,619)	61,305
	511,968	7,882	-	-	23,654	543,504
	<u>\$ 3,032,555</u>	<u>\$ 86,907</u>	<u>\$ -</u>	<u>\$ (219,902) *</u>	<u>\$ 183,568</u>	<u>\$ 3,083,128</u>

*Included in Net Transfers from Operating and Special Funds is \$157,000 withdrawn to provide support to member churches during the COVID-19 pandemic.

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SCHEDULE OF INVESTMENTS, SPECIAL FUNDS

Year Ended December 31, 2019

	Market Value December 31, 2018	Investment Income	Contributions	Net Transfers from Operating and Special Funds	Unrealized Gain (Loss)	Market Value December 31, 2019
First Christian Building Mission in the 70's - Dunkel's Church	\$ 145,168	\$ 8,664	\$ -	\$ (6,100)	\$ 17,903	\$ 165,635
Mount Hermon	6,608	482	-	(278)	727	7,539
Park Church Endowment	11,503	776	-	(483)	1,329	13,125
Church Development	49,206	3,430	-	(2,068)	5,575	56,143
Continuing Education	142,623	9,791	-	(5,994)	16,310	162,730
Reading Classis	1,050	77	-	(44)	115	1,198
Shetler Theological Students	27,152	1,432	-	-	3,617	32,201
Shetler Campus Ministry	10,822	728	-	(455)	1,253	12,348
Arcadia Make a Difference	4,083	300	-	(172)	447	4,658
Church and Ministry	116,854	14,051	-	(37,394)	5,468	98,979
Paul Slinghoff Memorial	1,513	111	-	(63)	166	1,727
Cheryl and Sancho Robinson	1,070	79	-	(46)	117	1,220
Emergency Reserve	17,875	1,262	-	(750)	2,009	20,396
Disaster Fund Savings	7,520	520	-	(316)	856	8,580
Outdoor and Retreat	53,549	3,932	-	(2,250)	5,868	61,099
Shetler Retirees Fund	16,114	1,059	-	(677)	1,890	18,386
Unrestricted Endowment	3,784	272	-	(159)	421	4,318
Make a Difference - Conference	19,024	559	-	(795)	4,062	22,850
MID Education Support - Pilgrim Community	3,403	196	-	(143)	427	3,883
Spatz - Retirees	132,550	3,165	-	-	21,489	157,204
Spatz - Education and Nurturing	2,511	178	-	(106)	282	2,865
Spatz - Conference Administration	6,680	468	-	(281)	754	7,621
Executive Staff - Continuing Education	1,096	78	-	(46)	123	1,251
Retirees Unrestricted Fund	1,991	141	-	(83)	223	2,272
Mensch Mill Development	1,071	66	-	(45)	130	1,222
St. John's of Philadelphia - Dissolution	117	7	-	(5)	14	133
New Ministries Fund	27,656	1,626	-	(1,162)	3,435	31,555
Charles Yetter Endowment	70,837	4,787	-	(25,785)	5,477	55,316
Heidelberg Endowment	6,465	118	-	(272)	1,957	8,268
Richard Wentzel Endowment	159,351	8,284	-	(7,174)	29,653	190,114
Nationwide Fund Class D	11,269	206	-	(475)	3,464	14,464
Anna M. Goldbeck - Irrevocable Trust	204,570	9,379	-	(8,366)	53,122	258,705
John Z. Zeller - Irrevocable Trust	155,735	23,539	-	(12,701)	7,922	174,495
Investing in the Future	18,930	618	-	-	2,903	22,451
New Church Ministries - Pilgrim Community	164,601	4,783	-	-	25,828	195,212
Church Builders' Bonus Investment	142,366	2,284	159,564	-	-	304,214
General Savings	150,980	4,563	-	-	-	155,543
Citizens Investments	151,406	4,716	-	56,550	27,995	240,667
	456,152	12,167	-	-	43,649	511,968
	<u>\$ 2,505,255</u>	<u>\$ 128,894</u>	<u>\$ 159,564</u>	<u>\$ (58,138)</u>	<u>\$ 296,980</u>	<u>\$ 3,032,555</u>