



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, 2021 and 2020

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INDEPENDENT AUDITOR'S REPORT

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

Opinion

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, 2021 and 2020, and the related statements of activities, functional expenses, and cash flows for the years 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 Pennsylvania Southeast Conference of the United Church of Christ as of December 31, 2021 and 2020, 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.

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 Pennsylvania Southeast Conference of the United Church of Christ 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 Pennsylvania Southeast Conference of the United Church of Christ'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 Pennsylvania Southeast Conference of the United Church of Christ'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 Pennsylvania Southeast Conference of the United Church of Christ'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.

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 accepted 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 20, 2022

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

STATEMENTS OF FINANCIAL POSITION

December 31

	2021	2020
ASSETS		
CURRENT ASSETS		
Cash	\$ 312,593	\$ 421,805
Restricted cash	136,892	141,545
Contributions receivable	197,218	232,561
Prepaid expenses and other current assets	<u>14,286</u>	<u>15,979</u>
TOTAL CURRENT ASSETS	660,989	811,890
FURNITURE AND EQUIPMENT		
Furniture and equipment	98,134	98,134
Accumulated depreciation	<u>(98,134)</u>	<u>(98,134)</u>
NET FURNITURE AND EQUIPMENT	-	-
INVESTMENTS		
Investments	1,902,025	1,734,594
Restricted investments	<u>1,685,820</u>	<u>1,348,534</u>
TOTAL INVESTMENTS	3,587,845	3,083,128
OTHER ASSETS		
Security deposit	<u>3,000</u>	<u>3,000</u>
TOTAL ASSETS	<u><u>\$ 4,251,834</u></u>	<u><u>\$ 3,898,018</u></u>
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable and accrued expenses	\$ 55,083	\$ 65,663
Accrued payroll and payroll taxes	10,918	25,311
Deferred revenue	46,990	-
Paycheck Protection Program loan	<u>-</u>	<u>92,308</u>
TOTAL CURRENT LIABILITIES	<u>112,991</u>	<u>183,282</u>
TOTAL LIABILITIES	112,991	183,282
NET ASSETS		
Without donor restrictions	2,293,686	1,992,972
With donor restrictions:		
Purpose restrictions	947,411	898,453
Restricted in perpetuity	<u>897,746</u>	<u>823,311</u>
Total with donor restrictions	<u>1,845,157</u>	<u>1,721,764</u>
TOTAL NET ASSETS	<u>4,138,843</u>	<u>3,714,736</u>
TOTAL LIABILITIES AND NET ASSETS	<u><u>\$ 4,251,834</u></u>	<u><u>\$ 3,898,018</u></u>

See accompanying notes.

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

STATEMENTS OF ACTIVITIES

	Year Ended December 31, 2021			Year Ended December 31, 2020		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
	REVENUES AND OTHER SUPPORT					
Contributions	\$ 742,094	\$ 3,146	\$ 745,240	\$ 743,070	\$ 16,495	\$ 759,565
Contributions - Our Churches Wider Mission National	77,170	-	77,170	84,966	-	84,966
Paycheck Protection Program loan forgiveness	92,308	-	92,308	-	-	-
Program income	23,005	-	23,005	26,531	-	26,531
Investment return, net	178,319	140,246	318,565	138,973	127,671	266,644
Net assets released from restriction	15,785	(15,785)	-	12,670	(12,670)	-
Transfer earnings (3% in 2021 and 2020)	26,659	(26,659)	-	25,502	(25,502)	-
TOTAL REVENUES AND OTHER SUPPORT	1,155,340	100,948	1,256,288	1,031,712	105,994	1,137,706
EXPENSES						
Program expenses:						
Church and ministry	566,769	-	566,769	711,330	-	711,330
Management and general	287,857	-	287,857	315,082	-	315,082
TOTAL EXPENSES	854,626	-	854,626	1,026,412	-	1,026,412
CHANGE IN NET ASSETS BEFORE CHURCH CLOSURE FUNDS	300,714	100,948	401,662	5,300	105,994	111,294
CHURCH CLOSURE FUNDS	-	22,445	22,445	-	231,684	231,684
CHANGE IN NET ASSETS AFTER CHURCH CLOSURE FUNDS	300,714	123,393	424,107	5,300	337,678	342,978
NET ASSETS AT BEGINNING OF YEAR	1,992,972	1,721,764	3,714,736	1,987,672	1,384,086	3,371,758
NET ASSETS AT END OF YEAR	\$ 2,293,686	\$ 1,845,157	\$ 4,138,843	\$ 1,992,972	\$ 1,721,764	\$ 3,714,736

See accompanying notes.

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

STATEMENTS OF FUNCTIONAL EXPENSES

	Year Ended December 31, 2021			Year Ended December 31, 2020		
	Program Service	Management and General	Total	Program Service	Management and General	Total
Salaries	\$ 242,543	\$ 185,887	\$ 428,430	\$ 215,674	\$ 187,775	\$ 403,449
Payroll taxes	18,517	14,213	32,730	16,679	14,466	31,145
Other employee benefits	71,969	47,436	119,405	67,286	49,847	117,133
TOTAL PAYROLL AND RELATED EXPENSES	333,029	247,536	580,565	299,639	252,088	551,727
Our Churches Wider Mission National	77,170	-	77,170	84,966	-	84,966
Youth ministries	-	-	-	5,628	-	5,628
Conference administrative expenses	11,578	1,253	12,831	14,990	4,458	19,448
Clergy development ministries	29,017	-	29,017	37,980	-	37,980
Church development and stewardship ministries	26,206	-	26,206	15,078	-	15,078
Conference supported ministries	28,736	-	28,736	182,625	-	182,625
Information technology	18,157	-	18,157	14,386	-	14,386
Equipment purchases	4,614	-	4,614	-	-	-
Rent expense	12,000	12,000	24,000	20,506	20,506	41,012
Repairs and maintenance	-	6,821	6,821	-	11,382	11,382
Postage and mailing	960	320	1,280	944	315	1,259
Office expenses	-	2,020	2,020	-	5,124	5,124
Telephone	5,802	5,802	11,603	4,438	4,438	8,875
Equipment lease expense	2,589	2,589	5,177	4,005	4,005	8,009
Conferences and meetings	5,297	-	5,297	7,059	-	7,059
Audit fees	-	8,396	8,396	-	9,747	9,747
Miscellaneous	11,615	1,121	12,736	19,087	921	20,008
TOTAL EXPENSES BEFORE DEPRECIATION	566,769	287,857	854,626	711,330	312,983	1,024,313
Depreciation	-	-	-	-	2,099	2,099
TOTAL EXPENSES	\$ 566,769	\$ 287,857	\$ 854,626	\$ 711,330	\$ 315,082	\$ 1,026,412

See accompanying notes.

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

STATEMENTS OF CASH FLOWS

	Year Ended December 31	
	2021	2020
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 424,107	\$ 342,978
Adjustments to reconcile change in net assets to net cash from operating activities:		
Depreciation	-	2,099
Unrealized gain on investments	(130,878)	(183,568)
Paycheck Protection Program loan forgiveness	(92,308)	
Changes in:		
Contributions receivable	35,343	(18,426)
Prepaid expenses and other current assets	1,693	(2,913)
Accounts payable and accrued expenses	(10,580)	4,917
Accrued payroll and payroll taxes	(14,393)	3,978
Deferred revenue	46,990	(7,245)
	259,974	141,820
NET CASH PROVIDED BY OPERATING ACTIVITIES		
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sale of investments	230,209	332,756
Purchases of investments	(604,048)	(199,761)
	(373,839)	132,995
NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES		
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from Paycheck Protection Program loan	-	92,308
	(113,865)	367,123
NET INCREASE (DECREASE) IN CASH		
CASH AT BEGINNING OF YEAR	563,350	196,227
CASH AT END OF YEAR	\$ 449,485	\$ 563,350
RECONCILIATION OF CASH		
Cash	\$ 312,593	\$ 421,805
Restricted cash	136,892	141,545
	\$ 449,485	\$ 563,350
SUPPLEMENTAL DISCLOSURES OF NONCASH FINANCING ACTIVITIES		
Debt forgiveness of Paycheck Protection Program loan	\$ 92,308	\$ -

See accompanying notes.

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

NOTES TO FINANCIAL STATEMENTS

December 31, 2021 and 2020

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 154 member churches in the greater Philadelphia area and the surrounding six counties, representing 35,919 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 March 2021, 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 \$22,445, to the Conference to be used for new church ministries. This amount is included in net assets with donor restrictions at December 31, 2021. In the prior year, the Conference also received one-time restricted funds from the closure of a member church totaling \$231,684.

Basis of Accounting

The accompanying 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 reporting 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, 2021 and 2020, the Conference has cash restricted for various ministry programs totaling \$136,892 and \$141,545, respectively.

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

NOTES TO FINANCIAL STATEMENTS

December 31, 2021 and 2020

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 return, 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

Furniture and equipment are stated at cost, if purchased, and at estimated fair market value at date of donation, if donated. The Conference's policy is to capitalize any assets in excess of \$2,500 with an estimated useful life of more than one year. Furniture and equipment are being depreciated over five years by the straight-line method.

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.

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.

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

NOTES TO FINANCIAL STATEMENTS

December 31, 2021 and 2020

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Contribution Revenue

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 of release of a promisor's obligation to transfer assets.

The Conference recognizes contributions received and made, including unconditional promises to give, as revenue in the period received or made. Contributions received are reported as either revenues without donor restrictions or revenues with donor restrictions. 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).

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.

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

NOTES TO FINANCIAL STATEMENTS

December 31, 2021 and 2020

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

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 goods or 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. The Conference records the following exchange transaction revenue in its statement of activities:

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. Deferred revenue for program income totaled \$120 at December 31, 2021. No amounts were deferred at December 31, 2020.

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 estimates made by the Conference, including 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 in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amount of revenue and expense during the reporting period. Accordingly, actual results could differ from those estimates.

Reclassification

Certain amounts in the prior year financial statements have been reclassified for comparative purposes to conform to the current year financial statements.

Subsequent Events

In preparing these financial statements, the Conference has evaluated events and transactions for potential recognition through April 20, 2022, 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, 2021 and 2020

NOTE 2 - INVESTMENTS AND FAIR VALUE MEASUREMENTS

Investments as of December 31 are summarized as follows:

	2021	2020
Cash equivalents	\$ 151,814	\$ 12,362
Stocks and mutual funds:		
Common stocks	239,051	220,718
Mutual funds	2,981,455	2,502,493
Fixed Income	215,525	347,555
	3,436,031	3,070,766
Total investments	\$ 3,587,845	\$ 3,083,128

Investment return, net is summarized as follows at December 31:

	2021	2020
Interest and dividend income	\$ 100,798	\$ 54,165
Unrealized gains	130,878	183,568
Realized gains	90,468	32,742
Investment fees	(3,579)	(3,831)
Total investment return, net	\$ 318,565	\$ 266,644

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

NOTES TO FINANCIAL STATEMENTS

December 31, 2021 and 2020

NOTE 2 - 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 the 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, 2021 and 2020.

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, 2021 and 2020

NOTE 2 - 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, 2021	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Common stock	\$ 239,051	\$ 239,051	\$ -	\$ -
Mutual funds	2,981,455	790,761	2,190,694	-
Fixed income	215,525	-	215,525	-
Total fair value measurements	<u>\$ 3,436,031</u>	<u>\$ 1,029,812</u>	<u>\$ 2,406,219</u>	<u>\$ -</u>

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>

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

NOTES TO FINANCIAL STATEMENTS

December 31, 2021 and 2020

NOTE 3 - 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, 2021 and 2020. Net assets with donor restrictions are summarized as follows at December 31:

	<u>2021</u>	<u>2020</u>
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	1,393
Mass incarceration project	813	812
Zion disaster response ministries	14,328	11,207
Immigration work grant	500	500
Spring meeting scholarship	2,980	2,980
New church ministries	574,844	544,707
MID education support	197,940	177,538
Camper scholarship	45	20
St. John's Philadelphia Dissolution	37,735	34,663
Debt-Ministerial Assistance	6,000	6,000
Pension Boards Campaign	-	7,800
	<u>947,411</u>	<u>898,453</u>
Total purpose	947,411	898,453
Perpetuity:		
Church development	289,927	266,319
Education and nurturing	97,106	88,320
Mission and outreach	232,722	210,871
Outdoor and retreat	43,379	37,484
Retirees	8,589	7,890
Conference administration	226,023	212,427
	<u>897,746</u>	<u>823,311</u>
Total perpetuity	897,746	823,311
Total net assets with donor restrictions	<u><u>\$ 1,845,157</u></u>	<u><u>\$ 1,721,764</u></u>

**PENNSYLVANIA SOUTHEAST CONFERENCE OF
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NOTES TO FINANCIAL STATEMENTS

December 31, 2021 and 2020

NOTE 3 - 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>2021</u>	<u>2020</u>
St. John's Philadelphia Dissolution	\$ 939	\$ 904
Church Development	7,046	-
Pension Boards Campaign	7,800	11,121
Interim Minister Training	<u>-</u>	<u>645</u>
	<u>\$ 15,785</u>	<u>\$ 12,670</u>

NOTE 4 - 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.

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December 31, 2021 and 2020

NOTE 4 - 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% of the investment fund balance annually for the years ended December 31, 2021 and 2020.

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, 2021 or 2020.

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

	2021	2020
Donor-restricted endowment funds	\$ 897,746	\$ 823,311
 Changes in Endowment Net Assets for the Year Ended December 31:		
Endowment net assets, beginning of year	\$ 823,311	\$ 754,297
Investment return:		
Investment income	63,300	32,554
Net appreciation (unrealized)	37,794	61,962
Total investment return	101,094	94,516
Transfers (based on spending policy)	(26,659)	(25,502)
Endowment net assets, end of year	\$ 897,746	\$ 823,311

**PENNSYLVANIA SOUTHEAST CONFERENCE OF
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NOTES TO FINANCIAL STATEMENTS

December 31, 2021 and 2020

NOTE 5 - 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, 2021 and 2020, total contributions received for Our Church's Wider Mission were \$771,910 and \$781,831, respectively. The related contribution passed through to the National United Church of Christ was \$77,170 and \$84,966 for the years ended December 31, 2021 and 2020, respectively.

NOTE 6 - 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 \$45,678 and \$44,337 for the years ended December 31, 2021 and 2020, respectively.

NOTE 7 - 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 \$83 through November 2022. The Conference also entered into a five-year equipment lease with monthly payments of \$348 through September 2025. Minimum annual rental commitments under the leases are as follows for the years ending December 31:

2022	\$ 29,089
2023	28,176
2024	28,176
2025	<u>26,784</u>
	<u>\$ 112,225</u>

Rent and equipment lease expense for the years ended December 31, 2021 and 2020, totaled \$29,177 and \$49,021, respectively.

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NOTES TO FINANCIAL STATEMENTS

December 31, 2021 and 2020

NOTE 8 - 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 bore interest at a fixed rate of 1.0% per annum, had a term of two years, and was 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 Conference 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 loan forgiveness on the statement of activities at December 31, 2021.

NOTE 9 - AVAILABILITY OF FINANCIAL RESOURCES

The following reflects the Conference's financial assets as of December 31, 2021 and 2020, 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>2021</u>	<u>2020</u>
Cash	\$ 449,485	\$ 563,350
Contributions receivable	197,218	232,561
Investments	<u>3,587,845</u>	<u>3,083,128</u>
Total financial assets	4,234,548	3,879,039
Less:		
Contractual or donor-imposed restrictions:		
Restricted by donors with purpose restrictions	(947,411)	(898,453)
Donor restricted endowment	<u>(897,746)</u>	<u>(823,311)</u>
Total financial assets available to meet cash needs for general expenses within one year	<u>\$ 2,389,391</u>	<u>\$ 2,157,275</u>

**PENNSYLVANIA SOUTHEAST CONFERENCE OF
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NOTES TO FINANCIAL STATEMENTS

December 31, 2021 and 2020

NOTE 10 - 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.

In September 2020, the FASB issued ASU No. 2020-07, *Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*. This update requires an organization to present contributed nonfinancial assets, including fixed assets (such as land, buildings, and equipment), use of fixed assets or utilities, materials and supplies, intangible assets, services, and unconditional promises of those assets, as a separate line item in the statement of activities, apart from contributions of cash and other financial assets. It also requires disclosures of a disaggregation by category of nonfinancial assets, including whether used or monetized, policies and/or a description of the programs or other activities in which those assets were used, a description of any donor restrictions associated with nonfinancial assets, a description of the valuation techniques and inputs used to arrive at the fair value measure for initial recognition, and the principal market used to arrive at the fair value measure if it is a market in which the Conference is prohibited by a donor-imposed restriction from selling or using the contributed nonfinancial assets. This standard should be applied on a retrospective basis and is effective for fiscal years beginning after June 15, 2021, with early adoption permitted.

SUPPLEMENTARY INFORMATION

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

SCHEDULE OF INVESTMENTS, SPECIAL FUNDS

Year Ended December 31, 2021

	Market Value December 31, 2020	Investment Income	Contributions	Net Transfers from Operating and Special Funds	Unrealized Gain (Loss)	Market Value December 31, 2021
First Christian Building Mission in the 70's - Dunkel's Church	\$ 181,947	\$ 14,890	\$ -	\$ (4,928)	\$ 6,165	\$ 198,074
Mount Hermon	8,281	782	-	(224)	177	9,016
Park Church Endowment	14,418	1,287	-	(390)	381	15,696
Church Development	61,673	5,635	-	(1,670)	1,502	67,140
Continuing Education	178,759	16,151	-	(4,841)	4,535	194,604
Reading Classis	1,317	125	-	(36)	27	1,433
Shetler Theological Students	36,367	2,898	-	-	1,282	40,547
Shetler Campus Ministry	13,564	1,208	-	(367)	362	14,767
Arcadia Make a Difference	5,117	486	-	(139)	107	5,571
Church and Ministry	108,165	7,068	-	(3,240)	5,840	117,833
Paul Slinghoff Memorial	1,897	180	-	(51)	39	2,065
Cheryl and Sancho Robinson	1,340	127	-	(36)	28	1,459
Emergency Reserve	22,405	2,066	-	(607)	526	24,390
Disaster Fund Savings	9,425	857	-	(255)	234	10,261
Outdoor and Retreat	67,116	6,370	-	(1,818)	1,397	73,065
Shetler Retirees Fund	20,197	1,769	-	(547)	568	21,987
Make a Difference - Conference	4,743	444	-	(128)	105	5,164
MID Education Support - Pilgrim Community	4,266	340	-	(116)	154	4,644
Spatz - Retirees	177,538	7,955	-	-	12,447	197,940
Spatz - Education and Nurturing	3,147	291	-	(85)	73	3,426
Spatz - Conference Administration	8,372	767	-	(227)	202	9,114
Executive Staff - Continuing Education	1,374	127	-	(37)	32	1,496
Retirees Unrestricted Fund	2,495	231	-	(68)	58	2,716
Mensch Mill Development	1,342	112	-	(36)	43	1,461
St. John's of Philadelphia - Dissolution	146	12	-	(4)	5	159
New Ministries Fund	34,663	2,808	-	(939)	1,203	37,735
Charles Yetter Endowment	60,855	4,392	-	(15,000)	1,680	51,927
Heidelberg Endowment	9,752	110	-	(289)	2,440	12,013
Richard Wentzel Endowment	210,870	13,100	-	(6,524)	15,276	232,722
Nationwide Fund Class D	17,141	468	-	(507)	4,131	21,233
Anna M. Goldbeck - Irrevocable Trust	309,459	48,605	-	(3,864)	28,221	382,421
John Z. Zeller - Irrevocable Trust	181,430	15,095	-	(10,092)	5,180	191,613
Investing in the Future	25,356	1,403	-	-	1,510	28,269
New Church Ministries - Pilgrim Community	220,464	11,253	-	-	14,089	245,806
Church Builders' Bonus Investment	313,023	14,738	224,638	-	-	552,399
General Savings	159,895	4,347	-	-	-	164,242
Citizens Investments	61,305	1,323	15,000	-	8,658	86,286
	543,504	1,446	-	-	12,201	557,151
	<u>\$ 3,083,128</u>	<u>\$ 191,266</u>	<u>\$ 239,638</u>	<u>\$ (57,065)</u>	<u>\$ 130,878</u>	<u>\$ 3,587,845</u>

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