

UNITED METHODIST CHURCH UNION
FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020



BIELAU, TIERNEY, COON & COMPANY, P.C.

Certified Public Accountants
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Pittsburgh, PA 15222

STATEMENTS

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
United Methodist Church Union

Opinion

We have audited the accompanying financial statements of the United Methodist Church Union (a nonprofit organization), which comprise the statements of financial position as of December 31, 2021 and 2020, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of United Methodist Church Union as of December 31, 2021 and 2020, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our 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 United Methodist Church Union 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 United Methodist Church Union's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements, including omissions, are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

Exercise professional judgment and maintain professional skepticism throughout the audit.

Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.

Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of United Methodist Church Union'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 United Methodist Church Union'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.

Breelan, Terry Coon and Company PC

February 28, 2023

United Methodist Church Union

Statements of Financial Position

December 31, 2021 and 2020

Assets

	<u>2021</u>	<u>2020</u>
Current Assets		
Cash	\$ 127,798	\$ 223,324
Receivables	137,750	93,438
Receivables - affiliates	658,211	774,029
Prepaid insurance	-	14,034
Security deposit	<u>1,161</u>	<u>1,161</u>
Total Current Assets	<u>924,920</u>	<u>1,105,986</u>
Investments	<u>2,515,967</u>	<u>2,323,368</u>
Plant and Equipment		
Land, buildings and equipment	475,592	417,224
Less: Accumulated depreciation	<u>288,568</u>	<u>282,132</u>
Net Plant and Equipment	<u>187,024</u>	<u>135,092</u>
Total Assets	<u>\$ 3,627,911</u>	<u>\$ 3,564,446</u>

Liabilities and Net Assets

Current Liabilities		
Accounts payable	\$ 18,085	\$ 26,532
Accounts payable - affiliates	24,982	22,562
Payroll Protection Program loan	-	67,500
EIDL advance	-	8,000
Payroll liabilities withheld and accrued	<u>2,578</u>	<u>1,749</u>
Total Current Liabilities	<u>45,645</u>	<u>126,343</u>
Long Term Liabilities		
Custodial accounts	<u>151,361</u>	<u>107,713</u>
Net Assets		
Without Donor Restrictions	1,776,388	1,705,845
With Donor Restrictions:		
Purpose restricted	179,347	235,977
Perpetual in nature	<u>1,475,170</u>	<u>1,388,568</u>
Total Donor Restricted Net Assets	<u>1,654,517</u>	<u>1,624,545</u>
Total Net Assets	<u>3,430,905</u>	<u>3,330,390</u>
Total Liabilities and Net Assets	<u>\$ 3,627,911</u>	<u>\$ 3,564,446</u>

See notes to financial statements.

United Methodists Church Union

Statements of Activities

For the Years Ended December 31, 2021 and 2020

	2021			2020		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
Revenues, Gains and Other Support						
Management fee income	\$ 145,835	\$ -	\$ 145,835	\$ 104,717	\$ -	\$ 104,717
Contributions, grants and bequests	139,093	280,286	419,379	182,668	264,379	447,047
Payroll protection loan forgiveness	67,500	-	67,500	-	-	-
Rental income	19,440	-	19,440	14,950	-	14,950
Investment return	142,295	116,182	258,477	148,927	142,186	291,113
Metowers development fee	60,000	-	60,000	50,000	-	50,000
Gain on sale of property	-	-	-	25,744	-	25,744
Net Assets released from restrictions:						
Satisfaction of program restrictions	366,496	(366,496)	-	242,034	(242,034)	-
Total Revenues, Gains and Other Support	<u>940,659</u>	<u>29,972</u>	<u>970,631</u>	<u>769,040</u>	<u>164,531</u>	<u>933,571</u>
Expenses and Losses						
Program	692,314	-	692,314	637,526	-	637,526
General and administrative	153,802	-	153,802	176,382	-	176,382
Fundraising	24,000	-	24,000	24,610	-	24,610
Total Expenses	<u>870,116</u>	<u>-</u>	<u>870,116</u>	<u>838,518</u>	<u>-</u>	<u>838,518</u>
Write off uncollectable accounts	-	-	-	168,649	-	168,649
Total Expenses and Losses	<u>870,116</u>	<u>-</u>	<u>870,116</u>	<u>1,007,167</u>	<u>-</u>	<u>1,007,167</u>
Change in Net Assets	70,543	29,972	100,515	(238,127)	164,531	(73,596)
Net Assets at Beginning 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>
Net Assets at End of Year	<u>\$ 1,776,388</u>	<u>\$ 1,654,517</u>	<u>\$ 3,430,905</u>	<u>\$ 1,705,845</u>	<u>\$ 1,624,545</u>	<u>\$ 3,330,390</u>

See notes to financial statements.

United Methodist Church Union
Statements of Functional Expenses

Year Ended December 31, 2021

2021

	Kids Meal Network	Reading Program	Financial Services	Northside Feeding	Property Management	Trust Funds	Other Programs	Total Program Expenses	Administrative	Fund-raising	Total
Personnel Expenses											
Salaries	\$ 73,797	\$ 31,238	\$ 108,019	\$ 24,978	\$ 90,531	\$ 2,428	\$ 7,861	\$ 338,852	\$ 7,670	\$ -	\$ 346,522
Employee benefits	7,375	3,882	13,170	2,111	7,657	204	663	35,062	647	-	35,709
Payroll taxes	3,482	1,298	11,208	1,925	2,817	53	172	20,955	168	-	21,123
Total Personnel Expenses	84,654	36,418	132,397	29,014	101,005	2,685	8,696	394,869	8,485	-	403,354
Operating Expenses											
Accounting and financial Activities and field trips	26,000	6,500	-	6,500	-	-	-	39,000	10,699	-	49,699
Agency program support	7,225	126	-	263	-	-	-	7,614	97	-	7,711
Building maintenance	-	-	-	-	3,465	6,517	-	9,982	27,907	-	37,889
Depreciation	-	-	-	304	52,567	-	3,391	56,262	85	-	56,347
Equipment and maintenance	-	-	1,174	-	6,436	-	-	6,436	-	-	6,436
Insurance	-	-	-	-	-	-	-	1,174	227	-	1,401
Legal and professional fees	145	25	-	-	9,181	-	-	9,181	17,635	-	26,816
Office supplies and expense	524	1	742	-	75	-	-	245	26,624	24,000	50,869
Program supplies	93,504	6,772	-	1,187	49	75	-	2,578	12,514	-	15,092
Promotional	648	550	-	7,135	880	5,750	9,495	123,536	511	-	124,047
Rent	-	-	-	-	-	-	-	1,198	4,356	-	5,554
Scholarships	-	-	-	-	-	-	-	-	22,240	-	22,240
Travel and meetings	-	-	-	-	-	15,000	-	15,000	-	-	15,000
Uncollectable accounts	-	-	-	-	531	-	-	531	4,054	-	4,585
Utilities	-	-	-	-	-	-	-	-	9,362	-	9,362
	-	-	-	-	24,708	-	-	24,708	9,006	-	33,714
Total Operating Expenses	128,046	13,974	1,916	15,389	97,892	27,342	12,886	297,445	145,317	24,000	466,762
Total Expenses	\$ 212,700	\$ 50,392	\$ 134,313	\$ 44,403	\$ 198,897	\$ 30,027	\$ 21,582	\$ 692,314	\$ 153,802	\$ 24,000	\$ 870,116

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	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	6,669	-	14,197
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	81,930	24,610	483,308
Total Expenses	\$ 288,460	\$ 46,800	\$ 14,217	\$ 33,144	\$ 186,748	\$ 24,685	\$ 43,472	\$ 637,526	\$ 176,382	\$ 24,610	\$ 838,518

See notes to financial statements

United Methodist Church Union

Statements of Cash Flows

For the Years Ended December 31, 2021 and 2020

	<u>2021</u>	<u>2020</u>
Cash Flows from Operating Activities		
Change in Net Assets	\$ 100,515	\$ (73,596)
Adjustments to Reconcile Change in Net Assets to Net Cash Provided from Operating Activities:		
Unrealized gain on owned investments	(51,844)	(173,488)
Gain on sale of property	-	(25,744)
Payroll protection loan and EIDL advance	75,500	-
Depreciation	6,436	5,768
(Increase) Decrease in:		
Receivables	(71,506)	179,388
Prepaid insurance	(14,034)	(5,107)
Increase (Decrease) in:		
Accounts payable	(6,027)	(6,834)
Payroll taxes withheld and accrued	829	(25)
Total Adjustments	<u>(60,646)</u>	<u>(26,042)</u>
Net Cash Provided (Used) by Operating Activities	<u>39,869</u>	<u>(99,638)</u>
Cash Flows from Investing Activities		
Purchase of investments	(77,028)	(136,256)
Plant and equipment purchases	(58,367)	-
Sale of property	-	219,050
Investments held in trust as custodian	(35,425)	(19,312)
Custodial accounts	35,425	19,312
Net Cash Provided (used) by Investing Activities	<u>(135,395)</u>	<u>82,794</u>
Cash Flows from Financing Activities		
Payroll Protection Program loan	0	67,500
EIDL advance	0	8,000
Net Cash From Financing Activities	<u>0</u>	<u>75,500</u>
Net Increase (decrease) in Cash	(95,526)	58,656
Cash at Beginning of Year	<u>223,324</u>	<u>164,668</u>
Cash at End of Year	<u>\$ 127,798</u>	<u>\$ 223,324</u>

See notes to financial statements.

United Methodist Church Union

Notes to Financial Statements

December 31, 2021 and 2020

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

December 31, 2021 and 2020

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, 2021 and 2020 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, 2021 and 2020

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, 2021 and 2020

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, 2021 and 2020

	2021		2020	
	<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	\$ 453,659	\$ 453,659	\$ 431,093	\$ 431,093
Jolly Farm Investment	525,459	525,459	499,332	499,332
DeBolt Estate Investment	305,245	305,245	289,803	289,803
Church Union Investment	169,002	169,002	147,603	147,603
Flaccus Estate Trust	76,125	76,125	70,960	70,960
Mildred Egbert Trust	72,574	72,574	67,650	67,650
Pappy	73,328	73,328	68,353	68,353
Hutchinson	640,141	640,141	596,711	596,711
New Hope	25,968	25,968	23,363	23,363
Dakota James	43,886	43,886	26,346	26,346
Parrish/Siewers	12,387	12,387	11,537	11,537
Emory Outreach	23,105	23,105	20,787	20,787
Patton Education Enhancement	<u>95,088</u>	<u>95,088</u>	<u>69,830</u>	<u>69,830</u>
Total	<u>\$ 2,515,967</u>	<u>\$ 2,515,967</u>	<u>\$ 2,323,368</u>	<u>\$ 2,323,368</u>

Investment return at December 31, 2021 and 2020 is summarized as follows:

	2021			
	<u>Unrestricted</u>	<u>Purpose Restricted</u>	<u>Perpetual in Nature</u>	<u>Total</u>
Investment Income	\$ 90,452	\$ 29,580	\$ -	\$ 120,032
Realized and unrealized gain on investments	<u>51,843</u>	<u>-</u>	<u>86,602</u>	<u>138,445</u>
	<u>\$ 142,295</u>	<u>\$ 29,580</u>	<u>\$ 86,602</u>	<u>\$ 258,477</u>
	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	<u>59,046</u>	<u>-</u>	<u>114,442</u>	<u>173,488</u>
	<u>\$ 148,927</u>	<u>\$ 27,744</u>	<u>\$ 114,442</u>	<u>\$ 291,113</u>

United Methodist Church Union
Notes to Financial Statements Continued
December 31, 2021 and 2020

NOTE 4 – PLANT AND EQUIPMENT

The following summary indicates cost of plant and equipment owned by Church Union as of December 31, 2021 and 2020.

	<u>2021</u>	<u>2020</u>
Land and Buildings		
Church of Our Savior	\$ 90,875	\$ 90,875
Church Union remodeling	21,863	21,863
Bethany House	177,202	118,834
New Hope Church	150,000	150,000
Equipment		
Church Union	<u>35,652</u>	<u>35,652</u>
Total Plant and Equipment	<u>\$ 475,592</u>	<u>\$ 417,224</u>

NOTE 5 – RESTRICTIONS ON NET ASSETS

Purpose restricted net assets are restricted for the following purposes.

	<u>2021</u>	<u>2020</u>
Hutchinson fund	\$ 26,273	\$ 23,014
Pappy Fund	5,297	2,745
Kids Meal Network	-	47,281
Pre-K Scholarships	34,587	19,587
Kidcelerate	5,000	-
Reading Program	17,299	47,401
Dakota James	30,805	35,500
Chautauqua	568	568
Howard Fund	750	750
Richards Memorial	301	301
Northside Feeding	9,369	18,577
Parrish/Siewers	1,488	1,051
Patton Education Enhancement Fund	26,038	18,130
Emory Community Outreach	18,331	18,331
Buhl - Art	1,986	1,986
Bike grant	500	-
Service Coordinator - MH & MT	<u>755</u>	<u>755</u>
	<u>\$ 179,347</u>	<u>\$ 235,977</u>

Perpetually restricted net assets are comprised of the following:

	<u>2021</u>	<u>2020</u>
Niebaum Estate	\$ 453,659	\$ 431,093
De Bolt Estate	305,245	289,803
Flaccus	76,125	70,960
Hutchinson Fund	<u>640,141</u>	<u>596,712</u>
	<u>\$ 1,475,170</u>	<u>\$ 1,388,568</u>

United Methodist Church Union
Notes to Financial Statements - Continued
December 31, 2021 and 2020

NOTE 6 – ENDOWMENT FUNDS

Spending Policy

Church Union has a spending policy for appropriating distributions each year. The distributions were 4.00% to 4.25% for 2021 and 4.00% to 4.25% for 2020.

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, 2021 and 2020 are as follows:

	<u>2021</u>	<u>2020</u>
Endowment net assets, beginning of year	\$ 1,388,568	\$ 1,254,126
Funds deposited	-	20,000
Unrealized gain on investments	<u>86,602</u>	<u>114,442</u>
Endowment net assets, end of year	<u>\$ 1,475,170</u>	<u>\$ 1,388,568</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, 2022 with monthly payments of \$ 1,820..

Future lease payments are as follows:

<u>Year Ending</u> <u>December 31</u>	<u>Amount</u>
2022	<u>\$ 30,120</u>

Church Union paid rental expense in the amount of \$ 22,240 and \$ 18,755 for 2021 and 2020 respectively.

United Methodist Church Union

Notes to Financial Statements - Continued

December 31, 2021 and 2020

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 Wespath.

Total contributions were \$11,002 and \$ 10,794 for 2021 and 2020, respectively.

NOTE 9 – RELATED PARTY TRANSACTIONS

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

	<u>2021</u>	<u>2020</u>
Bethany House Academy	\$ 6,900	\$ 6,900
Methouse, Inc.	29,630	29,349
Metowers Associates, LP	61,105	59,659
Methousing North	<u>2,400</u>	<u>2,400</u>
	100,035	98,308
Metowers Associates, LP development income	<u>60,000</u>	<u>50,000</u>
	<u>\$ 160,035</u>	<u>\$ 148,308</u>

Related party receivables are as follows:

	<u>2021</u>	<u>2020</u>
Bethany House Academy	3,625	44,584
Methouse, Inc.	639,085	677,007
Methousing North	4,090	46,934
Metowers Associates, LP	<u>11,411</u>	<u>5,504</u>
	<u>\$ 658,211</u>	<u>\$ 774,029</u>

Related party payables are as follows:

	<u>2021</u>	<u>2020</u>
Bethany House Academy	\$ 2,420	\$ -
Metowers Associates, LP	<u>22,562</u>	<u>22,562</u>
	<u>\$ 24,982</u>	<u>\$ 22,562</u>

United Methodist Church Union

Notes to Financial Statements - Continued

December 31, 2021 and 2020

NOTE 10- LEASE INCOME

Church Union leases properties to individuals and non-profit organizations. Total rental income was \$ 19,440 and \$ 14,950 for the years ended December 31, 2021 and 2020, 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, 2021:

Year Ending	Amount
<u>31-Dec</u>	
2022	<u>\$ 33,810</u>

NOTE 11 - SUMMARY OF CUSTODIAL ACCOUNTS

Custodial accounts and the related activities for the year ended December 31, 2021 and 2020 are displayed as follows:

	<u>2021</u>	<u>2020</u>
Assets		
Investments at fair value	<u>\$ 151,361</u>	<u>\$ 107,713</u>
Liabilities		
Custodial accounts	<u>\$ 151,361</u>	<u>\$ 107,713</u>
Net Assets		
Total Net Assets	<u>\$ -</u>	<u>\$ -</u>
Revenues and Other Support		
Investment income	\$ 4,752	\$ 1,768
Expenses		
Distribution of income	<u>4,752</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
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NOTE 12 - 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 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	\$ 3,439,726
Less those unavailable for general expenditures within one year, due to:	
Custodial accounts	151,361
Restricted by donor with purpose restrictions	179,347
Restricted by perpetual restrictions	<u>1,475,170</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 1,633,848</u>

NOTE 14 – 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, 2021 and 2020

NOTE 15 – 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.

No contribution revenue has been recorded for the year ended December 31, 2020. Loan forgiveness was received in full August 19, 2021 and is reported in the statement of activities.

NOTE 16 – 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 17 – SUPPLEMENTAL CASH FLOW INFORMATION

Non-cash investing and financing activities

During the year ended December 31, 2021 Church Union's Payroll Protection loan in the amount of \$67,500 and EIDL advance of \$8,000 were forgiven.

NOTE 18 – SUBSEQUENT EVENTS

Management has evaluated subsequent events through February 28, 2023, the date the financial statements were available.