

**UNITED METHODIST CHURCH UNION**  
**FINANCIAL STATEMENTS**  
**FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018**



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**BIELAU, TIERNEY, COON & COMPANY, P.C.**  
Certified Public Accountants  
2740 Smallman Street, Suite 202  
Pittsburgh, PA 15222

## STATEMENTS

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**INDEPENDENT AUDITOR'S REPORT**

To the Board of Directors  
United Methodist Church Union

We have audited the accompanying financial statements of United Methodist Church Union (a nonprofit organization), which comprise the statements of financial position as of December 31, 2019 and 2018, and the related statements of activities and cash flows for the years then ended, and the related notes to the financial statements.

**Management's Responsibility for the Financial Statements**

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

**Auditor's Responsibility**

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of those risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

**Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of United Methodist Church Union as of December 31, 2019 and 2018, 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.

January 26, 2021

**United Methodist Church Union**

**Statements of Financial Position**

**December 31, 2019 and 2018**

	<b>Assets</b>	
	<b>2019</b>	<b>2018</b>
<b>Current Assets</b>		
Cash	\$ 164,668	\$ 267,391
Receivables	289,337	257,341
Receivables - affiliates	757,518	731,929
Prepaid insurance	8,926	15,836
Security deposit	<u>1,161</u>	<u>1,161</u>
<b>Total Current Assets</b>	<u>1,221,610</u>	<u>1,273,658</u>
<b>Investments</b>	<u>1,994,314</u>	<u>1,725,976</u>
<b>Plant and Equipment</b>		
Land, Buildings and Equipment	639,224	639,224
Less: Accumulated depreciation	<u>305,059</u>	<u>294,586</u>
<b>Net Plant and Equipment</b>	<u>334,165</u>	<u>344,638</u>
<b>Total Assets</b>	<u>\$ 3,550,089</u>	<u>\$ 3,344,272</u>
	<b>Liabilities and Net Assets</b>	
<b>Current Liabilities</b>		
Accounts payable	8,752	46,525
Accounts payable - affiliates	47,176	47,279
Payroll liabilities withheld and accrued	<u>1,774</u>	<u>1,526</u>
<b>Total Current Liabilities</b>	<u>57,702</u>	<u>95,330</u>
<b>Long Term Liabilities</b>		
Custodial accounts	<u>88,401</u>	<u>63,778</u>
<b>Net Assets</b>		
Without Donor Restrictions	1,943,972	1,883,670
With Donor Restrictions:		
Purpose restricted	205,888	199,872
Perpetual in nature	<u>1,254,126</u>	<u>1,101,622</u>
<b>Total Net Assets</b>	<u>3,403,986</u>	<u>3,185,164</u>
<b>Total Liabilities and Net Assets</b>	<u>\$ 3,550,089</u>	<u>\$ 3,344,272</u>

See notes to financial statements.

United Methodists Church Union

Statements of Activities

For the Years Ended December 31, 2019 and 2018

	2019		2018	
	Without Donor Restrictions	With Donor Restrictions	Without Donor Restrictions	With Donor Restrictions
<b>Revenues, Gains and Other Support</b>		<b>Total</b>		<b>Total</b>
Management fee income	\$ 100,011	\$ 100,011	\$ 148,047	\$ 148,047
Contributions, grants and bequests	171,000	406,531	56,962	288,440
Rental income	40,218	40,218	83,150	83,150
Investment Return	128,548	343,551	(28,651)	(103,712)
Program Fees	-	-	4,080	4,080
Metowers development fee	40,000	40,000	40,000	40,000
Gain on sale of property	-	-	27,495	27,495
Net Assets released from restrictions:				
Satisfaction of program restrictions	292,014	(292,014)	327,729	(327,729)
<b>Total Revenues, Gains and Other Support</b>	<b>771,791</b>	<b>930,311</b>	<b>658,812</b>	<b>544,462</b>
<b>Expenses</b>				
Program	482,664	482,664	574,919	574,919
General and administrative	201,988	201,988	184,680	184,680
Fundraising	26,837	26,837	6,014	6,014
<b>Total Expenses</b>	<b>711,489</b>	<b>711,489</b>	<b>765,613</b>	<b>765,613</b>
<b>Change in Net Assets</b>	<b>60,302</b>	<b>218,822</b>	<b>(106,801)</b>	<b>(221,151)</b>
<b>Net Assets at Beginning of Year</b>	<b>1,883,670</b>	<b>3,185,164</b>	<b>1,990,471</b>	<b>3,406,315</b>
<b>Net Assets at End of Year</b>	<b>\$ 1,943,972</b>	<b>\$ 3,403,986</b>	<b>\$ 1,883,670</b>	<b>\$ 3,185,164</b>

See notes to financial statements.

**United Methodist Church Union**  
**Statements of Functional Expenses**

**Year Ended December 31, 2019**

**2019**

	Kids Meal Network	Reading Program	Pre-K Scholarships	Northside Feeding	Property Management	Trust Funds	Other Programs	Total Program Expenses	Administrative	Fund-raising	Total
<b>Personnel Expenses</b>											
Salaries	\$ 62,076	\$ 27,930	\$ 1,470	\$ 13,360	\$ 66,941	\$ 2,331	\$ 6,489	\$ 180,597	\$ 84,924	\$ -	\$ 265,521
Employee benefits	9,700	4,360	219	2,771	10,047	351	972	28,420	11,431	-	39,851
Payroll taxes	4,499	2,329	83	998	3,815	133	745	12,602	2,532	-	15,134
<b>Total Personnel Expenses</b>	<b>76,275</b>	<b>34,619</b>	<b>1,772</b>	<b>17,129</b>	<b>80,803</b>	<b>2,815</b>	<b>8,206</b>	<b>221,619</b>	<b>98,887</b>	<b>-</b>	<b>320,506</b>
<b>Operating Expenses</b>											
Accounting and financial	15,000	1,800	-	6,000	9,000	-	350	32,150	9,942	-	42,092
Activities and field trips	1,023	1,540	-	-	-	6,087	1,500	10,150	441	-	10,591
Agency program support	-	-	-	-	-	3,256	22,858	26,114	-	-	26,114
Building maintenance	1,640	-	-	-	-	-	-	1,640	375	-	2,015
Depreciation	-	-	-	-	-	9,291	-	9,291	1,182	-	10,473
Equipment and maintenance	-	-	-	-	1,299	-	6,805	8,104	2,409	-	10,513
Food and supplies	76,813	5,046	-	6,233	-	-	-	88,092	-	-	88,092
Insurance	-	-	-	-	4,979	-	-	4,979	7,637	-	12,616
Legal and professional fees	-	-	-	-	-	-	713	713	26,126	-	53,676
Office supplies and expense	1,746	315	-	4,724	-	253	1,665	8,703	13,146	-	21,849
Program supplies	6,651	1,068	-	-	-	4,620	7,543	19,882	1,793	-	21,675
Promotional	10	314	-	75	-	-	-	399	6,451	-	6,850
Real estate taxes	-	-	-	-	-	-	-	-	27	-	27
Rent	-	-	-	-	-	-	-	-	22,213	-	22,213
Scholarships	-	-	12,065	-	-	14,355	-	26,420	-	-	26,420
Travel and meetings	2,181	1,060	-	25	71	89	1,370	4,796	7,912	-	12,708
Utilities	-	-	-	-	5,715	-	13,897	19,612	3,447	-	23,059
<b>Total Operating Expenses</b>	<b>105,064</b>	<b>11,143</b>	<b>12,065</b>	<b>17,057</b>	<b>21,064</b>	<b>37,951</b>	<b>56,701</b>	<b>261,045</b>	<b>103,101</b>	<b>26,837</b>	<b>390,983</b>
<b>Total Expenses</b>	<b>\$ 181,339</b>	<b>\$ 45,762</b>	<b>\$ 13,837</b>	<b>\$ 34,186</b>	<b>\$ 101,867</b>	<b>\$ 40,766</b>	<b>\$ 64,907</b>	<b>\$ 482,664</b>	<b>\$ 201,988</b>	<b>\$ 26,837</b>	<b>\$ 711,489</b>

See notes to financial statements.

**United Methodist Church Union**

**Statements of Functional Expenses**

**Year Ended December 31, 2018**

**2018**

	Kids Meal Network	Reading Program	Pre-K Scholarships	Northside Feeding	Property Management	Trust Funds	Other Programs	Total Program Expenses	Administrative	Fund-raising	Total
<b>Personnel Expenses</b>											
Salaries	\$ 47,649	\$ 27,530	\$ 1,260	\$ 10,992	\$ 62,999	\$ 2,055	\$ 5,611	\$ 158,096	\$ 80,696	\$ -	\$ 238,792
Employee benefits	6,516	3,766	163	1,502	8,616	261	764	21,588	11,072	-	32,660
Payroll taxes	2,733	1,580	69	630	3,614	110	321	9,057	4,644	-	13,701
<b>Total Personnel Expenses</b>	<b>56,898</b>	<b>32,876</b>	<b>1,492</b>	<b>13,124</b>	<b>75,229</b>	<b>2,426</b>	<b>6,696</b>	<b>188,741</b>	<b>96,412</b>	<b>-</b>	<b>285,153</b>
<b>Operating Expenses</b>											
Accounting and financial	15,000	1,800	-	6,000	9,000	-	-	31,800	-	-	31,800
Activities and field trips	1,150	2,045	-	-	-	6,086	3,519	12,800	-	-	12,800
Agency program support	-	-	-	-	16,000	33,813	21,442	71,255	1,786	-	73,041
Building maintenance	2,000	-	-	-	10,523	-	285	12,808	900	-	13,708
Depreciation	-	-	-	-	12,767	-	-	12,767	1,183	-	13,950
Equipment and maintenance	-	11,742	-	-	-	-	-	11,742	1,961	-	13,703
Food and supplies	84,359	-	-	12,803	-	-	-	97,162	-	-	97,162
Insurance	-	-	-	-	6,015	-	-	6,015	8,795	-	14,810
Legal and professional fees	12,000	12,000	-	-	353	-	-	24,353	28,018	-	52,371
Office supplies and expense	1,460	2,343	-	150	-	339	198	4,490	9,499	-	13,989
Program supplies	11,604	18,845	-	-	-	-	1,581	32,030	125	-	32,155
Promotional	60	1,731	-	136	-	100	-	2,027	-	6,014	8,041
Real estate taxes	-	-	-	-	2,638	-	-	2,638	673	-	3,311
Rent	-	-	-	-	-	-	-	-	22,213	-	22,213
Scholarships	-	-	32,008	-	-	11,323	-	43,331	-	-	43,331
Travel and meetings	2,162	790	-	784	29	9	-	3,774	6,437	-	10,211
Utilities	-	-	-	-	17,186	-	-	17,186	6,678	-	23,864
<b>Total Operating Expenses</b>	<b>129,795</b>	<b>51,296</b>	<b>32,008</b>	<b>19,873</b>	<b>74,511</b>	<b>51,670</b>	<b>27,025</b>	<b>386,178</b>	<b>88,268</b>	<b>6,014</b>	<b>480,460</b>
<b>Total Expenses</b>	<b>\$ 186,693</b>	<b>\$ 84,172</b>	<b>\$ 33,500</b>	<b>\$ 32,997</b>	<b>\$ 149,740</b>	<b>\$ 54,096</b>	<b>\$ 33,721</b>	<b>\$ 574,919</b>	<b>\$ 184,680</b>	<b>\$ 6,014</b>	<b>\$ 765,613</b>

See notes to financial statements.

United Methodist Church Union

Statements of Cash Flows

For the Years Ended December 31, 2019 and 2018

	<u>2019</u>	<u>2018</u>
<b>Cash Flows from Operating Activities</b>		
Change in Net Assets	\$ 218,822	\$ (221,151)
<b>Adjustments to Reconcile Change in Net Assets to Net Cash Provided from Operating Activities:</b>		
Unrealized (gain) loss on owned investments	(215,003)	213,995
Gain on sale of property	-	(27,495)
Depreciation	13,703	13,950
(Increase) Decrease in:		
Receivables	(57,585)	(150,988)
Prepaid expenses	6,910	(15,836)
Increase (Decrease) in:		
Accounts payable	(37,876)	788
Payroll taxes withheld and accrued	48	109
<b>Total Adjustments</b>	<u>(289,803)</u>	<u>34,523</u>
<b>Net Cash Used by Operating Activities</b>	<u>(70,981)</u>	<u>(186,628)</u>
<b>Cash Flows from Investing Activities</b>		
Purchase of investments	(31,742)	-
Sale of property	-	223,919
Investments held in trust as custodian	(88,401)	(63,778)
Custodial accounts	88,401	63,778
<b>Net Cash Provided by Investing Activities</b>	<u>(31,742)</u>	<u>223,919</u>
<b>Net Increase in Cash</b>	(102,723)	37,291
<b>Cash at Beginning of Year</b>	<u>267,391</u>	<u>230,100</u>
<b>Cash at End of Year</b>	<u>\$ 164,668</u>	<u>\$ 267,391</u>

See notes to financial statements.

United Methodist Church Union

Notes to Financial Statements

December 31, 2019 and 2018

**NOTE 1 - ORGANIZATION AND SIGNIFICANT ACTIVITIES**

- A. **Mission Statement:** The Mission of United Methodist Church Union is to transform communities, lives and hearts. **Vision Statement:** The Vision of United Methodist Church Union is to be a responsive and collaborative force that bridges across cultural and economic challenges to empower change. Church Union is supported primarily by investment income, services and contributions and grants.
- B. Church Union is the management agent for affiliates Methouse, Inc. and Metowers Associates,LP. Church Union receives revenue for management services as approved by the U.S. Department of Housing and Urban Development.

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

**Financial Statement Presentation**

The financial statements of Church Union have been prepared in accordance with the FASB ASU 2016-14, Not-for-Profit Entities (Topic 958) – Presentation of Financial Statements for Not-for-Profit Entities, which requires the Association to report information regarding its financial position and activities according to two classes of net assets: net assets without donor restrictions and net assets with donor restrictions.

**Classification of Net Assets**

Classification of Net Assets: Net assets of Church Union are classified based on the presence or absence of donor-imposed restrictions. Net assets are comprised of two groups as follows:

Net Assets Without Donor Restrictions – Amounts that are not subject to usage restrictions based on donor-imposed requirements. This class also includes assets previously restricted where restrictions have expired or been met.

Net Assets with Donor Restrictions – Assets subject to usage limitations based on donor imposed or grantor restrictions. These restrictions may be temporary or may be based on a particular use. Restrictions may be met by the passage of time or by actions of Church Union. Certain restrictions may be need to be maintained in perpetuity. Donor restricted contributions are recorded as support without donor restrictions when the restrictions are met within the reporting period.

**Basis of Accounting**

The accrual method of accounting is used for financial statement presentation. Under this method, revenue is recorded when earned and expenses are recorded when incurred without regard to the time of cash receipt and disbursement.

**Contributions**

Contributions that are restricted by the donor are reported as increases in net assets without donor restrictions if the restrictions expire (that is, when a stipulated time restriction ends or purpose restriction is accomplished) in the reporting period in which the revenue is recognized. All other donor-restricted contributions are reported as increases in restricted net assets, depending on the nature of the restriction. When a restriction expires, donor restricted net assets are reclassified to unrestricted net assets and reported in the Statements of Activities as net assets released from restrictions

**Fixed Assets and Depreciation**

Fixed assets are capitalized at cost. Depreciation is provided on the straight-line method over the estimated useful life of the respective asset. Church Union capitalizes assets with a cost of \$2,000 or greater.

Maintenance and repairs, which are not considered to extend the useful lives of assets, are charged to operations as incurred. Expenditures for additions and improvements are capitalized

**United Methodist Church Union**  
**Notes to Financial Statements - Continued**  
**December 31, 2019 and 2018**

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

**Investments**

Church Union reflects investments within its financial statements in accordance with ASC 958--320 Not--for--Profit Entities, *“Investments--Debt and Equity Securities”*, *“Accounting for Certain Investments Held by Non--profit Organizations”*. Under ASC 958--320, investments in marketable securities with readily determinable fair values and all investments in debt securities are valued at their fair values in the statement of financial position. Unrealized gains and losses are included in the change in net assets.

**Estimates**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements, and the reported revenues and expenses during the reporting period. Actual results could differ from those estimates.

**Donated Property and Equipment**

Donations of property and equipment are recorded as contributions at their estimated fair value at the date of donation. Such donations are reported as increases in unrestricted net assets unless the donor has restricted the donated asset to a specific purpose.

**Donated Services**

No amounts have been reflected in the financial statements for donated services because they do not meet the criteria established by ASC--958--605--25. Church Union pays for most services requiring specific expertise. However, many individuals volunteer their time to perform a variety of tasks to assist Church Union with specific program assistance.

**Expense Allocation**

Directly identifiable expenses are charged to programs and supporting services. Management and general expenses include those expenses that are not directly identifiable with any other specific function but provide for the overall support and direction of Church Union.

For purposes of the statements of cash flows, Church Union considers all unrestricted highly liquid investments with an initial maturity of three months or less to be cash equivalents. At December 31, 2019 and 2018 there were no cash equivalents.

**Tax Status**

Church Union was determined to be exempt from federal income taxation under the provisions of Section 501(c)(3) of the Internal Revenue Code and has been classified as an organization that is not a private foundation as defined in Section 509(a)(3) of the Internal Revenue Code. Accordingly, no provision has been made for such taxes pursuant to Internal Revenue Code Section 501(c)(3). Church Union files annual information returns with the Internal Revenue Service. Management is not aware of any existing conditions which would jeopardize its tax exempt status. Generally, Church Union tax returns remain open for three years for federal tax examination.

**Cash and Cash Equivalents**

Contributions to the Association qualify for the charitable contributions deduction to the extent provided by Section 170 of the Internal Revenue Code.

**United Methodist Church Union**  
**Notes to Financial Statements – Continued**  
**December 31, 2019 and 2018**

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

**Custodial Accounts**

Church Union holds investments which belong to individual donors. These amounts have been reported as a liability for amounts held for others in accordance with ASC Topic 958. ASC Topic 958 established standards for transactions in which an entity-the donor-makes a contribution by transferring assets to a not-for-profit organization or charitable trust-the recipient organization-that accepts the assets from the donor and agrees to use those assets on behalf of or transfer those assets, the return on investment of those assets, or both to the beneficiary that is specified by the donor. Custodial accounts are subject to restrictions, pursuant to the guideline agreements which require the principal be invested and specifies the use of the income.

**NOTE 3 – FAIR MARKET VALUE**

FASB ASC Topic 820 relating to Fair Value Measurements and Disclosures establishes a framework for measuring fair value. Church Union has adopted the provisions of FASB ASU 2010--6, Improving Disclosures about Fair Value Measurements. The adoption of the ASU resulted in more detailed presentation of Church Union's investments by fair value hierarchy level.

The 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 level of fair value hierarchy under FASB ASC 820 are described as follows:

Level 1 – Inputs to the valuation methodology are adjusted quoted prices for identical assets or liabilities in active markets that Church Union has the ability to access.

Level 2 – inputs to the valuation methodology include:

- Quoted prices for similar assets or liabilities in active markets;
- Quoted prices for identical or similar assets or 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 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.

The preceding methods described may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, although Church Union believes its valuation methods 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.

**United Methodist Church Union**

**Notes to Financial Statements Continued**

**December 31, 2019 and 2018**

**Note 3 – Fair Market Value – Continued**

The following table sets forth by level, within the fair value hierarchy, Church Union's assets that are measured at fair value on a recurring basis as of June 30, 2019 and 2018

	2019		2018	
	<u>Level 2</u>	<u>Fair Value</u>	<u>Level 2</u>	<u>Fair Value</u>
Investments held by the United Methodist Foundations of Western Pennsylvania:				
Niebaum Estate Trust	\$ 403,929	\$ 403,929	\$ 359,766	\$ 359,766
Jolly Farm Investment Fund	467,868	467,868	416,714	416,714
DeBolt Estate Investment Fund	256,973	256,973	228,878	228,878
Church Union Investment Fund	20,745	20,745	18,075	18,075
Flaccus Estate Trust	65,025	65,025	56,657	56,657
Mildred Egert Trust	61,991	61,991	54,013	54,013
Pappy Fund	62,635	62,635	54,574	54,574
Hutchinson Fund	528,199	528,199	456,322	456,322
New Hope Fund	20,548	20,548	17,199	17,199
Dakota James Fund	24,036	24,036	20,912	20,912
Parrish/Siewers Fund	10,526	10,526	9,157	9,157
Emory Outreach	18,000	18,000	-	-
Patton Education Enhancement Fund	53,839	53,839	33,709	33,709
<b>Total</b>	<u>\$ 1,994,314</u>	<u>\$ 1,994,314</u>	<u>\$ 1,725,976</u>	<u>\$ 1,725,976</u>

Investment return at December 31, 2019 and 2018 is summarized as follows:

	2019			
	<u>Unrestricted</u>	<u>Purpose Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Investment Income	\$ 43,646	\$ 66,605	\$ -	\$ 110,251
Realized and unrealized gain on investments	84,902	-	148,398	233,300
	<u>\$ 128,548</u>	<u>\$ 66,605</u>	<u>\$ 148,398</u>	<u>\$ 343,551</u>
	2018			
	<u>Unrestricted</u>	<u>Purpose Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Investment Income	\$ 44,971	\$ 65,312	\$ -	\$ 110,283
Realized and unrealized gain (loss) on investments	(73,622)	-	(140,373)	(213,995)
	<u>\$ (28,651)</u>	<u>\$ 65,312</u>	<u>\$ (140,373)</u>	<u>\$ (103,712)</u>

**United Methodist Church Union**

**Notes to Financial Statements Continued**

**December 31, 2019 and 2018**

**Note 4 – Plant and Equipment**

The following summary indicates cost of plant and equipment owned by Church Union as of December 31, 2019 and 2018.

	<u>2019</u>	<u>2018</u>
<b>Land and Buildings</b>		
Church of Our Savior	\$ 90,875	\$ 90,875
Church Union remodeling	21,863	21,863
Bethany House	118,834	118,834
New Hope Church	150,000	150,000
Dormont Church	<u>222,000</u>	<u>222,000</u>
<b>Equipment</b>		
Church Union	<u>35,652</u>	<u>35,652</u>
<b>Total Plant and Equipment</b>	<u>\$ 639,224</u>	<u>\$ 639,224</u>

During 2018, Church Union sold the Perrysville Avenue property and Dormont Parsonage.

**Note 5 – Restrictions on Net Assets**

Purpose restricted net assets are restricted for the following purposes.

	<u>2019</u>	<u>2018</u>
Hutchinson fund	\$ 18,235	\$ 21,027
Niebaum Estate - Bethany House or similar projects	-	29,076
Pappy Fund	2,326	2,990
Kids Meal Network	20,916	36,136
Pre-K Scholarships	31,767	28,832
Art Shmart	2,280	3,489
Reading Program	62,344	37,219
Dakota James	30,531	23,907
Chautauqua	568	568
Howard Fund	750	750
Richards Memorial	51	-
Northside Feeding	10,536	12,916
Youth Art	-	1,986
Parrish/Siewers	621	206
Patton Education Enhancement Fund	2,006	-
Emory Community Outreach	18,000	-
Buhl - Art	4,202	-
Service Coordinator-MH & MT	<u>755</u>	<u>771</u>
	<u>\$ 205,888</u>	<u>\$ 199,873</u>

Perpetually restricted net assets are comprised of the following:

	<u>2019</u>	<u>2018</u>
Niebaum Estate	\$ 403,929	\$ 359,766
De Bolt Estate	256,973	228,878
Flaccus	65,025	56,656
Hutchinson Fund	<u>528,199</u>	<u>456,322</u>
	<u>\$ 1,254,126</u>	<u>\$ 1,101,622</u>

United Methodist Church Union

Notes to Financial Statements - Continued

December 31, 2019 and 2018

**Note 6 – Endowment Funds**

**Spending Policy**

Church Union has a spending policy for appropriating distributions each year. The distributions were 4.25 % for 2019 and 6.5% for 2018. The percentage payout is the value of the fund for the following calendar year.

**Investment Return Objectives, Risk Parameters and Strategies**

Endowment Assets are invested with the United Methodist Foundation of Western Pennsylvania in the Core Balanced Fund. The Core Balanced Fund invests in domestic and international stocks and bonds, with a target mix of 60% equities and 40% fixed income and may invest in alternative strategies as permitted within the Foundation's investment policy. The growth goal for the fund is CPI plus 4%.

Changes in endowment net assets for the year ended December 31, 2019 and 2018 are as follows:

	<u>2019</u>	<u>2018</u>
Endowment net assets, beginning of year	\$ 1,101,622	\$ 1,241,995
Funds deposited	\$ 4,106	-
Unrealized gain (loss) on investments	<u>148,398</u>	<u>(140,373)</u>
Endowment net assets, end of year	<u>\$ 1,254,126</u>	<u>\$ 1,101,622</u>

**Note 7 – Leases**

Church Union leases office space in two locations. The first lease is effective until terminated, with monthly payments of \$690. Revised rental amounts are computed annually based upon the Consumer Price Index of the Bureau of Labor statistics, not to exceed 6% per year. The second lease expires on December 31, 2019 with monthly payments of \$1,162.

Future lease payments are as follows:

<u>Year Ending</u> <u>December 31</u>	<u>Amount</u>
2020	<u>\$ 22,213</u>

Church Union paid rental expense in the amount of \$22,213 and \$22,213 for 2019 and 2018, respectively.

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**Notes to Financial Statements - Continued**  
**December 31, 2019 and 2018**

**NOTE 8 – PENSION PLAN**

Ministers are covered by multi-employer defined benefit and defined contribution plans. Eligible employees are covered by a multi-employer defined contribution plan. The plans are administered by the General Board of Pensions of the United Methodist Church.

Total contributions were \$9,685 and \$8,454 for 2019 and 2018, respectively.

**Note 9 – Related Party Transactions**

Church Union received management, accounting fees and development income from the following affiliates.

	<u>2019</u>	<u>2018</u>
Bethany House Academy	\$ 6,900	\$ 6,900
Methouse, Inc.	24,631	76,500
Metowers Associates, LP	56,850	55,647
Methousing North	<u>2,400</u>	<u>2,400</u>
	90,781	141,447
Metowers Associates, LP development income	<u>40,000</u>	<u>40,000</u>
	<u>\$ 130,781</u>	<u>\$ 181,447</u>

Related party receivables are as follows:

	<u>2019</u>	<u>2018</u>
Bethany House Academy	44,415	\$ 43,143
Methouse, Inc.	656,361	623,680
Methousing North	53,977	62,948
Metowers Associates, LP	<u>2,765</u>	<u>2,158</u>
	<u>\$ 757,518</u>	<u>\$ 731,929</u>

Related party payables are as follows:

	<u>2019</u>	<u>2018</u>
Bethany House Academy	\$ 2,000	\$ 2,050
Methouse, Inc.	-	53
Metowers Associates, LP	<u>45,176</u>	<u>45,176</u>
	<u>\$ 47,176</u>	<u>\$ 47,279</u>

**United Methodist Church Union**  
**Notes to Financial Statements - Continued**  
**December 31, 2019 and 2018**

**NOTE 10- LEASE INCOME**

Church Union leases properties to individuals and non-profit organizations. Total rental income was \$40,218 and \$83,150 for the years ended December 31, 2019 and 2018, respectively. The income received net of applicable taxes and maintenance are used to support Church Union programs. The leases run from twelve months to sixty months.

The following is a schedule of future minimum rentals under the leases at December 31, 2019:

<u>Year Ending</u> <u>December 31</u>	<u>Amount</u>
2020	\$ <u>26,700</u>

**Note 11 - Summary of Custodial Accounts**

Custodial accounts and the related activities for the year ended December 31, 2019 and 2018 are displayed as follows:

	<u>2019</u>	<u>2018</u>
<b>Assets</b>		
Investments at fair value	\$ <u>88,401</u>	\$ <u>63,778</u>
<b>Liabilities</b>		
Custodial accounts	\$ <u>88,401</u>	\$ <u>63,778</u>
<b>Net Assets</b>		
Total Net Assets	\$ <u>-</u>	\$ <u>-</u>
<b>Revenues and Other Support</b>		
Investment income	\$ 1,768	\$ 1,177
<b>Expenses</b>		
Distribution of income	<u>1,768</u>	<u>1,177</u>
<b>Change in Net Assets</b>	<u>-</u>	<u>-</u>
<b>Net Assets, Beginning of Year</b>	<u>-</u>	<u>-</u>
<b>Net Assets, End of Year</b>	<u>\$ -</u>	<u>\$ -</u>

United Methodist Church Union

Notes to Financial Statements - Continued

December 31, 2019 and 2018

**NOTE 12 – PENDING ACCOUNTING STANDARDS UPDATES**

The Financial Accounting Standards Board (FASB) has issued amendments to the FASB Accounting Standards Codification that will become effective in future years as shown below. Management has not yet determined the impact of these accounting standard updates (“ASU”) on Church Union’s financial statements.

ASU 2014-09, *Revenue from Contracts with Customers (Topic 606)*, is effective for the Church Union’s financial statements for the year beginning after December 15, 2019. This amendment supersedes existing revenue recognition guidance and creates a single, comprehensive revenue recognition model for all contracts with customers, and contains principles to determine the measurement of revenue and timing of when it is recognized. The guidance requires retrospective presentation.

ASU 2017-02, *Leases (Topic 842)*, is effective for Church Union’s financial statements for the years beginning after December 15, 2021. This update supersedes existing lease accounting by requiring recognition of lease assets and lease liabilities by lessees for leases previously classified as operating leases under prior GAAP. Disclosures will also be required by lessees to meet the objective of enabling users of financial statements to assess amount, timing, and uncertainty of cash flows arising from leases. The guidance requires retrospective presentation.

**NOTE 13 – LIQUIDITY AND AVAILABILITY OF RESOURCES**

Church Union is primarily funded by contributions from donors and government grants that may contain restrictions. Those restrictions require that resources be used in a certain manner or in a future period. Therefore, Church Union must maintain adequate resources to meet those responsibilities to its grantors and certain financial assets may not be available for general expenditure within one year. As part of its liquidity management, Church Union has a policy structure as its financial assets to be available as general expenditures, liabilities and other obligations become due.

Below reflect the Church Union's financial assets as of the statement of financial position date, reduced by amounts that are not available for general use due to contractual or donor-imposed restrictions within one year of the statement of financial position.

Financial assets, at year end	\$ 2,982,637
Less those unavailable for general expenditures within one year, due to:	
Custodial accounts	88,401
Restricted by donor with purpose restrictions	205,888
Restricted by perpetual restrictions	<u>1,011,622</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 1,707,365</u>

**United Methodist Church Union**  
**Notes to Financial Statements - Continued**  
**December 31, 2019 and 2018**

**NOTE 14 – SUBSEQUENT EVENTS**

Management has evaluated subsequent events through January 26, 2021 the date the financial statements were available.

In December 2019, an outbreak of a novel strain of coronavirus (COVID-19) was reported in Wuhan, China and has since spread to other countries, including the United States. On March 11, 2020 the World Health Organization characterized COVID-19 as a pandemic. The Covid-19 outbreak in the United States has caused significant disruptions on markets, supply chains, businesses and communities. Management's evaluation of the effects of these events are ongoing as of the date the accompanying financial statements were issued.

Two programs were impacted: The Reading & Mentoring program activity was significantly reduced throughout the year. The Kids Meal Network program doubled in meals delivered and increased by over 50% in length of service in Summer 2020. Church Union had a notable increase in individual donations.

Church Union was granted a \$67,500 loan under the Paycheck Protection Program ("PPP") administered by a Small Business Administration (SBA) approved partner. The loan is uncollateralized and is fully guaranteed by the Federal government. Church Union is eligible for loan forgiveness of up to 100% of the loan, upon meeting certain requirements such conditions are explicitly waived. Proceeds from the loan are eligible for forgiveness if Church Union maintains employment levels during its 24-week covered period and uses the funds for certain payroll, rent, and utility expenses. Church Union also received \$8,000 in EIDL funds.