

UNITED METHODIST CHURCH UNION
FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019



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

STATEMENTS

	Page
INDEPENDENT AUDITOR'S REPORT	1
FINANCIAL STATEMENTS	
Statements of Financial Position December 31, 2020 and 2019	2
Statements of Activities For The Years Ended December 31, 2020 and 2019	3
Statements of Functional Expenses For The Years Ended December 31, 2020 and 2019	4
Statements of Cash Flows For The Years Ended December 31, 2020 and 2019	6
Notes to Financial Statements December 31, 2020 and 2019	7

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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, 2020 and 2019, 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, 2020 and 2019, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Bielau Tierney Coon & Company PC

September 23, 2022

United Methodist Church Union

Statements of Financial Position

December 31, 2020 and 2019

Assets

	<u>2020</u>	<u>2019</u>
Current Assets		
Cash	\$ 223,324	\$ 164,668
Receivables	93,438	289,337
Receivables - affiliates	774,029	757,518
Prepaid insurance	14,034	8,926
Security deposit	<u>1,161</u>	<u>1,161</u>
Total Current Assets	<u>1,105,986</u>	<u>1,221,610</u>
Investments	<u>2,323,368</u>	<u>1,994,314</u>
Plant and Equipment		
Land, buildings and equipment	417,224	639,224
Less: Accumulated depreciation	<u>282,132</u>	<u>305,059</u>
Net Plant and Equipment	<u>135,092</u>	<u>334,165</u>
Total Assets	<u>\$ 3,564,446</u>	<u>\$ 3,550,089</u>

Liabilities and Net Assets

Current Liabilities		
Accounts payable	\$ 26,532	\$ 8,752
Accounts payable - affiliates	22,562	47,176
Paycheck Protection Program loan	67,500	-
EIDL loan	8,000	-
Payroll liabilities withheld and accrued	<u>1,749</u>	<u>1,774</u>
Total Current Liabilities	<u>126,343</u>	<u>57,702</u>
Long Term Liabilities		
Custodial accounts	<u>107,713</u>	<u>88,401</u>
Net Assets		
Without Donor Restrictions	1,705,845	1,943,972
With Donor Restrictions:		
Purpose restricted	235,977	205,888
Perpetual in nature	<u>1,388,568</u>	<u>1,254,126</u>
Total Donor Restricted Net Assets	<u>1,624,545</u>	<u>1,460,014</u>
Total Net Assets	<u>3,330,390</u>	<u>3,403,986</u>
Total Liabilities and Net Assets	<u>\$ 3,564,446</u>	<u>\$ 3,550,089</u>

See notes to financial statements.

United Methodists Church Union
Statements of Activities

For the Years Ended December 31, 2020 and 2019

	2020			2019		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
Revenues, Gains and Other Support						
Management fee income	\$ 104,717	\$ -	\$ 104,717	\$ 100,011	\$ -	\$ 100,011
Contributions, grants and bequests	182,668	264,379	447,047	171,000	235,531	406,531
Rental income	14,950	-	14,950	40,218	-	40,218
Investment return	148,927	142,186	291,113	128,548	215,003	343,551
Metowers development fee	50,000	-	50,000	40,000	-	40,000
Gain on sale of property	25,744	-	25,744			
Net Assets released from restrictions:						
Satisfaction of program restrictions	242,034	(242,034)	-	292,014	(292,014)	-
Total Revenues, Gains and Other Support	<u>769,040</u>	<u>164,531</u>	<u>933,571</u>	<u>771,791</u>	<u>158,520</u>	<u>930,311</u>
Expenses and Losses						
Program	637,526	-	637,526	482,664	-	482,664
General and administrative	200,382	-	200,382	201,988	-	201,988
Fundraising	610	-	610	26,837	-	26,837
Total Expenses	<u>838,518</u>	<u>-</u>	<u>838,518</u>	<u>711,489</u>	<u>-</u>	<u>711,489</u>
Write off uncollectable accounts	168,649	-	168,649	-	-	-
Total Expenses and Losses	<u>1,007,167</u>	<u>-</u>	<u>1,007,167</u>	<u>711,489</u>	<u>-</u>	<u>711,489</u>
Change in Net Assets	(238,127)	164,531	(73,596)	60,302	158,520	218,822
Net Assets at Beginning of Year	<u>1,943,972</u>	<u>1,460,014</u>	<u>3,403,986</u>	<u>1,883,670</u>	<u>1,301,494</u>	<u>3,185,164</u>
Net Assets at End of Year	<u>\$ 1,705,845</u>	<u>\$ 1,624,545</u>	<u>\$ 3,330,390</u>	<u>\$ 1,943,972</u>	<u>\$ 1,460,014</u>	<u>\$ 3,403,986</u>

See notes to financial statements.

United Methodist Church Union

Statements of Functional Expenses

Year Ended December 31, 2020

	2020										
	Kids Meal Network	Reading Program	Pre-K Scholarships	Northside Feeding	Property Management	Trust Funds	Other Programs	Total Program Expenses	Admin-istrative	Fund-raising	Total
Personnel Expenses											
Salaries	\$ 82,402	\$ 32,021	\$ 1,716	\$ 17,944	\$ 70,033	\$ 2,611	\$ 7,682	\$ 214,409	\$ 84,558	\$ -	\$ 298,967
Employee benefits	11,116	4,323	211	2,218	8,659	322	950	27,799	9,174	-	36,973
Payroll taxes	6,850	3,681	110	2,347	4,555	168	839	18,550	720	-	19,270
Total Personnel Expenses	100,368	40,025	2,037	22,509	83,247	3,101	9,471	260,758	94,452	-	355,210
Operating Expenses											
Accounting and financial	15,000	1,800	-	6,000	2,250	-	-	25,050	9,109	-	34,159
Activities and field trips	7,612	-	-	-	-	2,600	3,779	13,991	-	-	13,991
Agency program support	1,101	-	-	-	76,855	4,136	7,281	89,373	6,218	-	95,591
Building maintenance	-	-	-	-	4,142	-	7,988	12,130	52	-	12,182
Depreciation	-	-	-	-	5,768	-	-	5,768	-	-	5,768
Equipment and maintenance	-	-	-	-	-	-	-	-	2,404	-	2,404
Insurance	-	-	-	-	3,157	-	-	3,157	7,237	-	10,394
Legal and professional fees	-	-	-	-	7,528	-	-	7,528	30,669	-	38,197
Office supplies and expense	-	-	-	-	-	73	-	73	9,815	-	9,888
Program supplies	164,379	4,950	-	4,635	-	775	3,429	178,168	3,499	-	181,667
Promotional	-	-	-	-	-	-	-	-	6,364	610	6,974
Rent	-	-	-	-	-	-	-	-	18,755	-	18,755
Scholarships	-	-	12,180	-	-	14,000	-	26,180	-	-	26,180
Travel and meetings	-	25	-	-	-	16	10	51	3,754	-	3,805
Utilities	-	-	-	-	3,785	-	11,514	15,299	8,054	-	23,353
Total Operating Expenses	188,092	6,775	12,180	10,635	103,501	21,584	34,001	376,768	105,930	610	483,308
Total Expenses	\$ 288,460	\$ 46,800	\$ 14,217	\$ 33,144	\$ 186,748	\$ 24,685	\$ 43,472	\$ 637,526	\$ 200,382	\$ 610	\$ 838,518

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	Program Expenses	Admin-istrative	Fund-raising	Total
Personnel Expenses											
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
Total Personnel Expenses	76,275	34,619	1,772	17,129	80,803	2,815	8,206	221,619	98,887	-	320,506
Operating Expenses											
Accounting and financial	15,000	1,800	-	6,000	9,000	-	350	32,150	9,942	-	42,092
Activities and field trips	3,204	2,600	-	-	-	6,087	1,500	13,391	441	-	13,832
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
Insurance	-	-	-	-	4,979	-	-	4,979	7,637	-	12,616
Legal and professional fees	-	-	-	-	-	-	713	713	26,126	26,837	53,676
Office supplies and expense	1,746	315	-	4,724	-	253	1,665	8,703	13,146	-	21,849
Program supplies	83,464	6,114	-	6,233	-	4,620	7,543	107,974	1,793	-	109,767
Promotional	10	314	-	75	-	-	-	399	6,451	-	6,850
Rent	-	-	-	-	-	-	-	-	22,240	-	22,240
Scholarships	-	-	12,065	-	-	14,355	-	26,420	-	-	26,420
Travel and meetings	-	-	-	25	-	89	1,370	1,555	7,912	-	9,467
Utilities	-	-	-	-	19,612	-	-	19,612	3,447	-	23,059
Total Operating Expenses	105,064	11,143	12,065	17,057	44,252	28,660	42,804	261,045	103,101	26,837	390,983
Total Expenses	\$ 181,339	\$ 45,762	\$ 13,837	\$ 34,186	\$ 125,055	\$ 31,475	\$ 51,010	\$ 482,664	\$ 201,988	\$ 26,837	\$ 711,489

See notes to financial statements.

United Methodist Church Union

Statements of Cash Flows

For the Years Ended December 31, 2020 and 2019

	<u>2020</u>	<u>2019</u>
Cash Flows from Operating Activities		
Change in Net Assets	\$ (73,596)	\$ 218,822
Adjustments to Reconcile Change in Net Assets to Net Cash Provided from Operating Activities:		
Unrealized gain on owned investments	(173,488)	(233,300)
Gain on sale of property	(25,744)	-
Depreciation	5,768	10,473
(Increase) Decrease in:		
Receivables	179,388	(57,585)
Prepaid insurance	(5,107)	6,910
Increase (Decrease) in:		
Accounts payable	(6,834)	(37,876)
Payroll taxes withheld and accrued	<u>(25)</u>	<u>48</u>
Total Adjustments	<u>(26,042)</u>	<u>(311,330)</u>
Net Cash Used by Operating Activities	<u>(99,638)</u>	<u>(92,508)</u>
Cash Flows from Investing Activities		
Purchase of investments	(136,256)	(10,215)
Sale of property	219,050	-
Investments held in trust as custodian	(19,312)	(24,623)
Custodial accounts	<u>19,312</u>	<u>24,623</u>
Net Cash Provided (used) by Investing Activities	<u>82,794</u>	<u>(10,215)</u>
Cash Flows from Financing Activities		
Payroll Protection Program loan	67,500	-
EIDL loan	<u>8,000</u>	<u>-</u>
Net Cash From Financing Activities	<u>75,500</u>	<u>-</u>
Net Increase (decrease) in Cash	58,656	(102,723)
Cash at Beginning of Year	<u>164,668</u>	<u>267,391</u>
Cash at End of Year	<u>\$ 223,324</u>	<u>\$ 164,668</u>

See notes to financial statements.

United Methodist Church Union

Notes to Financial Statements

December 31, 2020 and 2019

NOTE 1 - ORGANIZATION AND SIGNIFICANT ACTIVITIES

- A. **Mission Statement:** The Mission of United Methodist Church Union (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

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.

Accounting Method

The accrual method of accounting is used for financial statement presentation reporting purposes. 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, 2020 and 2019

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

The costs of providing various programs and other activities have been summarized on a functional basis in the statements of activities and in the statements of functional expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

Cash and Cash Equivalents

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, 2020 and 2019 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.

Contributions to Church Union 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, 2020 and 2019

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, 2020 and 2019

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, 2020 and 2019

	2020		2019	
	<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	\$ 431,093	\$ 431,093	\$ 403,929	\$ 403,929
Jolly Farm Investment	499,332	499,332	467,868	467,868
DeBolt Estate Investment	289,803	289,803	256,973	256,973
Church Union Investment	147,603	147,603	20,745	20,745
Flaccus Estate Trust	70,960	70,960	65,025	65,025
Mildred Egbert Trust	67,650	67,650	61,991	61,991
Pappy	68,353	68,353	62,635	62,635
Hutchinson	596,711	596,711	528,199	528,199
New Hope	23,363	23,363	20,548	20,548
Dakota James	26,346	26,346	24,036	24,036
Parrish/Siewers	11,537	11,537	10,526	10,526
Emory Outreach	20,787	20,787	18,000	18,000
Patton Education Enhancement	69,830	69,830	53,839	53,839
Total	\$ 2,323,368	\$ 2,323,368	\$ 1,994,314	\$ 1,994,314

Investment return at December 31, 2020 and 2019 is summarized as follows:

	2020			
	<u>Unrestricted</u>	<u>Purpose Restricted</u>	<u>Perpetual in Nature</u>	<u>Total</u>
Investment Income	\$ 89,881	\$ 27,744	\$ -	\$ 117,625
Realized and unrealized gain on investments	59,046	-	114,442	173,488
	<u>\$ 148,927</u>	<u>\$ 27,744</u>	<u>\$ 114,442</u>	<u>\$ 291,113</u>
	2019			
	<u>Unrestricted</u>	<u>Purpose Restricted</u>	<u>Perpetual in Nature</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>

United Methodist Church Union
Notes to Financial Statements Continued
December 31, 2020 and 2019

NOTE 4 – PLANT AND EQUIPMENT

The following summary indicates cost of plant and equipment owned by Church Union as of December 31, 2020 and 2019.

	<u>2020</u>	<u>2019</u>
Land and Buildings		
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>-</u>	<u>222,000</u>
Equipment		
Church Union	<u>35,652</u>	<u>35,652</u>
Total Plant and Equipment	<u>\$ 417,224</u>	<u>\$ 639,224</u>

The Dormont Church was sold during 2020.

NOTE 5 – RESTRICTIONS ON NET ASSETS

Purpose restricted net assets are restricted for the following purposes.

	<u>2020</u>	<u>2019</u>
Hutchinson fund	\$ 23,014	\$ 18,235
Pappy Fund	2,745	2,326
Kids Meal Network	47,281	20,916
Pre-K Scholarships	19,587	31,767
Art Shmart	-	2,280
Reading Program	47,401	62,344
Dakota James	35,500	30,531
Chautauqua	568	568
Howard Fund	750	750
Richards Memorial	301	51
Northside Feeding	18,577	10,536
Parrish/Siewers	1,051	621
Patton Education Enhancement Fund	18,130	2,006
Emory Community Outreach	18,331	18,000
Buhl - Art	1,986	4,202
Service Coordinator - MH & MT	<u>755</u>	<u>755</u>
	<u>\$ 235,977</u>	<u>\$ 205,888</u>

Perpetually restricted net assets are comprised of the following:

	<u>2020</u>	<u>2019</u>
Niebaum Estate	\$ 431,093	\$ 403,929
De Bolt Estate	289,803	256,973
Flaccus	70,960	65,025
Hutchinson Fund	<u>596,712</u>	<u>528,199</u>
	<u>\$ 1,388,568</u>	<u>\$ 1,254,126</u>

United Methodist Church Union

Notes to Financial Statements - Continued

December 31, 2020 and 2019

NOTE 6 – ENDOWMENT FUNDS

Spending Policy

Church Union has a spending policy for appropriating distributions each year. The distributions were 4.25% for 2020 and 4.25% for 2019. 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, 2020 and 2019 are as follows:

	<u>2020</u>	<u>2019</u>
Endowment net assets, beginning of year	\$ 1,254,126	\$ 1,101,622
Funds deposited	20,000	4,106
Unrealized gain (loss) on investments	<u>114,442</u>	<u>148,398</u>
Endowment net assets, end of year	<u>\$ 1,388,568</u>	<u>\$ 1,254,126</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, 2020 with monthly payments of \$ 1,162.

Future lease payments are as follows:

<u>Year Ending</u> <u>December 31</u>	<u>Amount</u>
2021	<u>\$ 22,218</u>

Church Union paid rental expense in the amount of \$ 18,728 and \$ 22,213 for 2020 and 2019, respectively.

United Methodist Church Union

Notes to Financial Statements - Continued

December 31, 2020 and 2019

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 \$ 10,794 and \$ 9,685 for 2020 and 2019, respectively.

NOTE 9 – RELATED PARTY TRANSACTIONS

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

	<u>2020</u>	<u>2019</u>
Bethany House Academy	\$ 6,900	\$ 6,900
Methouse, Inc.	29,349	24,631
Metowers Associates, LP	59,659	56,850
Methousing North	<u>2,400</u>	<u>2,400</u>
	98,308	90,781
Metowers Associates, LP development income	<u>50,000</u>	<u>40,000</u>
	<u>\$ 148,308</u>	<u>\$ 130,781</u>

Related party receivables are as follows:

	<u>2020</u>	<u>2019</u>
Bethany House Academy	44,584	\$ 44,415
Methouse, Inc.	677,007	656,361
Methousing North	46,934	53,977
Metowers Associates, LP	<u>5,504</u>	<u>2,765</u>
	<u>\$ 774,029</u>	<u>\$ 757,518</u>

Related party payables are as follows:

	<u>2020</u>	<u>2019</u>
Bethany House Academy	\$ -	\$ 2,000
Metowers Associates, LP	<u>22,562</u>	<u>45,176</u>
	<u>\$ 22,562</u>	<u>\$ 47,176</u>

United Methodist Church Union
Notes to Financial Statements - Continued
December 31, 2020 and 2019

NOTE 10- LEASE INCOME

Church Union leases properties to individuals and non-profit organizations. Total rental income was \$ 14,950 and \$ 40,218 for the years ended December 31, 2020 and 2019, 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, 2020:

<u>Year Ending</u> <u>31-Dec</u>	<u>Amount</u>
2021	<u>\$ 12,600</u>

NOTE 11 - SUMMARY OF CUSTODIAL ACCOUNTS

Custodial accounts and the related activities for the year ended December 31, 2020 and 2019 are displayed as follows:

	<u>2020</u>	<u>2019</u>
Assets		
Investments at fair value	<u>\$ 107,713</u>	<u>\$ 88,401</u>
Liabilities		
Custodial accounts	<u>\$ 107,713</u>	<u>\$ 88,401</u>
Net Assets		
Total Net Assets	<u>\$ -</u>	<u>\$ -</u>
Revenues and Other Support		
Investment income	\$ 3,812	\$ 1,768
Expenses		
Distribution of income	<u>3,812</u>	<u>1,768</u>
Change in Net Assets	<u>-</u>	<u>-</u>
Net Assets, Beginning of Year	<u>-</u>	<u>-</u>
Net Assets, End of Year	<u>\$ -</u>	<u>\$ -</u>

United Methodist Church Union
Notes to Financial Statements - Continued
December 31, 2020 and 2019

NOTE 12 – NEW ACCOUNTING PRONOUNCEMENT

ASU 2015-09, *Revenue from Contracts with Customers (Topic 606)*, is effective for the Association's financial statements for the year beginning January 1, 2020. 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 effect of this ASU had no effect on Church Union's financial statements.

NOTE 13 - FUTURE ACCOUNTING PRONOUNCEMENT

In February 2016, the FASB issued ASU 2016-02, *Leases (Topic 842)*. 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. This effective date for this standard has been delayed to annual reporting periods beginning after December 15, 2021. The guidance requires retrospective presentation. Management is currently evaluating the adoption of this ASU on Church Union's financial statements.

NOTE 14 – 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	\$ 2,546,692
Less those unavailable for general expenditures within one year, due to:	
Custodial accounts	107,713
Restricted by donor with purpose restrictions	235,977
Restricted by perpetual restrictions	<u>1,388,568</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 814,434</u>

NOTE 15 – COVID-19 PANDEMIC

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.

United Methodist Church Union
Notes to Financial Statements - Continued
December 31, 2020 and 2019

NOTE 16 – PAYCHECK PROTECTION PROGRAM AND EIDL LOAN

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.

No contribution revenue has been recorded for the year ended December 31, 2020. The PPP and EIDL loans were forgiven in full during 2021.

NOTE 17 – WRITE OFF OF UNCOLLECTABLE ACCOUNTS

During 2020 it was determined certain receivables would not be able to be collected from individuals and non-profit organizations in the amount of \$168,649. These amounts are reported separately on the statements of activities. A significant portion of the write off was the receivable for the potential purchase of Dormont Church. The Church was sold during 2020 to another party.

NOTE 18 – RECLASSIFICATION OF PRIOR YEAR PRESENTATION

Certain prior year amounts have been reclassified for consistency with the current year presentation. These reclassifications had no effect on the reported results of operations.

NOTE 19 – SUBSEQUENT EVENTS

Management has evaluated subsequent events through September 23, 2022 the date the financial statements were available.