

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, 2023 and 2022

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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, 2023 and 2022, 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, 2023 and 2022, 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 audits 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 audits. 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 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.

Report on 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

May 1, 2024

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

STATEMENTS OF FINANCIAL POSITION

December 31

	2023	2022
ASSETS		
CURRENT ASSETS		
Cash	\$ 892,442	\$ 264,627
Restricted cash	138,882	137,338
Contributions receivable	131,068	128,948
Prepaid expenses and other current assets	14,447	10,689
	1,176,839	541,602
TOTAL CURRENT ASSETS		
NONCURRENT ASSETS		
Investments	1,544,937	1,652,001
Restricted investments	1,622,257	1,478,853
Security deposit	3,000	3,000
Right-of-use assets - operating leases	47,842	71,869
Right-of-use asset - finance lease	7,324	11,509
	3,225,360	3,217,232
TOTAL NONCURRENT ASSETS		
	\$ 4,402,199	\$ 3,758,834
TOTAL ASSETS		
	\$ 4,402,199	\$ 3,758,834

See accompanying notes.

	December 31	
	2023	2022
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable and accrued expenses	\$ 64,079	\$ 52,045
Accrued payroll and payroll taxes	16,743	10,881
Deferred revenue	7,248	2,440
Current portion of operating lease liabilities	23,837	23,788
Current portion of finance lease liability	4,212	4,168
	<u>116,119</u>	<u>93,322</u>
TOTAL CURRENT LIABILITIES		
NONCURRENT LIABILITIES		
Noncurrent portion of operating lease liabilities	23,886	47,723
Noncurrent portion of finance lease liability	3,188	7,400
	<u>27,074</u>	<u>55,123</u>
TOTAL NONCURRENT LIABILITIES		
TOTAL LIABILITIES		
	143,193	148,445
NET ASSETS		
Without donor restrictions:		
Undesignated	2,152,243	1,944,198
Board designated net assets	345,624	50,000
	<u>2,497,867</u>	<u>1,994,198</u>
Total without donor restrictions		
With donor restrictions:		
Purpose restrictions	955,944	901,424
Restricted in perpetuity	805,195	714,767
	<u>1,761,139</u>	<u>1,616,191</u>
Total with donor restrictions		
TOTAL NET ASSETS		
	4,259,006	3,610,389
TOTAL LIABILITIES AND NET ASSETS		
	<u>\$ 4,402,199</u>	<u>\$ 3,758,834</u>

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

STATEMENTS OF ACTIVITIES

	Year Ended December 31, 2023			Year Ended December 31, 2022		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
REVENUES AND SUPPORT						
Contributions	\$ 754,393	\$ 3,101	\$ 757,494	\$ 702,412	\$ 446	\$ 702,858
Contributions - Our Churches Wider Mission National	76,510	-	76,510	77,170	-	77,170
Program income	95,484	-	95,484	84,156	-	84,156
Investment return	201,253	172,156	373,409	(233,095)	(177,172)	(410,267)
Net assets released from restriction	1,228	(1,228)	-	23,427	(23,427)	-
Transfer earnings (3% and 4% in 2023 and 2022)	29,081	(29,081)	-	28,813	(28,813)	-
TOTAL REVENUES AND SUPPORT	1,157,949	144,948	1,302,897	682,883	(228,966)	453,917
EXPENSES						
Program expenses:						
Church and ministry	824,923	-	824,923	722,009	-	722,009
Management and general	417,577	-	417,577	310,362	-	310,362
TOTAL EXPENSES	1,242,500	-	1,242,500	1,032,371	-	1,032,371
CHANGE IN NET ASSETS BEFORE CHURCH CLOSURE FUNDS	(84,551)	144,948	60,397	(349,488)	(228,966)	(578,454)
CHURCH CLOSURE FUNDS	588,220	-	588,220	50,000	-	50,000
CHANGE IN NET ASSETS AFTER CHURCH CLOSURE FUNDS	503,669	144,948	648,617	(299,488)	(228,966)	(528,454)
NET ASSETS AT BEGINNING OF YEAR	1,994,198	1,616,191	3,610,389	2,293,686	1,845,157	4,138,843
NET ASSETS AT END OF YEAR	\$ 2,497,867	\$ 1,761,139	\$ 4,259,006	\$ 1,994,198	\$ 1,616,191	\$ 3,610,389

See accompanying notes.

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

STATEMENTS OF FUNCTIONAL EXPENSES

	Year Ended December 31, 2023			Year Ended December 31, 2022		
	Program Service	Management and General	Total	Program Service	Management and General	Total
Salaries	\$ 228,112	\$ 214,796	\$ 442,908	\$ 240,462	\$ 202,682	\$ 443,144
Payroll taxes	26,388	16,841	43,229	18,330	15,585	33,915
Other employee benefits	77,036	52,044	129,080	53,596	48,469	102,065
TOTAL PAYROLL AND RELATED EXPENSES	331,536	283,681	615,217	312,388	266,736	579,124
Our Churches Wider Mission National	76,510	-	76,510	77,170	-	77,170
Conference administrative expenses	57,087	6,777	63,864	11,792	5,449	17,241
Clergy development ministries	78,005	-	78,005	62,856	-	62,856
Church development and stewardship ministries	114,497	-	114,497	133,388	-	133,388
Conference supported ministries	69,372	-	69,372	26,529	-	26,529
Information technology	17,725	3,799	21,524	18,202	1,040	19,242
Equipment purchases	5,691	-	5,691	2,608	-	2,608
Rent expense	12,318	12,318	24,636	12,318	12,317	24,635
Repairs and maintenance	6,076	6,076	12,152	3,874	3,873	7,747
Postage and mailing	780	260	1,040	1,505	502	2,007
Office expenses	21,773	2,733	24,506	24,978	2,082	27,060
Telephone	5,343	5,343	10,686	5,735	5,735	11,470
Equipment lease expense	2,275	2,275	4,550	2,170	2,171	4,341
Conferences and meetings	25,935	-	25,935	26,496	-	26,496
Professional fees	-	91,310	91,310	-	9,350	9,350
Miscellaneous	-	3,005	3,005	-	1,107	1,107
TOTAL EXPENSES	\$ 824,923	\$ 417,577	\$ 1,242,500	\$ 722,009	\$ 310,362	\$ 1,032,371

See accompanying notes.

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

STATEMENTS OF CASH FLOWS

	Year Ended December 31	
	2023	2022
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 648,617	\$ (528,454)
Adjustments to reconcile change in net assets to net cash from operating activities:		
Unrealized (gain) loss on investments	(286,276)	667,146
Amortization of finance lease	4,185	4,185
Noncash lease expense	24,635	24,635
Changes in:		
Contributions receivable	(2,120)	68,270
Prepaid expenses and other current assets	(3,759)	3,597
Accounts payable and accrued expenses	12,034	(3,038)
Accrued payroll and payroll taxes	5,862	(37)
Deferred revenue	4,808	(44,550)
Operating lease liabilities	(24,396)	(24,993)
	383,590	166,761
NET CASH PROVIDED BY OPERATING ACTIVITIES	383,590	166,761
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sale of investments	551,529	637,657
Purchases of investments	(301,592)	(847,812)
	249,937	(210,155)
NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES	249,937	(210,155)
CASH FLOWS FROM FINANCING ACTIVITIES		
Repayments of finance lease liability	(4,168)	(4,126)
	(4,168)	(4,126)
NET INCREASE (DECREASE) IN CASH AND RESTRICTED CASH	629,359	(47,520)
CASH AND RESTRICTED CASH AT BEGINNING OF YEAR	401,965	449,485
CASH AND RESTRICTED CASH AT END OF YEAR	\$ 1,031,324	\$ 401,965
RECONCILIATION OF CASH		
Cash	\$ 892,442	\$ 264,627
Restricted cash	138,882	137,338
	\$ 1,031,324	\$ 401,965
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION		
Cash paid for interest on finance lease	\$ 97	\$ 140
SUPPLEMENTAL DISCLOSURES OF NONCASH OPERATING AND FINANCING ACTIVITIES		
Operating lease right-of-use assets obtained in exchange for operating lease liabilities	\$ -	\$ 95,647
Finance lease right-of-use asset obtained in exchange for finance lease liability	-	15,694

See accompanying notes.

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

NOTES TO FINANCIAL STATEMENTS

December 31, 2023 and 2022

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 150 member churches in the greater Philadelphia area and the surrounding six counties, representing 33,477 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. During 2023, 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 \$588,220, to the Conference. During 2022, the Conference also received one-time funds from the closure of a member church totaling \$50,000.

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.

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, 2023 and 2022, the Conference has cash restricted for various ministry programs totaling \$138,882 and \$137,338, respectively.

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

NOTES TO FINANCIAL STATEMENTS

December 31, 2023 and 2022

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Investments

Investments in stock and mutual funds are measured at fair value in the statements of financial position. Investment return, including gains and losses of investments, interest and dividends, and investment fees are included in the statements 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 statements 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.

Leases

The Conference leases office space, a postage machine, and a copier. The Conference determines if an arrangement is a lease at inception. In evaluating contracts to determine if they qualify as a lease, the Conference considers factors such as if they have obtained substantially all of the rights to the underlying asset through exclusivity, if they can direct the use of the asset by making decisions about how and for what purpose the asset will be used, and if the lessor has substantive substitution rights. This evaluation may require significant judgment. The office space and postage machine are included in operating lease right-of-use (ROU) assets and operating lease liabilities on the statements of financial position. The copier was determined to be a finance lease and is included in finance lease right-of-use asset and finance lease liability on the statements of financial position.

The Conference elected the practical expedient to not recognize ROU assets and liabilities for operating leases with shorter than 12-month terms. These leases will be expensed on a straight-line basis, and no operating lease liability will be recorded.

The Conference elected the practical expedient to use the risk-free rate as the discount rate for all leases based on the information available at commencement date in determining the present value of lease payments.

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

NOTES TO FINANCIAL STATEMENTS

December 31, 2023 and 2022

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Leases - continued

ROU assets represent the Conference's right to use an underlying asset for the lease term and lease liabilities represent their obligation to make lease payments arising from the lease. Operating lease ROU assets and liabilities are recognized at commencement date based on the present value of lease payments over the lease term. The Conference uses a risk-free rate based on the information available at the commencement date in determining the present value of lease payments. The operating lease ROU assets also include any lease payments made and excludes lease incentives. The Conference's lease terms may include options to extend or terminate the lease when it is reasonably certain that they will exercise that option. Lease expense for lease payments is recognized on a straight-line basis over the lease term.

Variable lease costs are not included within the measurement of the lease liability as they are entirely variable and the difference between the portion captured within the lease liability and the actual cost will be expensed as incurred. There are no associated variable lease costs with the leases noted above.

The Conference's lease agreements do not contain any material residual value guarantees or material restrictive covenants.

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, 2023 and 2022

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 statements 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. Contributions receivable totaled \$131,068 and \$128,948 at December 31, 2023 and 2022, respectively. Deferred revenue on the statements of financial position includes deferred revenue related to grant agreements of \$4,673 at December 31, 2023. There were no deferred revenues related to grant agreements at December 31, 2022.

Contributed Nonfinancial Assets

Contributed nonfinancial assets 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, 2023 and 2022

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Revenue Recognition

The Conference recognizes revenue in accordance with Financial Accounting Standards Board (FASB), Accounting Standards Codification Topic 606, *Revenue from Contracts with Customers* (ASC 606), which applies to exchange transactions with customers that are bound by contract or similar arrangement and establishes a performance obligation approach to revenue recognition. The Conference records the following exchange transaction revenue in its statements 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 \$2,575 and \$2,440 at December 31, 2023 and 2022, respectively. Deferred revenue for program income at January 1, 2022 totaled \$120. There are no program related receivables at December 31, 2023 and 2022 or at January 1, 2022.

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.

Change in Accounting Principle

In June 2016, the FASB issued guidance (FASB ASC 326) which significantly changed how entities will measure credit losses for most financial assets and certain other instruments that aren't measured at fair value through net income. The most significant change in this standard is a shift from the incurred loss model to the expected loss model. Under the standard, disclosures are required to provide users of the financial statements with useful information in analyzing an entity's exposure to credit risk and the measurement of credit losses. The Conference adopted the standard effective January 1, 2023. The impact of the adoption was not considered material to the financial statements and primarily resulted in enhanced disclosures only.

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.

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

NOTES TO FINANCIAL STATEMENTS

December 31, 2023 and 2022

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Reclassification

Certain items in the prior year financial statements have been reclassified to conform to the current presentation. These changes had no impact on the net income.

Subsequent Events

In preparing these financial statements, the Conference has evaluated events and transactions for potential recognition through May 1, 2024, the date the financial statements were available to be issued.

Subsequent to December 31, 2023, the Conference entered into an agreement to lend up to \$75,000 to a member church. The church will re-pay the loan in a lump sum payment of the balance of the loan upon the settlement of the sale of the church building. The loan does not bear interest.

NOTE 2 - INVESTMENTS AND FAIR VALUE MEASUREMENTS

Investments as of December 31 are summarized as follows:

	<u>2023</u>	<u>2022</u>
Cash and money market	\$ 8,604	\$ 20,295
Stocks and mutual funds:		
Common stocks	209,945	265,031
Mutual funds	2,948,645	2,644,517
Fixed Income	-	201,011
	<u>3,158,590</u>	<u>3,110,559</u>
Total investments	<u>\$ 3,167,194</u>	<u>\$ 3,130,854</u>

Investment return is summarized as follows at December 31:

	<u>2023</u>	<u>2022</u>
Interest and dividend income	\$ 74,238	\$ 67,825
Unrealized gains (losses)	286,276	(667,146)
Realized gains	16,842	192,851
Investment fees	(3,947)	(3,797)
Total investment return	<u>\$ 373,409</u>	<u>\$ (410,267)</u>

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 described below.

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

NOTES TO FINANCIAL STATEMENTS

December 31, 2023 and 2022

NOTE 2 - INVESTMENTS AND FAIR VALUE MEASUREMENTS - CONTINUED

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, 2023 and 2022.

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 common stock 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.

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.

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December 31, 2023 and 2022

NOTE 2 - INVESTMENTS AND FAIR VALUE MEASUREMENTS - CONTINUED

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, 2023	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Common stock	\$ 209,945	\$ 209,945	\$ -	\$ -
Mutual funds	2,948,645	796,794	2,151,851	-
Total fair value measurements	<u>\$ 3,158,590</u>	<u>\$ 1,006,739</u>	<u>\$ 2,151,851</u>	<u>\$ -</u>

Description	December 31, 2022	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Common stock	\$ 265,031	\$ 265,031	\$ -	\$ -
Mutual funds	2,644,547	692,300	1,952,247	-
Fixed income	201,011	-	201,011	-
Total fair value measurements	<u>\$ 3,110,589</u>	<u>\$ 957,331</u>	<u>\$ 2,153,258</u>	<u>\$ -</u>

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December 31, 2023 and 2022

NOTE 3 - LEASES

The Conference has various operating and finance lease agreements for office space, a postage machine, and a copier. The terms of these leases range from 30 to 48 months with minimum annual total payments ranging from \$397 to \$24,000. Per the lease agreements, payments are made monthly or quarterly based on the terms of the individual lease.

The Conference included the following amounts related to operating and finance lease assets and liabilities within the statements of financial position at December 31:

		<u>2023</u>	<u>2022</u>
Assets	Classification		
Operating lease	Operating lease right-of-use assets	\$ 47,842	\$ 71,869
Finance lease	Finance lease right-of-use asset	<u>7,324</u>	<u>11,509</u>
	Total lease assets	<u>\$ 55,166</u>	<u>\$ 83,378</u>
Liabilities			
Current			
Operating lease	Current portion of operating lease liabilities	\$ 23,837	\$ 23,788
Finance lease	Current portion of finance lease liability	4,212	4,168
Long-term			
Operating lease	Noncurrent portion of operating lease liabilities	23,886	47,723
Finance lease	Noncurrent portion of finance lease liability	<u>3,188</u>	<u>7,400</u>
	Total lease liabilities	<u>\$ 55,123</u>	<u>\$ 83,079</u>

The components of lease expense were as follows for the years ended December 31:

	<u>2023</u>	<u>2022</u>
Operating lease expense	\$ 24,635	\$ 24,635
Variable lease expense	-	-
Short-term lease expense	-	-
Finance lease amortization	\$ 4,185	\$ 4,185
Interest on finance lease liabilities	97	140

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December 31, 2023 and 2022

NOTE 3 - LEASES - CONTINUED

Supplemental cash flow information related to leases was as follows for the years ended December 31:

	2023	2022
Cash paid for amounts included in the measurement of lease liabilities:		
Operating cash flows from operating leases	\$ 24,396	\$ 24,993
Financing cash flows from finance lease (i.e. principal portion)	4,168	4,126
Operating cash flows from finance lease (i.e. interest)	97	140
Right-of-use assets obtained in exchange for lease obligations:		
Operating leases	\$ -	\$ 95,647
Finance lease	-	15,694

Supplemental balance sheet information related to leases was as follows at December 31:

	2023	2022
Weighted Average Remaining Lease Term		
Operating leases	1.99 years	2.99 years
Finance lease	1.75 years	2.75 years
Weighted Average Discount Rate		
Operating leases	1.04%	1.04%
Finance lease	1.04%	1.04%

Maturities of lease liabilities are as follows for the years ending December 31:

	Operating Leases	Finance Lease
2024	\$ 24,198	\$ 4,265
2025	24,000	3,199
Total lease payments	48,198	7,464
Less: present value discount	(475)	(64)
Total	\$ 47,723	\$ 7,400

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 board designated net assets totaling \$345,624 and \$50,000 at December 31, 2023 and 2022, respectively.

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NOTE 4 - NET ASSETS - CONTINUED

Board designated net assets are summarized as follows at December 31:

	2023	2022
New church startup	\$ 122,797	\$ 50,000
Mental health initiatives	100,000	-
Other programs and initiatives	122,827	-
Total board designated	\$ 345,624	\$ 50,000

Net assets with donor restrictions are summarized as follows at December 31:

	2023	2022
Purpose:		
Local church ministries	\$ 32,191	\$ 32,191
Ensuring the future	59,150	59,150
Ecumenical relations savings	133	133
Church development	17,189	17,424
2020 Vision Scholarship	2,100	2,100
Interim minister training	1,393	1,393
Mass incarceration project	813	813
Zion disaster response ministries	14,609	14,609
Immigration work grant	500	500
Spring meeting Scholarship	4,034	2,980
New church ministries	587,207	567,334
MID education support	195,117	166,045
Camper Scholarship	45	45
St. John's Philadelphia dissolution	34,738	30,707
Racial Justice Initiative	725	-
Debt-Ministerial Assistance	6,000	6,000
Total purpose	955,944	901,424
Perpetuity:		
Church development	270,310	235,927
Education and nurturing	87,695	80,038
Mission and outreach	211,469	183,653
Outdoor and retreat	40,329	33,708
Retirees	7,907	6,990
Conference administration	187,485	174,451
Total perpetuity	805,195	714,767
Total net assets with donor restrictions	\$ 1,761,139	\$ 1,616,191

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NOTES TO FINANCIAL STATEMENTS

December 31, 2023 and 2022

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>2023</u>	<u>2022</u>
St. John's Philadelphia Dissolution	\$ 993	\$ 982
Church Development	160	22,445
Scholarships	<u>75</u>	<u>-</u>
	<u>\$ 1,228</u>	<u>\$ 23,427</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.

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, 2023 and 2022, respectively.

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NOTES TO FINANCIAL STATEMENTS

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NOTE 5 - ENDOWMENT FUNDS - CONTINUED

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, 2023 or 2022.

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

	2023	2022
Donor-restricted endowment funds	\$ 805,195	\$ 714,767
Changes in Endowment Net Assets for the Year Ended December 31:		
Endowment net assets, beginning of year	\$ 714,767	\$ 897,746
Investment return:		
Investment income	19,935	85,656
Net appreciation (depreciation)	99,574	(239,822)
Total investment return	119,509	(154,166)
Transfers (based on spending policy)	(29,081)	(28,813)
Endowment net assets, end of year	\$ 805,195	\$ 714,767

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, 2023 and 2022, total contributions received for Our Church's Wider Mission were \$733,556 and \$738,126, respectively. The related contribution passed through to the National United Church of Christ was \$76,510 and \$77,170 for the years ended December 31, 2023 and 2022, respectively.

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NOTES TO FINANCIAL STATEMENTS

December 31, 2023 and 2022

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 \$49,114 and \$46,326 for the years ended December 31, 2023 and 2022, respectively.

NOTE 8 - AVAILABILITY OF FINANCIAL RESOURCES

The following reflects the Conference's financial assets as of December 31, 2023 and 2022, 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 board designations and donor-imposed restrictions.

	<u>2023</u>	<u>2022</u>
Cash	\$ 1,031,324	\$ 401,965
Contributions receivable	131,068	128,948
Investments	<u>3,167,194</u>	<u>3,130,854</u>
Total financial assets	4,329,586	3,661,767
Less board designations and donor-imposed restrictions:		
Board designated	(345,624)	(50,000)
Restricted by donors with purpose restrictions	(955,944)	(901,424)
Donor restricted endowment	<u>(805,195)</u>	<u>(714,767)</u>
Total financial assets available to meet cash needs for general expenses within one year	<u>\$ 2,222,823</u>	<u>\$ 1,995,576</u>

Limitations on net assets include board designated amounts. With board approval, these amounts may be undesignated for the Conference to meet cash needs, if necessary.

SUPPLEMENTARY INFORMATION

**PENNSYLVANIA SOUTHEAST CONFERENCE OF
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SCHEDULE OF INVESTMENTS, SPECIAL FUNDS

Year Ended December 31, 2023

	Market Value December 31, 2022	Investment Income	Contributions	Net Transfers from Operating and Special Funds	Unrealized Gain (Loss)	Market Value December 31, 2023
First Christian Building Mission in the 70's - Dunkel's Church	\$ 161,183	\$ 4,490	\$ -	\$ (5,215)	\$ 21,886	\$ 182,344
Mount Hermon	7,337	307	-	-	85	7,729
Park Church Endowment	12,772	356	-	(413)	1,734	14,449
Church Development	54,635	1,522	-	(1,768)	7,418	61,807
Continuing Education	158,357	4,614	-	(5,124)	22,525	180,372
Reading Classis	1,166	32	-	(37)	158	1,319
Shetler Theological Students	34,014	894	-	-	720	35,628
Shetler Campus Ministry	12,016	335	-	(389)	1,632	13,594
Arcadia Make a Difference	4,533	126	-	(147)	616	5,128
Church and Ministry	94,913	2,765	-	(3,651)	12,739	106,766
Paul Slinghoff Memorial	1,680	47	-	(54)	228	1,901
Cheryl and Sancho Robinson	1,187	33	-	(38)	161	1,343
Emergency Reserve	19,847	553	-	(642)	2,695	22,453
Disaster Fund Savings	8,350	233	-	(270)	1,133	9,446
Outdoor and Retreat	59,457	1,656	-	(1,924)	8,073	67,262
Shetler Retirees Fund	17,892	501	-	(442)	2,441	20,392
Make a Difference - Conference	4,202	117	-	(136)	570	4,753
MID Education Support - Pilgrim Community	3,779	158	-	-	44	3,981
Spatz - Retirees	166,045	4,629	-	-	24,443	195,117
Spatz - Education and Nurturing	2,788	78	-	(90)	378	3,154
Spatz - Conference Administration	7,417	207	-	(240)	1,007	8,391
Executive Staff - Continuing Education	1,217	34	-	(39)	165	1,377
Retirees Unrestricted Fund	2,211	62	-	(72)	300	2,501
Mensch Mill Development	1,189	33	-	(38)	161	1,345
St. John's of Philadelphia - Dissolution	130	5	-	(137)	2	-
New Ministries Fund	30,707	855	-	(994)	4,170	34,738
Charles Yetter Endowment	22,625	677	-	(300)	3,049	26,051
Heidelberg Endowment	8,879	165	-	(183)	2,584	11,445
Richard Wentzel Endowment	183,653	5,033	-	(6,834)	29,617	211,469
Nationwide Fund Class D	15,687	468	-	(571)	4,354	19,938
Anna M. Goldbeck - Irrevocable Trust	300,975	11,939	-	(15,648)	64,540	361,806
John Z. Zeller - Irrevocable Trust	145,740	4,081	-	(11,945)	20,600	158,476
Investing in the Future	23,714	608	-	-	3,309	27,631
New Church Ministries - Pilgrim Community	206,200	5,459	-	(2,678)	28,482	237,463
Church Builders' Bonus Investment	567,334	18,551	-	1,322	-	587,207
General Savings	168,707	4,586	-	-	-	173,293
Citizens Investments	94,613	6,589	-	300	11,414	112,916
	523,703	8,282	-	(282,619)	2,843	252,209
	<u>\$ 3,130,854</u>	<u>\$ 91,080</u>	<u>\$ -</u>	<u>\$ (341,016)</u>	<u>\$ 286,276</u>	<u>\$ 3,167,194</u>

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SCHEDULE OF INVESTMENTS, SPECIAL FUNDS

Year Ended December 31, 2022

	Market Value December 31, 2021	Investment Income	Contributions	Net Transfers from Operating and Special Funds	Unrealized Gain (Loss)	Market Value December 31, 2022
First Christian Building Mission in the 70's - Dunkel's Church	\$ 198,074	\$ 33,417	\$ -	\$ (5,156)	\$ (65,152)	\$ 161,183
Mount Hermon	9,016	1,842	-	(235)	(3,286)	7,337
Park Church Endowment	15,696	2,977	-	(409)	(5,492)	12,772
Church Development	67,140	13,134	-	(1,748)	(23,891)	54,635
Continuing Education	194,604	37,516	-	(5,066)	(68,697)	158,357
Reading Classis	1,433	294	-	(37)	(524)	1,166
Shetler Theological Students	40,547	8,486	-	-	(15,019)	34,014
Shetler Campus Ministry	14,767	2,791	-	(384)	(5,158)	12,016
Arcadia Make a Difference	5,571	1,145	-	(145)	(2,038)	4,533
Church and Ministry	117,833	13,839	-	(4,147)	(32,612)	94,913
Paul Slinghoff Memorial	2,065	426	-	(55)	(756)	1,680
Cheryl and Sancho Robinson	1,459	301	-	(39)	(534)	1,187
Emergency Reserve	24,390	4,829	-	(635)	(8,737)	19,847
Disaster Fund Savings	10,261	1,993	-	(267)	(3,637)	8,350
Outdoor and Retreat	73,065	15,024	-	(1,902)	(26,730)	59,457
Shetler Retirees Fund	21,987	4,065	-	(572)	(7,588)	17,892
Make a Difference - Conference	5,164	1,042	-	(134)	(1,870)	4,202
MID Education Support - Pilgrim Community	4,644	756	-	(121)	(1,500)	3,779
Spatz - Retirees	197,940	16,646	-	-	(48,541)	166,045
Spatz - Education and Nurturing	3,426	679	-	(89)	(1,228)	2,788
Spatz - Conference Administration	9,114	1,788	-	(237)	(3,248)	7,417
Executive Staff - Continuing Education	1,496	297	-	(39)	(537)	1,217
Retirees Unrestricted Fund	2,716	539	-	(71)	(973)	2,211
Mensch Mill Development	1,461	253	-	(38)	(487)	1,189
St. John's of Philadelphia - Dissolution	159	27	-	(4)	(52)	130
New Ministries Fund	37,735	6,276	-	(982)	(12,322)	30,707
Charles Yetter Endowment	51,927	3,168	-	(20,000)	(12,470)	22,625
Heidelberg Endowment	12,013	119	-	(309)	(2,944)	8,879
Richard Wentzel Endowment	232,722	4,469	-	(6,757)	(46,781)	183,653
Nationwide Fund Class D	21,233	211	-	(543)	(5,214)	15,687
Anna M. Goldbeck - Irrevocable Trust	382,421	12,232	-	(8,455)	(85,223)	300,975
John Z. Zeller - Irrevocable Trust	191,613	(288)	-	(11,532)	(34,053)	145,740
Investing in the Future	28,269	3,448	-	-	(8,003)	23,714
New Church Ministries - Pilgrim Community	245,806	26,179	-	-	(65,785)	206,200
Church Builders' Bonus Investment	552,399	14,935	-	-	-	567,334
General Savings	164,242	4,465	-	-	-	168,707
Citizens Investments	86,286	1,700	-	20,912	(14,285)	94,613
	557,151	19,656	-	(1,325)	(51,779)	523,703
	<u>\$ 3,587,845</u>	<u>\$ 260,676</u>	<u>\$ -</u>	<u>\$ (50,521)</u>	<u>\$ (667,146)</u>	<u>\$ 3,130,854</u>