

Penn West Conference of the United Church of Christ

Financial Statements

Years Ended December 31, 2019 and 2018

Penn West Conference of the United Church of Christ
Financial Statements
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Independent Accountants Review Report

To the Board of Directors of
Penn West Conference of the United Church of Christ

We have reviewed the accompanying financial statements of the Penn West Conference of the United Church of Christ (a nonprofit organization), which comprise the statements of financial position as of December 31, 2019 and 2018, and the related statements of activities and cash flows for the years then ended, and the related notes to the financial statements. A review includes primarily applying analytical procedures to management's financial data and making inquiries of organization management. A review is substantially less in scope than an audit, the objective of which is the expression of an opinion regarding the financial statements as a whole. Accordingly, we do not express such an opinion on those 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.

Accountant's Responsibility

Our responsibility is to conduct the review engagement in accordance with Statements on Standards for Accounting and Review Services promulgated by the Accounting and Review Services Committee of the AICPA. Those standards require us to perform procedures to obtain limited assurance as a basis for reporting whether we are aware of any material modifications that should be made to the financial statements for them to be in accordance with accounting principles generally accepted in the United States of America. We believe that the results of our procedures provide a reasonable basis for our conclusion.

Accountant's Conclusion

Based on our review, we are not aware of any material modifications that should be made to the accompanying financial statements in order for them to be in accordance with accounting principles generally accepted in the United States of America.

Delisi, Keenan & Associates, P.C.

Greensburg, Pennsylvania
March 1, 2021

Penn West Conference of the United Church of Christ
Statements of Financial Position
December 31, 2019 and 2018

	<u>2019</u>	<u>2018</u>
Assets		
Current Assets		
Cash and cash equivalents	\$ 107,522	\$ 108,704
Restricted cash and cash equivalents	762,693	517,129
Remittances receivable	52,640	48,279
Prepaid expenses	<u>675</u>	<u>-</u>
Total Current Assets	923,531	674,112
Fixed Assets, net of accumulated depreciation	17,125	18,894
Other Assets		
Notes receivable	32,500	33,900
Investments	<u>910,236</u>	<u>779,361</u>
Total Other Assets	<u>942,736</u>	<u>813,261</u>
Total Assets	<u>\$ 1,883,393</u>	<u>\$ 1,506,267</u>
Liabilities and Net Assets		
Current Liabilities		
Accounts payable and accrued liabilities	\$ 28,183	\$ 4,884
Other directed gifts	-	2,827
Funds held for others	762,693	517,129
Deferred rental income - current portion	<u>-</u>	<u>13,833</u>
Total Current Liabilities	790,877	538,673
Long Term Liabilities		
Deferred rental income - net of current portion	<u>-</u>	<u>-</u>
Total Long Term Liabilities	<u>-</u>	<u>-</u>
Total Liabilities	790,877	538,673
Net Assets		
Without Restrictions	825,824	677,156
With Restrictions	<u>266,692</u>	<u>290,438</u>
Total Net Assets	<u>1,092,516</u>	<u>967,594</u>
Total Liabilities and Net Assets	<u>\$ 1,883,393</u>	<u>\$ 1,506,267</u>

SEE ACCOMPANYING NOTES AND INDEPENDENT ACCOUNTANT'S REVIEW REPORT

Penn West Conference of the United Church of Christ

Statement of Activities

Year Ended December 31, 2019

	Without Donor Restrictions	With Donor Restrictions	Total
Revenues and Support			
Conference basic support	\$ 227,281	\$ -	\$ 227,281
Contributions	13,689	37,639	51,328
Rent and royalty income	14,351	-	14,351
Registration fees	27,226	-	27,226
Unrealized/realized gains on investments	143,976	-	143,976
Investment income	25,183	12,527	37,710
Net assets released from restrictions	73,912	(73,912)	-
Total Revenues and Support	525,618	(23,746)	501,872
Expenses			
Program Expenses			
Benevolences	9,500	-	9,500
Annual meeting	16,222	-	16,222
Salaries and related benefits	138,893	-	138,893
Other program expenses	100,351	-	100,351
Travel	11,935	-	11,935
Miscellaneous	26,918	-	26,918
General and Administration			
Salaries and related benefits	21,011	-	21,011
Travel	1,061	-	1,061
Office expenses	12,540	-	12,540
Repairs and maintenance	3,891	-	3,891
Professional services	7,530	-	7,530
Miscellaneous	23,720	-	23,720
Fundraising			
Salaries and related benefits	2,753	-	2,753
Travel	265	-	265
Miscellaneous	360	-	360
Total Expenses	376,950	-	376,950
Change in Net Assets	148,668	(23,746)	124,922
Net Assets at Beginning of Year	677,156	290,438	967,594
Net Assets at End of Year	\$ 825,824	\$ 266,692	\$ 1,092,516

SEE ACCOMPANYING NOTES AND INDEPENDENT ACCOUNTANT'S REVIEW REPORT

Penn West Conference of the United Church of Christ

Statement of Activities

Year Ended December 31, 2018

	Without Donor Restrictions	With Donor Restrictions	Total
Revenues and Support			
Conference basic support	\$ 254,169	\$ -	\$ 254,169
Contributions	184,123	27,862	211,985
Rent and royalty income	11,363	-	11,363
Registration fees	25,868	-	25,868
Unrealized/realized gains on investments	(85,205)		(85,205)
Gain on sale of fixed assets	3,046	-	3,046
Investment income	55,686	286	55,972
Miscellaneous	4,025	-	4,025
Net assets released from restrictions	83,717	(83,717)	-
Total Revenues and Support	536,792	(55,569)	481,223
Expenses			
Program Expenses			
Benevolences	8,788	-	8,788
Annual meeting	18,084	-	18,084
Salaries and related benefits	136,741	-	136,741
Other program expenses	244,334	-	244,334
Travel	14,056	-	14,056
Miscellaneous	34,384	-	34,384
General and Administration			
Salaries and related benefits	21,811	-	21,811
Travel	1,249	-	1,249
Office expenses	13,699	-	13,699
Repairs and maintenance	1,092	-	1,092
Professional services	1,379	-	1,379
Miscellaneous	35,512	-	35,512
Fundraising			
Salaries and related benefits	2,667	-	2,667
Travel	312	-	312
Miscellaneous	458	-	458
Total Expenses	534,566	-	534,566
Change in Net Assets	2,226	(55,569)	(53,343)
Net Assets at Beginning of Year	674,930	346,007	1,020,937
Net Assets at End of Year	\$ 677,156	\$ 290,438	\$ 967,594

SEE ACCOMPANYING NOTES AND INDEPENDENT ACCOUNTANT'S REVIEW REPORT

Penn West Conference of the United Church of Christ

Statements of Cash Flows

Years Ended December 31, 2019 and 2018

	<u>2019</u>	<u>2018</u>
Cash Flows from Operating Activities:		
Change in Net Assets	\$ 124,922	\$ (53,343)
Adjustments to Reconcile Change in Net Assets to Net Cash Provided By (Used In) Operating Activities:		
Unrealized/realized (gains) losses on investments	(143,976)	85,205
(Gain)/loss on sale of fixed assets	-	-
Depreciation	4,132	3,590
(Increase) Decrease in prepaid expenses	(675)	-
(Increase) Decrease in remittances receivable	(4,361)	(5,334)
(Increase) Decrease in notes receivable	1,400	(8,150)
Increase (Decrease) in accounts payable and accrued liabilities	23,299	(1,648)
Increase (Decrease) in deferred rental income	(13,833)	(13,832)
Increase (Decrease) in National basic, offerings and gifts payable, and other directed gifts	<u>(2,827)</u>	<u>(25,818)</u>
Net Cash Provided By (Used In) Operating Activities	(11,919)	(19,330)
Cash Flows From Investing Activities:		
Purchase of investments	(31,565)	(32,210)
Proceeds from sale of investments	44,665	36,712
Proceeds from sale of fixed assets	-	-
Purchase of fixed assets	<u>(2,364)</u>	<u>(5,192)</u>
Net Cash Provided By (Used In) Investing Activities	10,737	(690)
Cash Flows From Financing Activities:		
Net Cash Provided By (Used In) Financing Activities	<u>-</u>	<u>-</u>
Net Increase (Decrease) in Cash and Cash Equivalents	(1,182)	(20,020)
Cash and Cash Equivalents at Beginning of Year	<u>108,704</u>	<u>128,724</u>
Cash and Cash Equivalents at End of Year	<u>\$ 107,522</u>	<u>\$ 108,704</u>
Supplemental Information:		
Interest paid	\$ -	\$ -
Income taxes	\$ -	\$ -
Noncash Transactions:		
Change in restricted cash and cash equivalents	\$ 245,564	\$ (46,930)

SEE ACCOMPANYING NOTES AND INDEPENDENT ACCOUNTANT'S REVIEW REPORT

Penn West Conference of the United Church of Christ

Notes to Financial Statements

Years Ended December 31, 2019 and 2018

Note A—Summary of Significant Accounting Policies

Organization and Nature of Operations

The Penn West Conference of the United Church of Christ (the Conference), located in Greensburg, Pennsylvania, is a conference of 102 churches affiliated with The United Church of Christ, a national denomination with worldwide programming. The area of the Conference includes counties of the western portion of the Commonwealth of Pennsylvania and Allegany and Garrett counties of the state of Maryland.

The Conference was chartered in 1962 as a nonprofit corporation under the laws of the Commonwealth of Pennsylvania.

The purpose of the Conference, in the spirit of Christianity, is to extend the Gospel, to advance brotherhood, to promote education, and to encourage Christian charity.

The primary financial support for the Conference comes from its member churches. The churches, the Conference, and the church-wide organization are independent units, but share responsibility in God's mission.

Basis of Accounting

The financial statements of the Conference have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America. Consequently, revenues and gains are recognized when earned and expenses and losses are recognized when incurred.

Net Assets

The activities of the Conference are accounted for in the following net asset categories:

Net assets without donor restrictions: Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the organization. These net assets may be used at the discretion of the Conference's management and the board of directors.

Net assets with donor restrictions: Net assets subject to stipulations imposed by donors, and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of the Conference or by passage of time. Other donor restrictions are perpetual in nature, where by the donor has stipulated the funds be maintained in perpetuity. Donor restricted contributions are reported as increases in net assets with donor restrictions to net assets with donor restrictions. When a restriction expires, net assets are reclassified from net assets with donor restrictions to net assets without donor restrictions in the statements of activities.

Penn West Conference of the United Church of Christ

Notes to Financial Statements

Years Ended December 31, 2019 and 2018

Note A—Summary of Significant Accounting Policies (Continued)

Revenue Recognition

Revenues are reported as increases in net assets without donor restrictions unless use of the related amount is limited by donor-imposed restrictions. Expenses are reported as decreases in net assets without donor restrictions. Gains and losses on investments and changes in other assets or liabilities are reported by explicit donor stipulations or by law. Expirations of net assets with donor restrictions, that is the donor-imposed stipulated purpose has been accomplished and/or stipulated time period has elapsed, are reported as reclassification between applicable classes of net assets. However, if a restriction is fulfilled in the same period in which the contribution is received, the Organization reports the support as unrestricted.

Cash and Cash Equivalents

The Conference considers all short-term investments with an original maturity of three months or less to be cash equivalents. Money market mutual funds are also included as cash and cash equivalents.

Restricted Cash and Cash Equivalents

The Conference is the trustee of funds for the use and benefit of the First United Church of Christ of Manor, Westmoreland County, Pennsylvania. This amount is also shown as a liability on the statements of financial position as funds held for others.

Remittances Receivable

Remittances receivable are unconditional promises to give that are recognized as conference basic support when the promise is received or the cash is collected by the individual churches in the conference. Remittances receivable are expected to be collected in less than one year and are reported at net realizable value. The allowance for uncollectible remittances receivable is determined based on management's evaluation of the collectability of individual promises. Promises that remain uncollected more than one year after their due dates are written off unless the donors indicate payment is merely postponed. There was no allowance for uncollectible remittances as of December 31, 2019 and 2018.

Fixed Assets

The Conference capitalizes expenditures for fixed assets. Fixed assets are recorded at cost and at fair value when acquired by gift. Depreciation is provided on a straight-line method over estimated useful lives. Maintenance and repairs are charged to expenses as incurred, while major renewals and betterments are capitalized.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Penn West Conference of the United Church of Christ

Notes to Financial Statements

Years Ended December 31, 2019 and 2018

Note A—Summary of Significant Accounting Policies (Continued)

Income Taxes

Provision for federal taxes on income has not been made in the accompanying financial statements since the Internal Revenue Service (IRS) has determined that the Conference is exempt from federal income tax as an organization described in section 501(c)(3) of the Internal Revenue Code of 1986. The Conference is affiliated with the denomination known as the United Church of Christ which carries a group exemption under 501(c)(3). The denomination and its affiliates received a determination of its status as other than a private foundation under the provision of Internal Revenue Code Section 170(b)(1)(A)(i). As the Conference is currently considered a church under Section 501(c)(3), they are not required to file a Form 990, *Return of Organization Exempt from Income Tax*.

New Accounting Pronouncement

On August 18, 2016, FASB issued ASU 2016-14, Not-for-Profit Entities (topic 958) – Presentation of Financial Statements of Not-for-Profit Entities. The update addresses the complexity and understandability of new asset classification, deficiencies in information about liquidity of availability of resources, and the lack of consistency in the type of information about expenses and investment return. The Conference has adjusted the presentation of these statements accordingly. The ASU has been applied retrospectively to all periods presented.

Date of Management's Review

In preparing these financial statements, the Conference has evaluated events and transactions for potential recognition or disclosure through March 1, 2021, the date the financial statements were available to be issued.

Note B—Fixed Assets

A summary of fixed assets is as follows:

	<u>2019</u>	<u>2018</u>
Leasehold improvements	\$ 20,395	\$ 20,395
Furniture and equipment	13,713	17,184
	<u>34,108</u>	<u>37,579</u>
Accumulated depreciation	<u>(16,983)</u>	<u>(18,685)</u>
Net fixed assets	<u>\$ 17,125</u>	<u>\$ 18,894</u>

Depreciation expense for the years ended December 31, 2019 and 2018 was \$4,132 and \$3,590 respectively.

As an approximate value could not be properly estimated, no value has been capitalized for the Weber Memorial and surrounding land.

Penn West Conference of the United Church of Christ

Notes to Financial Statements

Years Ended December 31, 2019 and 2018

Note C—Notes Receivable

Notes receivable are stated at the amount of the specific notes and consist entirely of student aid loans. Student aid loans are loans provided to students of the seminary school. Students who serve a parish in the Conference for three years following graduation have satisfied the student loan requirements, and the loan is forgiven. If a student does not serve a parish in the Conference or does not graduate, loan repayment will begin after six months with interest at 1% below prime rate with principal and interest due on a monthly basis. During 2019 and 2018, no loans were forgiven.

Note D—Liquidity and Availability of Financial Assets

The following represents the Conference's financial assets at December 31, 2019 and 2018

Financial Assets at Year End:	<u>2019</u>	<u>2018</u>
Cash and Cash Equivalents	\$ 107,522	\$ 108,704
Restricted Cash and Cash Equivalents	762,693	517,129
Remittances Receivable	52,640	48,279
Investments	<u>910,236</u>	<u>779,361</u>
Total Financial Assets	1,833,092	1,453,473
Less Amounts not available to be used within one year:		
Net assets with donor restrictions	266,692	290,438
Funds held for others	<u>762,693</u>	<u>517,129</u>
	<u>1,029,385</u>	<u>807,567</u>
Financial Assets available to meet general expenditures		
Over the next twelve months	<u>\$ 803,707</u>	<u>\$ 645,906</u>

Note E—Concentration of Credit Risks

The Conference maintains its cash in bank deposit accounts and cash investments with financial institutions which, at times may exceed federally insured limits. Additionally, a portion of the Conference's investments are held in an account that is not insured by the FDIC or the Securities Investor Protection Corporation.

As of December 31, 2019, no deposits exceeded FDIC coverage and \$1,119,775 of the Conference's investments were not insured by the FDIC or the Securities Investor Protection Corporation. The Conference has not experienced any losses in such accounts.

As of December 31, 2018, no deposits exceeded FDIC coverage and \$777,860 of the Conference's investments were not insured by the FDIC or the Securities Investor Protection Corporation. The Conference has not experienced any losses in such accounts.

Penn West Conference of the United Church of Christ

Notes to Financial Statements

Years Ended December 31, 2019 and 2018

Note F—Net Assets Without Restrictions

As of December 31, 2019, net assets without restrictions consisted of the following:

Oil lease	\$ 142,182
Board-designated investments	93,109
Weber	23,430
Retreats	14,008
Student aid	11,623
Various	8,853
Undesignated	<u>532,619</u>
Total	<u>\$ 825,824</u>

As of December 31, 2018, net assets without restrictions consisted of the following:

Oil lease	\$ 142,182
Board-designated investments	92,241
Weber	26,327
Retreats	13,709
Student aid	11,423
Various	5,961
Undesignated	<u>385,313</u>
Total	<u>\$ 677,156</u>

Note G—Net Assets With Restrictions

As of December 31, 2019, donor restricted net assets are comprised of the following:

Specific Purpose	
Strengthen the church	\$ 39,797
Corman and Homewood earnings	34,250
Member-in-discernment	22,673
Disaster relief	8,952
Youth programming	7,917
Conference minister discretionary	6,796
Various	<u>6,010</u>
	<u>126,395</u>
Funds Held in Perpetuity	
Corman fund	119,240
Student aid	15,000
Homewood fund	<u>6,057</u>
	<u>140,297</u>
	<u>\$ 266,692</u>

Penn West Conference of the United Church of Christ

Notes to Financial Statements

Years Ended December 31, 2019 and 2018

Note G—Net Assets With Restrictions (Continued)

As of December 31, 2018, donor restricted net assets are comprised of the following:

Specific Purpose

Strengthen the church	\$ 45,209
Corman and Homewood earnings	36,008
Member-in-discernment	34,407
Veterans of the Cross	11,229
Youth programming	7,917
Conference minister discretionary	4,241
Disaster relief	8,864
Various	2,266
	<hr/> 150,141

Funds Held in Perpetuity

Corman fund	119,240
Student aid	15,000
Homewood fund	6,057
	<hr/> 140,297
	<hr/> \$ 290,438

Note H—Fair Value Measurements

The Conference discloses the category of assets and liabilities measured at fair value into one of three different levels, depending on the assumptions (i.e., inputs) used in the valuation. Level 1 provides the most reliable measure of fair value, whereas Level 3 generally requires significant management judgment. Financial assets and liabilities are classified in their entirety based on the lowest level of input significant to the fair value measurement. The fair value hierarchy is defined as follows:

Level 1 – Quoted prices (unadjusted) in active markets for identical assets or liabilities that the reporting entity can access at the measurement date.

Level 2 – Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.

Level 3 – Unobservable inputs for the asset or liability.

Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

Following is a description of the valuation methodologies used for assets measured at fair value as of December 31, 2019 and 2018.

Certificates of Deposit - Valued at fair market value by discounting the related cash flows based on current yields of similar instruments with comparable durations considering the credit worthiness of the issuer.

Penn West Conference of the United Church of Christ

Notes to Financial Statements

Years Ended December 31, 2019 and 2018

Note H—Fair Value Measurements (Continued)

Corporate Bonds and Notes – Valued at the current unit value applied to the quantity held by the Conference at year end as reported for similar assets in inactive markets on which the bonds are traded.

Government Bonds and Notes – Valued at the current unit value applied to the quantity held by the Conference at year end as reported for similar assets in inactive markets on which the bonds are traded.

Municipal Bonds and Notes – Valued at the current unit value applied to the quantity held by the Conference at year end as reported for similar assets in inactive markets on which the bonds are traded.

The preceding methods described might produce fair value calculations that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while the Conference 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 tables set forth, by level within the fair value hierarchy, the Conference's assets measured at fair value as of December 31, 2019 and 2018:

	Fair Value Measurements at Reporting Date Using:			
	<u>Fair Value</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
<u>December 31, 2019</u>				
Investments:				
Common stock	\$ 338,658	\$ 338,658	\$ -	\$ -
Mutual funds	402,374	402,374	-	-
Corporate bonds and notes	142,899	-	142,899	-
Government bonds and notes	19,855	-	19,855	-
Exchange traded funds	5,150	5,150	-	-
Accrued income	1,300	1,300	-	-
Total investments at fair value	<u>\$ 910,236</u>	<u>\$ 747,482</u>	<u>\$ 162,754</u>	<u>\$ -</u>

Penn West Conference of the United Church of Christ

Notes to Financial Statements

Years Ended December 31, 2019 and 2018

Note H—Fair Value Measurements (Continued)

	<u>Fair Value</u>	Fair Value Measurements at Reporting Date Using:		
		<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
<u>December 31, 2018</u>				
Investments:				
Common stock	\$ 271,871	\$ 271,871	\$ -	\$ -
Mutual funds	348,977	348,977	-	-
Corporate bonds and notes	138,054	-	138,054	-
Government bonds and notes	19,151	-	19,151	-
Accrued income	1,308	1,308	-	-
Total investments at fair value	<u>\$ 799,361</u>	<u>\$ 622,156</u>	<u>\$ 157,205</u>	<u>\$ -</u>

The availability of observable market data is monitored to assess the appropriate classification of financial instruments within the fair value hierarchy. Changes in economic conditions or valuation techniques might require the transfer of financial instruments from one fair value level to another. The Conference recognizes transfers of assets into and out of levels as of the date an event or change in circumstances causes the transfers. There were no transfers between levels in the years ended December 31, 2019 and 2018.

Note I—Leases

The Conference entered into a lease with a gas company in 2012, which provides the company the right to drill, operate for, produce, and remove oil and gas from the land for seven years. The total amount of the lease was paid in advance. The lease income is being recognized on a straight-line basis over the life of the lease. The unearned portion of the lease payment is included in deferred rental income on the statements of financial position. The lease agreement does provide for contingent rental income, based on the results of the company's operations. Contingent rental income will be recorded at the time it is measurable.

On January 1, 2016, the Conference entered into a revised agreement to lease office space at a monthly cost of \$425. An additional monthly payment of \$250, which may be adjusted annually, is due for utilities. The term of this lease agreement is ten years.

Based on monthly payments of \$675, future minimum rental payments on leases for the next five years is as follows:

2020	\$ 8,100
2021	8,100
2022	8,100
2023	8,100
2024	8,100
Thereafter	<u>8,100</u>
Total	<u>\$ 48,600</u>

Penn West Conference of the United Church of Christ

Notes to Financial Statements

Years Ended December 31, 2019 and 2018

Note I—Leases (Continued)

Total rent expenses for the years ended December 31, 2019 and 2018 were \$8,100 and \$8,100, respectively.

Note J—Pension

The staff of the Conference participate in a defined contribution pension plan sponsored by the United Church of Christ. Contributions to the plan are based on a percentage of the plan participant's compensation and housing allowance. The percentage is determined by the Conference in conjunction with the United Church of Christ Pension Board. A total of \$14,207 and \$11,572 was contributed to the plan for the years ended December 31, 2019 and 2018, respectively.

Note K—Concentration of Market Risk

Investment securities are exposed to various risks such as interest rate, market, and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such changes could materially affect the amounts reported in the financial statements and the accompanying notes.