

UNITED METHODIST CHURCH UNION
FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021



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, 2022 and 2021, 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, 2022 and 2021, 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.

Bank Trust Control Copy 12

February 15, 2024

United Methodist Church Union

Statements of Financial Position

December 31, 2022 and 2021

Assets		
	<u>2022</u>	<u>2021</u>
Current Assets		
Cash	\$ 639,124	\$ 127,798
Receivables	120,136	137,750
Receivables - affiliates	606,678	658,211
Prepaid insurance	18,924	-
Security deposit	<u>1,161</u>	<u>1,161</u>
Total Current Assets	<u>1,386,023</u>	<u>924,920</u>
Investments	<u>1,942,921</u>	<u>2,515,967</u>
Plant and Equipment		
Land, buildings and equipment	391,004	475,592
Less: Accumulated depreciation	<u>267,434</u>	<u>288,568</u>
Net Plant and Equipment	<u>123,570</u>	<u>187,024</u>
Total Assets	<u>\$ 3,452,514</u>	<u>\$ 3,627,911</u>
Liabilities and Net Assets		
Current Liabilities		
Accounts payable	\$ 98,889	\$ 18,085
Accounts payable - affiliates	22,562	24,982
Payroll liabilities withheld and accrued	<u>1,895</u>	<u>2,578</u>
Total Current Liabilities	<u>123,346</u>	<u>45,645</u>
Long Term Liabilities		
Custodial accounts	<u>114,043</u>	<u>151,361</u>
Net Assets		
Without Donor Restrictions	1,865,119	1,776,388
With Donor Restrictions:		
Purpose restricted	201,014	179,347
Perpetual in nature	<u>1,148,992</u>	<u>1,475,170</u>
Total Donor Restricted Net Assets	<u>1,350,006</u>	<u>1,654,517</u>
Total Net Assets	<u>3,215,125</u>	<u>3,430,905</u>
Total Liabilities and Net Assets	<u>\$ 3,452,514</u>	<u>\$ 3,627,911</u>

See notes to financial statements.

United Methodist Church Union
Statements of Activities

For the Years Ended December 31, 2022 and 2021

	2022			2021		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
Revenues, Gains and Other Support						
Management fee income	\$ 120,043	\$ -	\$ 120,043	\$ 145,835	\$ -	\$ 145,835
Contributions, grants and bequests	67,792	291,376	359,168	139,093	280,286	419,379
Payroll protection loan forgiveness	-	-	-	67,500	-	67,500
Rental income	32,910	-	32,910	19,440	-	19,440
Investment return	-	-	-	142,295	116,182	258,477
Metowers development fee	-	-	-	60,000	-	60,000
Gain on sale of property	475,303	-	475,303	-	-	-
Net Assets released from restrictions:						
Satisfaction of program restrictions:	299,665	(299,665)	-	366,496	(366,496)	-
Total Revenues, Gains and Other Support	995,713	(8,289)	987,424	940,659	29,972	970,631
Expenses and Losses						
Program	477,748	-	477,748	692,314	-	692,314
General and administrative	282,597	-	282,597	153,802	-	153,802
Fundraising	24,000	-	24,000	24,000	-	24,000
Total Expenses	784,345	-	784,345	870,116	-	870,116
Investment loss	122,637	296,222	418,859	-	-	-
Total Expenses and Losses	906,982	296,222	1,203,204	870,116	-	870,116
Change in Net Assets	88,731	(304,511)	(215,780)	70,543	29,972	100,515
Net Assets at Beginning of Year	1,776,388	1,654,517	3,430,905	1,705,845	1,624,545	3,330,390
Net Assets at End of Year	\$ 1,865,119	\$ 1,350,006	\$ 3,215,125	\$ 1,776,388	\$ 1,654,517	\$ 3,430,905

See notes to financial statements.

United Methodist Church Union

Statements of Functional Expenses

Year Ended December 31, 2022

	2022										
	Kids Meal Network	Reading Program	Financial Services	Northside Feeding	Property Management	Trust Funds	Other Programs	Total Program Expenses	Admin-istrative	Fund-raising	Total
Personnel Expenses											
Salaries	\$ 38,048	\$ 8,751	\$ 91,468	\$ 25,454	\$ 8,250	-	4567	\$ 176,538	\$ 143,076	\$ -	\$ 319,614
Employee benefits	2,708	1,360	7,304	35	163	-	-	11,570	12,101	-	23,671
Payroll taxes	1,754	779	8,615	1,770	953	-	436	14,307	10,599	-	24,906
Total Personnel Expenses	42,510	10,890	107,387	27,259	9,366	-	5,003	202,415	165,776	-	368,191
Operating Expenses											
Accounting and financial	18,540	1,920	-	5,224	-	-	-	25,684	11,300	-	36,984
Activities and field trips	5,776	-	-	-	-	13,260	8,578	27,614	-	-	27,614
Agency program support	-	-	-	-	-	19,377	-	19,377	5,771	-	25,148
Building maintenance	-	-	-	-	38,261	-	-	38,261	200	-	38,461
Depreciation	-	-	-	-	-	-	-	-	7,234	-	7,234
Equipment and maintenance	-	-	503	643	947	-	-	2,093	1,362	-	3,455
Insurance	-	-	-	-	11,432	-	-	11,432	7,611	-	19,043
Legal and professional fees	852	-	-	-	1,835	-	-	2,687	5,674	24,000	32,361
Office supplies and expense	5	224	1,006	206	2,201	34	-	3,676	31,778	-	35,454
Program supplies	50,714	14,871	-	19,315	1,246	563	600	87,309	1,849	-	89,158
Promotional	-	-	-	-	-	-	141	141	-	-	141
Rent	-	-	-	3,200	-	-	-	3,200	305	-	3,505
Scholarships	-	-	-	-	-	24,025	-	24,025	27,506	-	51,531
Travel and meetings	2,016	355	-	132	301	-	-	2,804	2,733	-	5,537
Uncollectable accounts	-	-	-	-	-	-	-	-	-	-	-
Utilities	56	42	-	-	26,932	-	-	27,030	13,498	-	40,528
Total Operating Expenses	77,959	17,412	1,509	28,720	83,155	57,259	9,319	275,333	116,821	24,000	416,154
Total Expenses	\$ 120,469	\$ 28,302	\$ 108,896	\$ 55,979	\$ 92,521	\$ 57,259	\$ 14,322	\$ 477,748	\$ 282,597	\$ 24,000	\$ 784,345

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	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	26,000	6,500	-	6,500	-	-	-	39,000	10,699	-	49,699
Activities and field trips	7,225	126	-	263	-	-	-	7,614	97	-	7,711
Agency program support	-	-	-	-	3,465	6,517	-	9,982	27,907	-	37,889
Building maintenance	-	-	-	304	52,567	-	3,391	56,262	85	-	56,347
Depreciation	-	-	-	-	6,436	-	-	6,436	-	-	6,436
Equipment and maintenance	-	-	-	1,174	-	-	-	1,174	227	-	1,401
Insurance	-	-	-	-	9,181	-	-	9,181	17,635	-	26,816
Legal and professional fees	145	25	-	-	75	-	-	245	26,624	24,000	50,869
Office supplies and expense	524	1	742	1,187	49	75	-	2,578	12,514	-	15,092
Program supplies	93,504	6,772	-	7,135	880	5,750	9,495	123,536	511	-	124,047
Promotional	648	550	-	-	-	-	-	1,198	4,356	-	5,554
Rent	-	-	-	-	-	-	-	-	22,240	-	22,240
Scholarships	-	-	-	-	-	15,000	-	-	-	-	15,000
Travel and meetings	-	-	-	-	531	-	-	531	4,054	-	4,585
Uncollectable accounts	-	-	-	-	-	-	-	-	9,362	-	9,362
Utilities	-	-	-	-	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 Cash Flows

For the Years Ended December 31, 2022 and 2021

	<u>2022</u>	<u>2021</u>
Cash Flows from Operating Activities		
Change in Net Assets	\$ (215,780)	\$ 100,515
Adjustments to Reconcile Change in Net Assets to Net Cash Provided from Operating Activities:		
Unrealized (gain) loss on owned investments	535,728	(51,844)
Gain on sale of property	(475,553)	-
Payroll protection loan and EIDL advance	-	75,500
Depreciation	7,234	6,436
(Increase) Decrease in:		
Receivables	69,147	(71,506)
Prepaid insurance	(18,922)	(14,034)
Increase (Decrease) in:		
Accounts payable	78,381	(6,027)
Payroll taxes withheld and accrued	(683)	829
Total Adjustments	<u>195,332</u>	<u>(60,646)</u>
Net Cash Provided (Used) by Operating Activities	<u>(20,448)</u>	<u>39,869</u>
Cash Flows from Investing Activities		
Purchase of investments	-	(77,028)
Plant and equipment purchases	(65,412)	(58,367)
Sale of property	597,186	-
Investments held in trust as custodian	(37,318)	(35,425)
Custodial accounts	<u>37,318</u>	<u>35,425</u>
Net Cash Provided (used) by Investing Activities	<u>531,774</u>	<u>(135,395)</u>
Net Increase (decrease) in Cash	511,326	(95,526)
Cash at Beginning of Year	<u>127,798</u>	<u>223,324</u>
Cash at End of Year	<u>\$ 639,124</u>	<u>\$ 127,798</u>

See notes to financial statements.

United Methodist Church Union

Notes to Financial Statements

December 31, 2022 and 2021

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

Basis of Accounting

The financial statements were prepared using the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America.

Basis of Presentation

Church Union reports amounts for its total assets, liabilities, and net assets in a statement of financial position, the change in its net assets in statements of activities and functional expenses in a statement of functional expenses, and the change in its cash and cash equivalents in a statement of cash flows. Also, its net assets and its revenues, expenses, gains, and losses are classified in these financial statements, based on the existence or absence of donor-imposed restrictions as net assets without donor restrictions and net assets with donor restrictions.

Net assets without donor restrictions include net assets available for use in general operations and not subject to donor (or certain grantor) restrictions. Amounts designated by the board of directors of Church Union are included in this classification.

Net assets with donor restrictions include net assets subject to donor-imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates those resources be maintained in perpetuity.

Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource has been fulfilled, or both. Donor-restricted contributions are reported as increases in net assets with donor restrictions, depending on the restriction. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions. Donor-restricted contributions whose restrictions are met within the same year as received are reported as contributions without donor restrictions in the statements of activities. Gifts of long-lived assets and gifts of cash restricted for the acquisition of long-lived assets are recognized as restricted revenue when received and released from restrictions when the assets are placed in service.

Cash and Cash Equivalents

For purposes of the statement of cash flows, Church Union considers all highly liquid investments with initial maturity of three months or less to be cash equivalents. Cash consists of checking and money market accounts and petty cash. At December 31, 2022 and 2021, the Organization had \$165,907 and \$0 in excess of the FDIC insured limit. At December 31, 2022 and 2021 there were no cash equivalents.

United Methodist Church Union

Notes to Financial Statements

December 31, 2022 and 2021

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.

Use of Estimates - The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America ("GAAP") requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of 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.

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.

Fixed Assets and Depreciation

Acquisitions of fixed assets and expenditures for repairs, maintenance and betterments that materially prolong the useful lives of assets are capitalized. Fixed assets are carried at cost or, if donated, at the approximate fair value at the date of donation. Depreciation is computed using the straight-line method over the useful lives of the respective assets which range from 5 to 39 years. The asset cost and accumulated depreciation are removed from the accounts for assets sold or retired, and any resulting gain or loss is included in the statement of activities in the period of disposal.

United Methodist Church Union

Notes to Financial Statements

December 31, 2022 and 2021

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Functional Expense Allocation

The costs of providing various programs and other activities have been summarized on a functional basis in the statements of functional expenses. Directly identifiable expenses are charged to the program and supporting services benefited. General and administrative 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.

Excess of Revenues Over Expenses

The statements of activities and changes in net assets include excess of revenues over expenses. Changes in net assets without donor restrictions, which are excluded from excess of revenues over expenses, consistent with industry practice, include unrealized gains and losses on investments other than trading securities, and contributions of long-lived assets (including assets acquired using contributions which, by donor restriction, were to be used for the purposes of acquiring such assets).

Promises to Give

Unconditional promises to give are recognized as revenues in the period received and as assets, decreases of liabilities, or expenses depending on the form of the benefits received. Conditional promises to give are recognized only when the conditions on which they depend are substantially met and the promises become unconditional.

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.

United Methodist Church Union

Notes to Financial Statements – Continued

December 31, 2022 and 2021

NOTE 3 – FAIR MARKET VALUE - CONTINUED

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.

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, 2022 and 2021

	2022		2021	
	<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	\$ 341,959	\$ 341,959	\$ 453,659	\$ 453,659
Jolly Farm Investment	396,088	396,088	525,459	525,459
DeBolt Estate Investment	248,898	248,898	305,245	305,245
Church Union Investment	130,148	130,148	169,002	169,002
Flaccus Estate Trust	59,284	59,284	76,125	76,125
Mildred Egbert Trust	56,519	56,519	72,574	72,574
Pappy	57,106	57,106	73,328	73,328
Hutchinson	498,861	498,861	640,141	640,141
New Hope	21,175	21,175	25,968	25,968
Dakota James	-	-	43,886	43,886
Parrish/Siewers	9,632	9,632	12,387	12,387
Ed and Marge Johnston	20,000	20,000	-	-
Emory Outreach	18,840	18,840	23,105	23,105
Patton Education Enhancement	84,411	84,411	95,088	95,088
Total	\$ 1,942,921	\$ 1,942,921	\$ 2,515,967	\$ 2,515,967

Investment return at December 31, 2022 and 2021 is summarized as follows:

	2022			
	<u>Unrestricted</u>	<u>Purpose Restricted</u>	<u>Perpetual in Nature</u>	<u>Total</u>
Investment Income	\$ 86,913	\$ 29,956	\$ -	\$ 116,869
Realized and unrealized gain (loss) on investments	(209,550)	-	(326,178)	(535,728)
	<u>\$ (122,637)</u>	<u>\$ 29,956</u>	<u>\$ (326,178)</u>	<u>\$ (418,859)</u>
	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	51,843	-	86,602	138,445
	<u>\$ 142,295</u>	<u>\$ 29,580</u>	<u>\$ 86,602</u>	<u>\$ 258,477</u>

United Methodist Church Union
Notes to Financial Statements - Continued
December 31, 2022 and 2021

NOTE 4 – PLANT AND EQUIPMENT

The following summary indicates cost of plant and equipment owned by Church Union as of December 31, 2022 and 2021.

	<u>2022</u>	<u>2021</u>
Land and Buildings		
Church of Our Savior	\$ 90,875	\$ 90,875
Church Union remodeling	21,863	21,863
Bethany House	242,614	177,202
New Hope Church	-	150,000
Equipment		
Church Union	<u>35,652</u>	<u>35,652</u>
Total Plant and Equipment	<u>\$ 391,004</u>	<u>\$ 475,592</u>

NOTE 5 – RESTRICTIONS ON NET ASSETS

Purpose restricted net assets are restricted for the following purposes.

	<u>2022</u>	<u>2021</u>
Hutchinson fund	\$ 32,587	\$ 26,273
Kids Meal Network	24,268	-
Pappy Fund	3,305	5,297
Pre-K Scholarships	22,562	34,587
Kidcelerate	6,484	5,000
Reading Program	54,820	17,299
Dakota James	-	30,805
Chautauqua	568	568
Howard Fund	750	750
Richards Memorial	301	301
Northside Feeding	-	9,369
Parrish/Siewers	1,958	1,488
Patton Education Enhancement Fund	20,839	26,038
Emory Community Outreach	18,331	18,331
Buhl - Art	1,986	1,986
Security system	8,000	-
Bike grant	500	500
Garden grant	3,000	-
Service Coordinator - MH & MT	<u>755</u>	<u>755</u>
	<u>\$ 201,014</u>	<u>\$ 179,347</u>

Perpetually restricted net assets are comprised of the following:

	<u>2022</u>	<u>2021</u>
Niebaum Estate	\$ 341,949	\$ 453,659
De Bolt Estate	248,898	305,245
Flaccus	59,284	76,125
Hutchinson Fund	<u>498,861</u>	<u>640,141</u>
	<u>\$ 1,148,992</u>	<u>\$ 1,475,170</u>

United Methodist Church Union

Notes to Financial Statements - Continued

December 31, 2022 and 2021

NOTE 6 – ENDOWMENT FUNDS

Spending Policy

Church Union has a spending policy for appropriating distributions each year. The distributions were 7.0% for 2022 and 6.5% for 2021.

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, 2022 and 2021 are as follows:

	<u>2022</u>	<u>2021</u>
Endowment net assets, beginning of year	\$ 1,475,170	\$ 1,388,568
Funds deposited	-	-
Unrealized gain (loss) on investments	<u>(326,178)</u>	<u>86,602</u>
Endowment net assets, end of year	<u>\$ 1,148,992</u>	<u>\$ 1,475,170</u>

United Methodist Church Union

Notes to Financial Statements - Continued

December 31, 2022 and 2021

NOTE 7 – 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 \$5,858 and \$11,002 for 2022 and 2021, respectively.

NOTE 8 – RELATED PARTY TRANSACTIONS

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

	<u>2022</u>	<u>2021</u>
Bethany House Academy	\$ 6,900	\$ 6,900
Methouse, Inc.	35,294	29,630
Metowers Associates, LP	62,550	61,105
Methousing North	<u>1,800</u>	<u>2,400</u>
	106,544	100,035
Metowers Associates, LP development income	-	60,000
	<u>\$ 106,544</u>	<u>\$ 160,035</u>

Related party receivables are as follows:

	<u>2022</u>	<u>2021</u>
Bethany House Academy	48,538	3,625
Methouse, Inc.	540,958	639,085
Methousing North	127	4,090
Metowers Associates, LP	<u>17,055</u>	<u>11,411</u>
	<u>\$ 606,678</u>	<u>\$ 658,211</u>

Related party payables are as follows:

	<u>2022</u>	<u>2021</u>
Bethany House Academy	\$ -	\$ 2,420
Metowers Associates, LP	<u>22,562</u>	<u>22,562</u>
	<u>\$ 22,562</u>	<u>\$ 24,982</u>

United Methodist Church Union

Notes to Financial Statements - Continued

December 31, 2022 and 2021

NOTE 9- LEASE INCOME

Church Union leases properties to individuals and non-profit organizations. Total rental income was \$32,910 and \$19,440 for the years ended December 31, 2022 and 2021, 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, 2022:

<u>Year Ending</u> <u>31-Dec</u>	<u>Amount</u>
2023	<u>\$ 33,810</u>

NOTE 10 - SUMMARY OF CUSTODIAL ACCOUNTS

Custodial accounts and the related activities for the year ended December 31, 2022 and 2021 are displayed as follows:

	<u>2022</u>	<u>2021</u>
Assets		
Investments at fair value	<u>\$ 114,043</u>	<u>\$ 151,361</u>
Liabilities		
Custodial accounts	<u>\$ 114,043</u>	<u>\$ 151,361</u>
Net Assets		
Total Net Assets	<u>\$ -</u>	<u>\$ -</u>
Revenues and Other Support		
Investment income	\$ 3,531	\$ 4,752
Expenses		
Distribution of income	<u>3,531</u>	<u>4,752</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, 2022 and 2021

NOTE 11 – 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	\$ 3,308,859
Less those unavailable for general expenditures within one year, due to:	
Custodial accounts	114,043
Restricted by donor with purpose restrictions	204,014
Restricted by perpetual restrictions	<u>1,148,992</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 1,841,810</u>

NOTE 12 – 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.

Loan forgiveness was received in full August 19, 2021 and is reported in the statement of activities for the year ended December 31, 2021

NOTE 13 – 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.

United Methodist Church Union
Notes to Financial Statements - Continued
December 31, 2022 and 2021

NOTE 14 – LEASES

Church Union adopted FASB Topic 842, Leases, using the modified retrospective approach, effective January 1, 2022. The most significant change in the new leasing guidance is the requirement to recognize a right to use asset and lease liability for operating leases on the balance sheet. Church Union elected the package of practical expedients permitted under the transaction guidance with the new standard which, among other things, allowed Church Union to carry forward its historic lease classifications.

Church Union has elected not to apply the recognition requirements for all leases with an initial term of 12 months or less and are such, they are not recorded on the balance sheet. Lease expense is recognized on the straight line basis over the lease term.

Church Union leases office space on a one year renewable term lease ending April 1, 2023 with a monthly rental of \$1,933.

Lease expense for the years ended December 31, 2022 and 2021 was \$28,455 and \$23,190 respectively.

NOTE 15 – SUBSEQUENT EVENTS

Management has evaluated subsequent events through February 15, 2024, the date the financial statements were available.