

**PENN CENTRAL CONFERENCE OF THE  
UNITED CHURCH OF CHRIST**

**YEARS ENDED  
DECEMBER 31, 2020 AND 2019**

DRAFT

***PENN CENTRAL CONFERENCE OF THE UNITED CHURCH OF CHRIST***

YEARS ENDED DECEMBER 31, 2020 AND 2019

TABLE OF CONTENTS

	Page
Independent auditor's report	1-2
Financial statements:	
Statements of financial position	3-4
Statements of activities	5-6
Statements of functional expenses	7-8
Statements of changes in net assets	9
Statements of cash flows	10-11
Notes to financial statements	12-25
Independent auditor's report on supplemental information	26
Supplemental schedules to financial statements:	
Schedules of contributions – undesignated	27
Schedules of contributions – designated	28

## Independent Auditor's Report

Board of Directors  
Penn Central Conference of the United Church of Christ  
Harrisburg, Pennsylvania

### **Report on the Financial Statements**

We have audited the accompanying financial statements of Penn Central Conference of the United Church of Christ (the Conference), which comprise the statements of financial position as of December 31, 2020 and 2019 and the related statements of activities, functional expenses, changes in net assets and cash flows for the years then ended and the related notes to the financial statements.

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

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

### **Auditor's Responsibility**

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

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

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

## Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Penn Central Conference of the United Church of Christ as of December 31, 2020 and 2019, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Camp Hill, Pennsylvania  
                    , 2021

***PENN CENTRAL CONFERENCE OF THE UNITED CHURCH OF CHRIST***

STATEMENTS OF FINANCIAL POSITION  
DECEMBER 31, 2020 AND 2019

	ASSETS	
	<u>2020</u>	<u>2019</u>
<b>Current assets:</b>		
Cash	\$ 412,282	\$ 391,535
Prepaid expenses	1,793	3,095
Property and equipment held for sale, net	2,008,857	
	<u>2,422,932</u>	<u>394,630</u>
<b>Total current assets</b>	<b>2,422,932</b>	<b>394,630</b>
Property and equipment, net	2,430	1,277,661
Other assets, investments	<u>730,890</u>	<u>671,562</u>
<b>Total assets</b>	<b><u>\$ 3,156,252</u></b>	<b><u>\$ 2,343,853</u></b>

See notes to financial statements.

**PENN CENTRAL CONFERENCE OF THE UNITED CHURCH OF CHRIST**

STATEMENTS OF FINANCIAL POSITION  
DECEMBER 31, 2020 AND 2019

LIABILITIES AND NET ASSETS

	<u>2020</u>	<u>2019</u>
<b>Current liabilities:</b>		
Accounts payable	\$ 22,560	\$ 7,954
Accrued expenses	5,805	3,395
Paycheck Protection Program loan	58,581	
Current portion of:		
Mortgage payable	6,466	6,126
Equipment loan		2,016
Deferred revenue		13,383
Line of credit	56,448	64,848
Refundable advances	69,875	94,615
<b>Total current liabilities</b>	<b><u>219,735</u></b>	<b><u>192,337</u></b>
<b>Long-term liabilities:</b>		
Long-term portion of:		
Equipment loan		840
Mortgage payable	102,548	108,907
<b>Total long-term liabilities</b>	<b><u>102,548</u></b>	<b><u>109,747</u></b>
<b>Total liabilities</b>	<b><u>322,283</u></b>	<b><u>302,084</u></b>
<b>Net assets without donor restrictions:</b>		
Undesignated	2,592,967	1,761,628
Designated	241,002	280,141
<b>Total net assets without donor restrictions</b>	<b><u>2,833,969</u></b>	<b><u>2,041,769</u></b>
<b>Total liabilities and net assets without donor restrictions</b>	<b><u>\$ 3,156,252</u></b>	<b><u>\$ 2,343,853</u></b>

See notes to financial statements.

**PENN CENTRAL CONFERENCE OF THE UNITED CHURCH OF CHRIST**

STATEMENTS OF ACTIVITIES  
YEAR ENDED DECEMBER 31, 2020

	Without donor restrictions		Total
	Undesignated	Designated	
<b>Support, revenue and gains:</b>			
Contributions	\$ 737,801	\$ 146,699	\$ 884,500
Registrations, Hartman Center	39,683		39,683
Unrealized gain on investments	30,482	22,458	52,940
Gain on sale of investments	23,842		23,842
Registrations and subscriptions	6,848		6,848
Interest and dividends	6,063	2,538	8,601
In-kind contribution	773,000		773,000
<b>Total support, revenue and gains</b>	<b>1,617,719</b>	<b>171,695</b>	<b>1,789,414</b>
<b>Expenses:</b>			
Programs:			
Hartman Center	304,538	6,010	310,548
Our Church's Wider Mission	80,812		80,812
Other ministries	246,644	19,539	266,183
Total programs	631,994	25,549	657,543
Supporting service, management and general	339,671		339,671
<b>Total expenses</b>	<b>971,665</b>	<b>25,549</b>	<b>997,214</b>
<b>Changes in net assets without donor restrictions</b>	<b>\$ 646,054</b>	<b>\$ 146,146</b>	<b>\$ 792,200</b>

See notes to financial statements.

**PENN CENTRAL CONFERENCE OF THE UNITED CHURCH OF CHRIST**

STATEMENTS OF ACTIVITIES  
YEAR ENDED DECEMBER 31, 2019

	Without donor restrictions		Total
	Undesignated	Designated	
<b>Support, revenue and gains:</b>			
Contributions	\$ 834,709	\$ 167,990	\$ 1,002,699
Registrations, Hartman Center	75,344		75,344
Unrealized gain on investments	75,469	27,011	102,480
Gain on sale of investments		100	100
Registrations and subscriptions	34,999		34,999
Interest and dividends	10,789	2,991	13,780
<b>Total support, revenue and gains</b>	<b>1,031,310</b>	<b>198,092</b>	<b>1,229,402</b>
<b>Expenses:</b>			
Programs:			
Hartman Center	312,395	21,159	333,554
Our Church's Wider Mission	86,899		86,899
Other ministries	237,417	41,048	278,465
Total programs	636,711	62,207	698,918
Supporting service, management and general	402,377		402,377
<b>Total expenses</b>	<b>1,039,088</b>	<b>62,207</b>	<b>1,101,295</b>
<b>Changes in net assets without donor restrictions</b>	<b>\$ (7,778)</b>	<b>\$ 135,885</b>	<b>\$ 128,107</b>

See notes to financial statements.

**PENN CENTRAL CONFERENCE OF THE UNITED CHURCH OF CHRIST**

STATEMENTS OF FUNCTIONAL EXPENSES  
YEAR ENDED DECEMBER 31, 2020

	Hartman Center	Our Church's Wider Mission	Other ministries	Total program	Supporting service Management and general	Total expenses
Salaries, taxes and benefits	\$ 53,516		\$ 170,450	\$ 223,966	\$ 203,875	\$ 427,841
Travel	924		9,445	10,369	403	10,772
Professional services	259			259	36,161	36,420
Maintenance	2,855			2,855	5,453	8,308
Occupancy and utilities	7,584			7,584	36,528	44,112
Supplies and office expense	6,064			6,064	7,857	13,921
Depreciation	99,713			99,713	1,080	100,793
Interest					7,599	7,599
Ministry contributions	86,139	\$ 80,812	82,295	249,246		249,246
Events and meetings	8,194		3,171	11,365	23,081	34,446
Insurance					11,688	11,688
Camps and retreats	44,510			44,510		44,510
Other	790		822	1,612	5,946	7,558
<b>Total</b>	<b>\$ 310,548</b>	<b>\$ 80,812</b>	<b>\$ 266,183</b>	<b>\$ 657,543</b>	<b>\$ 339,671</b>	<b>\$ 997,214</b>

See notes to financial statements.

**PENN CENTRAL CONFERENCE OF THE UNITED CHURCH OF CHRIST**

STATEMENTS OF FUNCTIONAL EXPENSES  
YEAR ENDED DECEMBER 31, 2019

	Hartman Center	Our Church's Wider Mission	Other ministries	Total program	Supporting service Management and general	Total expenses
Salaries, taxes and benefits	\$ 39,681		\$ 144,402	\$ 184,083	\$ 220,107	\$ 404,190
Travel	552		22,734	23,286	1,792	25,078
Professional services	3,448			3,448	36,970	40,418
Maintenance	15,963			15,963	6,772	22,735
Occupancy and utilities	3,359			3,359	36,725	40,084
Supplies and office expense	10,867		166	11,033	12,931	23,964
Depreciation	97,558			97,558	1,080	98,638
Interest					11,358	11,358
Ministry contributions	31,231	\$ 86,899	86,771	204,901		204,901
Events and meetings	22,605		21,579	44,184	61,157	105,341
Training	1,251		221	1,472		1,472
Insurance					7,728	7,728
Camps and retreats	106,319			106,319		106,319
Other	720		2,592	3,312	5,757	9,069
<b>Total</b>	<b>\$ 333,554</b>	<b>\$ 86,899</b>	<b>\$ 278,465</b>	<b>\$ 698,918</b>	<b>\$ 402,377</b>	<b>\$ 1,101,295</b>

See notes to financial statements.

**PENN CENTRAL CONFERENCE OF THE UNITED CHURCH OF CHRIST**

STATEMENTS OF CHANGES IN NET ASSETS  
YEARS ENDED DECEMBER 31, 2020 AND 2019

	Without donor restrictions		Total
	Undesignated	Designated	
<b>Net assets without donor restrictions, January 1, 2019</b>	<b>\$ 1,554,593</b>	<b>\$ 359,069</b>	<b>\$ 1,913,662</b>
Changes in net assets without donor restrictions	(7,778)	135,885	128,107
Subtotal	1,546,815	494,954	2,041,769
Use of designated funds	214,813	(214,813)	-
<b>Net assets without donor restrictions, December 31, 2019</b>	<b>1,761,628</b>	<b>280,141</b>	<b>2,041,769</b>
Changes in net assets without donor restrictions	646,054	146,146	792,200
Subtotal	2,407,682	426,287	2,833,969
Use of designated funds	185,285	(185,285)	-
<b>Net assets without donor restrictions, December 31, 2020</b>	<b>\$ 2,592,967</b>	<b>\$ 241,002</b>	<b>\$ 2,833,969</b>

See notes to financial statements.

**PENN CENTRAL CONFERENCE OF THE UNITED CHURCH OF CHRIST**

STATEMENTS OF CASH FLOWS  
YEARS ENDED DECEMBER 31, 2020 AND 2019

	<u>2020</u>	<u>2019</u>
<b>Cash flows from operating activities:</b>		
Changes in net assets without donor restrictions	\$ 792,200	\$ 128,107
Adjustments:		
Depreciation	100,793	98,638
Donated property	(773,000)	
Gain on sale of investments	(23,842)	(100)
Unrealized gain on investments	(52,940)	(102,480)
(Increase) decrease in assets, prepaid expenses	1,302	(325)
Increase (decrease) in liabilities:		
Accounts payable	14,606	813
Accrued expenses	2,410	(743)
Deferred revenue	(13,383)	(5,103)
Refundable advances	(24,740)	(40,937)
Total adjustments	<u>(768,794)</u>	<u>(50,237)</u>
<b>Net cash provided by operating activities</b>	<b><u>23,406</u></b>	<b><u>77,870</u></b>
<b>Cash flows from investing activities:</b>		
Capital expenditures	(61,419)	(122,210)
Purchases of investments	(17,846)	(10,003)
Proceeds from sale of investments	<u>35,300</u>	<u>60,000</u>
<b>Net cash used in investing activities</b>	<b><u>(43,965)</u></b>	<b><u>(72,213)</u></b>

(continued)

**PENN CENTRAL CONFERENCE OF THE UNITED CHURCH OF CHRIST**

STATEMENTS OF CASH FLOWS (CONTINUED)  
YEARS ENDED DECEMBER 31, 2020 AND 2019

	<u>2020</u>	<u>2019</u>
<b>Cash flows from financing activities:</b>		
Proceeds from Paycheck Protection Program loan	\$ 58,581	
Repayments on:		
Line of credit	(8,400)	\$ (8,055)
Mortgage payable	(6,019)	(5,730)
Equipment loan	<u>(2,856)</u>	<u>(2,016)</u>
<b>Net cash provided by (used in) financing activities</b>	<b><u>41,306</u></b>	<b><u>(15,801)</u></b>
<b>Net increase (decrease) in cash</b>	<b>20,747</b>	<b>(10,144)</b>
<b>Cash:</b>		
Beginning of year	<u>391,535</u>	<u>401,679</u>
<b>End of year</b>	<b><u>\$ 412,282</u></b>	<b><u>\$ 391,535</u></b>
Supplemental disclosures of cash flow information:		
Cash paid during the year for interest	\$ 7,599	\$ 11,358

Noncash investing activities:

The Conference received \$773,000 worth of donated property during 2020, which was capitalized and listed as held for sale in 2020. No donated property was received by the Conference in 2019.

See notes to financial statements.

## ***PENN CENTRAL CONFERENCE OF THE UNITED CHURCH OF CHRIST***

### NOTES TO FINANCIAL STATEMENTS YEARS ENDED DECEMBER 31, 2020 AND 2019

#### **1. Nature of organization and significant accounting policies:**

*Nature of organization:*

The mission of Penn Central Conference of the United Church of Christ (a Pennsylvania nonprofit corporation) (the Conference) is to proclaim the good news of Jesus Christ, which includes funding for projects and programs, placing ministers, providing pastoral care and providing a year-round camping and retreat facility. The Conference's primary source of revenue is contributions from churches.

*Basis of accounting:*

The financial statements have been prepared on the accrual basis of accounting. Under this method, revenues are recognized when earned and expenses are recognized in the accounting period in which the obligation is incurred.

*Basis of presentation:*

Financial statement presentation follows the requirements of the Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 958, *Financial Statements of Not-for-Profit Organizations*. Under FASB ASC 958, the Conference is required to report information regarding its financial position and activities in up to two classes of net assets: net assets without donor restrictions and net assets with donor restrictions.

A summary of the net asset categories included in the accompanying financial statements is as follows:

Net assets without donor restrictions – Net assets that are not subject to donor-imposed stipulations. Also included in this category are net assets subject to self-imposed limits by action of the board. The board may earmark net assets for future programs, purchase of fixed assets or other uses.

Net assets with donor restrictions – Net assets subject to donor-imposed stipulations that may or will be met either by actions of the Conference and/or the passage of time and net assets subject to donor-imposed stipulations that must be maintained permanently by the Conference. The Conference currently has no net assets with donor restrictions.

*Property and equipment:*

Property and equipment are stated at cost and are depreciated on the straight-line method over the estimated average useful lives of the assets as follows: land improvements, 15 years; buildings and building improvements, 20 to 30 years; equipment, 5 to 10 years and office equipment, 5 to 10 years.

The Conference's policy is to capitalize property and equipment expenditures of \$5,000 or more.

## ***PENN CENTRAL CONFERENCE OF THE UNITED CHURCH OF CHRIST***

### NOTES TO FINANCIAL STATEMENTS YEARS ENDED DECEMBER 31, 2020 AND 2019

#### **1. Nature of organization and significant accounting policies (continued):**

##### *Investments:*

Investments in certificates of deposit and mutual funds are recorded at fair values. Unrealized gains and losses are reported as increases or decreases in net assets without donor restrictions unless their use is restricted by explicit donor stipulation or by law. Realized gains and losses, if any, on the sale or disposal of investments are computed on a specific identification basis and are also included as increases or decreases in net assets without donor restrictions unless their use is restricted by explicit donor stipulation or by law.

##### *Revenue recognition:*

The Conference generates revenue from several sources, including contributions and registration fees from events and camps.

Unconditional contributions are recognized as revenue when received and considered to be available for use unless specifically restricted by the donor. Amounts restricted by the donor for future periods or specific purposes are reported as net assets with donor restrictions. Amounts received without donor restrictions are reported as net assets without donor restrictions. Designated contributions received by the Conference contain the provision that the Conference maintains variance power over the funds, allowing the Conference to transfer funds as necessary. Conditional contributions are not recognized as revenue until the conditions have been satisfied. The Conference did not receive any conditional contributions in 2020 and 2019.

In addition to these contributions, the Conference also receives funds for which the donor has named other organizations as the beneficiary, and has not granted the Conference variance power over the funds. The Conference records these funds as a refundable advance on the statements of financial position until the funds are processed and remitted to the specified parties. The Conference does not recognize any revenue or expense related to the transactions.

The Conference holds several events during the year, including an annual meeting and a clergy convocation event, and hosts camps and retreats at Hartman Center. A registration fee is charged for the events and the camps. When each event or camp is held, the Conference has fulfilled its performance obligation to the registrants and revenue is recognized. Any registrations received in advance of the event or camp are considered deferred revenue until the event or camp has been held.

##### *In-kind contributions:*

Contributions of property and equipment are recorded as contributions at fair value at the date of donation. Such contributions are also reported as increases in net assets without donor restrictions unless the donor has restricted the donated asset to a specific purpose. The Conference currently has no donor restricted contributions of donated assets.

## ***PENN CENTRAL CONFERENCE OF THE UNITED CHURCH OF CHRIST***

### NOTES TO FINANCIAL STATEMENTS YEARS ENDED DECEMBER 31, 2020 AND 2019

#### **1. Nature of organization and significant accounting policies (continued):**

##### *Use of estimates:*

The preparation of financial statements in accordance with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, and the disclosure of contingent assets and liabilities, if any, at the date of the financial statements, and the reported amounts of support and revenue and expense during the reporting period. Actual results could differ from those estimates. Significant estimates affecting these financial statements include management's allocation of functional expenses, the useful lives of fixed assets and the valuation of the donated property and equipment.

##### *Functional expenses:*

Natural expenses attributable to more than one functional category are allocated using management's estimate of staff time spent on each program and supporting administrative services. Costs directly related to a program or supporting service are charged directly to that program or supporting service.

##### *Reclassifications:*

Certain amounts in the 2019 financial statements have been reclassified to conform to the 2020 presentation.

##### *Recently issued accounting standards:*

##### Leases:

FASB Accounting Standards Update (ASU) 2016-02, *Leases*, will require lessees to recognize assets and liabilities on the statement of financial position for the rights and obligations created by all leases with terms of more than 12 months. Disclosures will also be required by lessees to meet the objective of enabling users of the financial statements to assess the amount, timing and uncertainty of cash flows arising from leases. The standard is effective for reporting periods beginning after December 15, 2021 and interim reporting periods within annual reporting periods beginning after December 15, 2022. Management has not yet determined the impact of this update on the Conference's financial statements.

**PENN CENTRAL CONFERENCE OF THE UNITED CHURCH OF CHRIST**

NOTES TO FINANCIAL STATEMENTS  
YEARS ENDED DECEMBER 31, 2020 AND 2019

**1. Nature of organization and significant accounting policies (continued):**

*Recently issued accounting standards:*

Contributed nonfinancial assets:

In September 2020, the FASB issued ASU 2020-07, *Presentation and Disclosures for Not-for-Profit Entities for Contributed Nonfinancial Assets*. The standard will require contributed nonfinancial assets to be a separate line item in the statement of activities and enhanced disclosures. The required disclosures include a disaggregation of the amount of contributed nonfinancial assets recognized in the statement of activities by category that depicts the type of contributed nonfinancial assets and for each category of contributed nonfinancial assets: 1) qualitative information regarding utilization or monetization of the contributed nonfinancial assets, 2) the programs or activities the contributed nonfinancial assets were utilized for, 3) the entity's policy for monetizing rather than utilizing contributed nonfinancial assets (if applicable), 4) a description of any donor-imposed restrictions on the nonfinancial assets, 5) a description of the valuation techniques and inputs used to arrive at the fair market value assigned to the contributed nonfinancial assets and 6) the principal market used to arrive at a fair value measure if it is a market in which the recipient not-for-profit is prohibited by a donor-imposed restriction from selling or using the contributed nonfinancial asset. The standard is to be applied retrospectively and will be effective for the Conference beginning January 1, 2022. The Conference is currently evaluating the impacts of adopting this guidance on its financial statements and related disclosures.

**2. Cash:**

Cash consists of the following as of December 31:

	<u>2020</u>	<u>2019</u>
Checking and petty cash, conference	\$ 412,282	\$ 391,235
Petty cash, Hartman Center		<u>300</u>
	<u>\$ 412,282</u>	<u>\$ 391,535</u>

At times during the years ended December 31, 2020 and 2019, the Conference's cash balances may exceed the federally insured limit of \$250,000 per bank. The Conference's cash balances exceeded the limit by \$64,340 and \$54,778 at December 31, 2020 and 2019, respectively.

**PENN CENTRAL CONFERENCE OF THE UNITED CHURCH OF CHRIST**

NOTES TO FINANCIAL STATEMENTS  
YEARS ENDED DECEMBER 31, 2020 AND 2019

**3. Financial assets and liquidity resources:**

As of December 31, 2020 and 2019, financial assets and liquidity resources available within one year for general expenditure, such as operating expenses, payments on loans and purchases of property and equipment were as follows:

	<u>2020</u>	<u>2019</u>
Financial assets:		
Cash	\$ 412,282	\$ 391,535
Investments	<u>730,890</u>	<u>671,562</u>
Total financial assets	1,143,172	1,063,097
Designated net assets without donor restrictions	<u>(241,002)</u>	<u>(280,141)</u>
Total financial assets available within one year	<u><u>\$ 902,170</u></u>	<u><u>\$ 782,956</u></u>

The Conference maintains a policy of structuring its financial assets to be available as its general expenditures, liabilities and other obligations come due. To manage unanticipated liquidity needs, the Conference maintains a \$100,000 line of credit with a bank that can be drawn upon as needed during the year to manage cash flows. The Conference had an outstanding balance of \$56,448 and \$64,848 on the line of credit at December 31, 2020 and 2019, respectively. In addition, the Conference has board designated investments of \$148,190 and \$131,517 at December 31, 2020 and 2019, respectively, that can be converted to cash if needed to manage cash flows.

The Conference's primary cash flows are received throughout the year and are primarily attributed to contributions from churches. These cash flows could contain designations made by the Conference's board.

**4. Investments:**

The Conference has investments in Diversified Common Investment Funds (UCF Moderate Balanced Fund and Beyond Fossil Fuels Fund), which are administered by the United Church Foundation.

**PENN CENTRAL CONFERENCE OF THE UNITED CHURCH OF CHRIST**

NOTES TO FINANCIAL STATEMENTS  
YEARS ENDED DECEMBER 31, 2020 AND 2019

**4. Investments (continued):**

The cost and fair value of the investments at December 31, 2020 and 2019 are as follows:

2020	Cost	Fair value
UCF Moderate Balanced Fund:		
Conference	\$ 97,521	\$ 332,728
Hartman Center	44,141	89,728
Hartman Center, property	31,230	58,462
Wilbur Valentine bequest	150,950	181,846
Total UCF Moderate Balanced Fund	323,842	662,764
Beyond Fossil Fuels Fund	52,876	68,126
Total investments	<u>\$ 376,718</u>	<u>\$ 730,890</u>
2019		
UCF Moderate Balanced Fund:		
Conference	\$ 105,444	\$ 330,510
Hartman Center	43,248	79,632
Hartman Center, property	30,648	51,885
Wilbur Valentine bequest	139,176	149,730
Total UCF Moderate Balanced Fund	318,516	611,757
Beyond Fossil Fuels Fund	51,814	59,805
Total investments	<u>\$ 370,330</u>	<u>\$ 671,562</u>

FASB ASC 820, *Fair Value Measurement*, establishes a three-level hierarchy for fair value measurements to clarify the valuation of an asset as follows:

- Level 1 – Quoted prices in active markets for identical investments.
- Level 2 – Other significant observable inputs (including quoted prices for similar investments, interest rates, prepayment speeds, credit risk, etc.).

**PENN CENTRAL CONFERENCE OF THE UNITED CHURCH OF CHRIST**

NOTES TO FINANCIAL STATEMENTS  
YEARS ENDED DECEMBER 31, 2020 AND 2019

**4. Investments (continued):**

Level 3 – Significant unobservable inputs (including the Conference’s own assumptions in determining the fair value of investments).

The following valuation technique was used to measure fair value of assets on a recurring basis:

UCF Moderate Balanced Fund and Beyond Fossil Fuels Fund – The investments are both Level 1 investments. The market value of the funds are determined based on the quoted prices in active markets of the funds’ underlying assets.

For assets falling within Level 1 in the fair value hierarchy, the activity recognized is as follows for the years ended December 31:

	<u>2020</u>	<u>2019</u>
Balance, beginning	\$ 671,562	\$ 618,979
Purchases	17,846	10,003
Proceeds from sales	(35,300)	(60,000)
Unrealized gains	52,940	102,480
Realized gains	<u>23,842</u>	<u>100</u>
Balance, ending	<u><u>\$ 730,890</u></u>	<u><u>\$ 671,562</u></u>

The unrealized gains for the UCF Moderate Balanced Fund and the Beyond Fossil Fuels Fund are included as unrealized gains on investments in the statements of activities.

**5. Property and equipment held for sale:**

In July 2020, the Conference received a donation of a church property with a value of \$773,000. The Conference has no plans to use the property, and it was listed for sale prior to December 31, 2020. Management believes the sale will occur within the next 12 months.

In September 2020, the Conference decided to sell the Hartman Center property and equipment and entered into an agreement with a real estate agent to list the Hartman Center for \$1,895,000. Assets to be disposed of by the sale are reported at the lower of the carrying amount or fair value less costs to sell. Management believes the sale will occur within the next 12 months.

**PENN CENTRAL CONFERENCE OF THE UNITED CHURCH OF CHRIST**

NOTES TO FINANCIAL STATEMENTS  
YEARS ENDED DECEMBER 31, 2020 AND 2019

**5. Property and equipment held for sale (continued):**

Assets held for sale at December 31, 2020 consist of the donated property and Hartman Center property and equipment that will be disposed of in 2021 when the properties are expected to be sold:

Property and equipment, Hartman Center	\$ 2,921,241
Donated property	773,000
Accumulated depreciation	<u>(1,685,384)</u>
Assets held for sale	<u><u>\$ 2,008,857</u></u>

Depreciation expense on these properties, prior to them being listed for sale, amounted to \$99,713 for the year ended December 31, 2020. Proceeds from the sale of the Hartman Center will first be used to pay off the mortgage payable. The total outstanding borrowings on the open-ended mortgage were \$109,014 at December 31, 2020.

**6. Property and equipment:**

Property and equipment at December 31, 2020 and 2019 consist of the following:

	<u>2020</u>	<u>2019</u>
Property and equipment, Hartman Center		\$ 2,737,612
Office furniture and equipment, General Conference	\$ 47,530	47,530
Construction-in-progress, Hartman Center		<u>122,210</u>
	47,530	2,907,352
Accumulated depreciation	<u>(45,100)</u>	<u>(1,629,691)</u>
	<u><u>\$ 2,430</u></u>	<u><u>\$ 1,277,661</u></u>

Depreciation expense amounted to \$1,080 and \$98,638 for the years ended December 31, 2020 and 2019, respectively.

**PENN CENTRAL CONFERENCE OF THE UNITED CHURCH OF CHRIST**

NOTES TO FINANCIAL STATEMENTS  
YEARS ENDED DECEMBER 31, 2020 AND 2019

**7. Endowment:**

The Conference's endowments consist of several funds designated by the Board of Directors to function as an endowment. As required by generally accepted accounting principles (GAAP), net assets associated with endowment funds, including funds designated by the Board of Directors to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions. As of December 31, 2020 and 2019, there were no donor-imposed restrictions within the endowment funds.

The following schedule represents the endowment net asset composition by type of endowment fund as of December 31, 2020 and 2019:

	<u>2020</u>	<u>2019</u>
Without donor restrictions, board-designated endowment funds, Outdoor ministries	<u>\$ 89,728</u>	<u>\$ 79,632</u>

The following schedule represents the changes in the without donor restrictions, board-designated endowment net assets for the years ended December 31, 2020 and 2019:

	<u>2020</u>	<u>2019</u>
Endowment net assets without donor restrictions, beginning of year	\$ 79,632	\$ 66,816
Investment return, net gains, realized and unrealized	9,203	11,689
Reinvested dividends	<u>893</u>	<u>1,127</u>
Endowment net assets without donor restrictions, end of year	<u>\$ 89,728</u>	<u>\$ 79,632</u>

*Returns objectives and risk parameters:*

The Conference has adopted the investment policy of the United Church Funds, which currently invests the Conference's funds. Endowment assets include only board-designated funds. Under this policy, and as approved by the Board of Directors, the endowment assets are invested in a manner that is intended to produce results that allow the Conference to fund the appropriate programs while assuming a moderate level of investment risk.

## ***PENN CENTRAL CONFERENCE OF THE UNITED CHURCH OF CHRIST***

### NOTES TO FINANCIAL STATEMENTS YEARS ENDED DECEMBER 31, 2020 AND 2019

#### **7. Endowment (continued):**

*Strategies employed for achieving objectives:*

The Conference relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The Conference targets a diversified asset allocation that places a greater emphasis on equity-based investments to achieve its long-term return objectives within prudent risk constraints.

*Endowment spending policy and how the investment objectives relate to the spending policy:*

As the Conference currently holds no donor-restricted endowment funds, the spending of the board-designated funds is at the board's discretion. The Board of Directors approves annual disbursements from the funds on a specific need basis with no annual disbursement of more than 5% of the board-designated endowment fund's five-year rolling average as determined by the United Church Funds. The board, however, can approve a change to the designated funds and spending at any time.

#### **8. Line of credit:**

The Conference entered into a line of credit agreement with a bank in June 2016 whereby it may borrow \$100,000 on a line of credit. The line of credit carries an interest rate of Wall Street Journal prime rate (3.25% at December 31, 2020) plus 1.0%, with a floor of 4.5%. The outstanding balance on the line of credit as of December 31, 2020 and 2019 was \$56,448 and \$64,848, respectively. For the years ended December 31, 2020 and 2019, interest expense on the line of credit amounted to \$2,912 and \$4,789, respectively.

**PENN CENTRAL CONFERENCE OF THE UNITED CHURCH OF CHRIST**

NOTES TO FINANCIAL STATEMENTS  
YEARS ENDED DECEMBER 31, 2020 AND 2019

**9. Open-ended mortgage payable:**

The Conference entered into an open-ended mortgage with a bank on November 22, 2016 whereby it may borrow up to \$225,000 to finance the capital improvements at the Hartman Center. The open-ended mortgage carries an interest rate of 3.5%. During 2017, the open-ended mortgage payoff date was amended from November 25, 2017 to March 31, 2018. During 2018, the open-ended mortgage payoff date was amended from March 31, 2018 to March 30, 2033 and the interest rate was amended to equal 5.5% for the first 60 consecutive payments and then the Wall Street Journal prime rate plus a margin of 1.0% for the remaining 120 consecutive payments. The total outstanding borrowings on the open-ended mortgage were \$109,014 and \$115,033 at December 31, 2020 and 2019, respectively. Future principal payments are as follows:

2021	\$ 6,466
2022	6,830
2023	7,150
2024	7,547
2025	7,992
2026-2030	47,622
2031-2033	25,407
	<u>\$ 109,014</u>

**10. Equipment loan:**

On May 12, 2017, the Conference entered into a loan contract with John Deere Financial for \$8,874 to purchase a mower. The terms of the loan were 0% interest and required monthly principal payments of \$168 for a term of 48 months. The loan was paid off early in February 2020.

**PENN CENTRAL CONFERENCE OF THE UNITED CHURCH OF CHRIST**

NOTES TO FINANCIAL STATEMENTS  
YEARS ENDED DECEMBER 31, 2020 AND 2019

**11. Board designated net assets:**

The Board designated funds consisted of the following as of December 31, 2020 and 2019:

	<u>2020</u>	<u>2019</u>
Outdoor Ministries:		
Endowment fund	\$ 89,728	\$ 79,632
Property	58,462	51,885
Other		46,419
Disaster plan	1,026	1,126
Annual Meeting	15,655	15,260
CPONA	1,606	912
Dakota association	8,028	6,860
Namibia partnership	14,808	14,808
UEK partnership	4,230	4,230
Congregation vitality future fund	10,837	10,837
Creation Justice	550	550
St. Andrews Conference Vitality Initiatives	11,998	11,998
Martha Thornton balance	5,162	7,163
Partners in Peace	3,060	3,060
Disability Ministry	802	802
UCC Historical Society	50	
Conference office upgrades	5,000	
UCF Pastoral Scholarship	10,000	
Hartman Center (HC) Love/Splash Offering		2,898
Basketball court		1,676
Hartman Center land sale		1,011
HC Michaux Lodge		10,600
HC Chicken/Waffle Fundraiser		1,211
HC Life Long Learning Events		5,643
HC Stone House Insurance Contents		10
HC Legion		1,550
	<u>\$ 241,002</u>	<u>\$ 280,141</u>

## ***PENN CENTRAL CONFERENCE OF THE UNITED CHURCH OF CHRIST***

### NOTES TO FINANCIAL STATEMENTS YEARS ENDED DECEMBER 31, 2020 AND 2019

#### **12. Related party transactions:**

The Conference is directly affiliated with the National Office of United Church of Christ. A portion of contributions from Conference churches to the Our Church's Wider Mission (OCWM) Program, as well as other contributions received by the Conference, are designated by management to be paid directly to the national office or other designees.

#### **13. Retirement plan:**

The Conference participates in a defined contribution plan, which covers all eligible ministers and lay workers affiliated with the United Church of Christ. Participants are vested immediately upon the first contribution payment by the employer. The plan permits voluntary employee contributions. Retirement expense amounted to \$30,307 and \$21,809 for the years ended December 31, 2020 and 2019, respectively.

#### **14. Rent expense:**

The Conference leases its office space on a year-to-year basis. Rent expense totaled \$28,350 for both years ended December 31, 2020 and 2019. Rent expense is included in management and general services expense on the statement of activities.

#### **15. Income taxes:**

The Conference has been recognized as exempt from United States federal income taxes under Section 501(c)(3) of the Internal Revenue Code.

The Conference is recognized as an association of churches within the meaning of Section 170 (b)(1)(A)(i) of the Internal Revenue Code. As such, the Conference is not required to file a Form 990, *Return of Organization Exempt from Income Tax*, and Form 990-T, *Exempt Organization Business Income Tax Return*, with the United States government annually.

#### **16. Hartman Center Management:**

In October 2015, the Conference approved a two-year contract with United Camps, Conferences and Retreats (UCCR) to manage the Hartman Center. The contract, executed in January 2016, commences April 1, 2016 and ended December 31, 2018. The contract automatically renews each year unless terminated by either party. The contract was automatically renewed through December 31, 2020. The Conference will be required to transfer operating capital funds to UCCR each year. The Conference paid \$86,041 to UCCR to cover the 2020 expected loss and the 2019 deficit. The contract was terminated by the Conference effective December 31, 2020.

## ***PENN CENTRAL CONFERENCE OF THE UNITED CHURCH OF CHRIST***

### NOTES TO FINANCIAL STATEMENTS YEARS ENDED DECEMBER 31, 2020 AND 2019

#### **17. Paycheck Protection Program loan:**

In April 2020, the Conference secured and received funding totaling \$58,581 from the Paycheck Protection Program, a government program authorizing loans to small businesses to cover payroll costs, rent and utility costs over a 24-week period. The loan may become due if the Conference uses funds for anything besides these costs or does not incur enough of the qualified costs. No payments are due for the first six months. To the extent that all or part of the loan is not forgiven, the Conference will be required to pay equal monthly payments of principal and accrued interest will be due and payable each of the months 7 through 24 until the unpaid principal balance and all accrued interest on the note is paid in full. The note has an interest rate of 1%. The Conference expects the loan to be forgiven in 2021 based on its initial projections. The balance of the loan as of December 31, 2020 was \$58,581.

#### **18. Impact of COVID-19 pandemic:**

In December 2019, a novel strain of coronavirus (COVID-19) was reported to have surfaced in China. The World Health Organization has declared COVID-19 to constitute a "Public Health Emergency of International Concern" and characterized COVID-19 as a pandemic. The U.S. government has also implemented enhanced screenings, quarantine requirements and travel restrictions in connection with the COVID-19 outbreak. The spread of this virus has caused business disruption to the Conference beginning in March 2020, due to state government-imposed shutdowns of businesses and other results of the illness. While the Conference expects this matter may negatively impact its results, the extent of the impact of the COVID-19 on the Conference's operational and financial performance will depend on future developments, including the duration and spread of the outbreak and related travel advisories and restrictions and the impact of the COVID-19 on overall demand for the Conference's services, all of which are highly uncertain and cannot be predicted.

During the year ended December 31, 2020, the Conference had to cancel the majority of its camps and retreats due to government-imposed restrictions on in-person gatherings. In addition, several meetings and events had to be cancelled or modified to a virtual format. Revenues were negatively impacted as a result of these cancellations and modification, but expenses were also reduced. The impact on meetings and events for 2021 is likely to be similar but is still unknown.

#### **19. Subsequent events:**

On February 25, 2021, the Conference received notice that the Paycheck Protection Program loan from April 2020 was reviewed and the full amount was forgiven.

The Conference has evaluated subsequent events through \_\_\_\_\_, 2021, the date that the financial statements were available to be issued.

Independent Auditor's Report  
on Supplemental Information

Board of Directors  
Penn Central Conference of the United Church of Christ  
Harrisburg, Pennsylvania

We have audited the financial statements of Penn Central Conference of the United Church of Christ as of and for the years ended December 31, 2020 and 2019, and our report thereon dated \_\_\_\_\_, 2021, which expressed an unmodified opinion on those financial statements, appears on pages 1 and 2. Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The contributions, undesignated and the contributions, designated are presented for purposes of additional analysis and are not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audits of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Camp Hill, Pennsylvania  
\_\_\_\_\_, 2021

***PENN CENTRAL CONFERENCE OF THE UNITED CHURCH OF CHRIST***

SCHEDULES OF CONTRIBUTIONS - UNDESIGNATED  
YEARS ENDED DECEMBER 31, 2020 AND 2019  
(See independent auditor's report on supplemental information)

	<u>2020</u>	<u>2019</u>
Our Church's Wider Mission, Conference	\$ 703,360	\$ 754,756
Outdoor ministries	<u>34,441</u>	<u>79,953</u>
	<u>\$ 737,801</u>	<u>\$ 834,709</u>

**PENN CENTRAL CONFERENCE OF THE UNITED CHURCH OF CHRIST**

SCHEDULES OF CONTRIBUTIONS - DESIGNATED  
YEARS ENDED DECEMBER 31, 2020 AND 2019  
(See independent auditor's report on supplemental information)

	2020		2019	
	Receipts	Expenses	Receipts	Expenses
Outdoor ministries designated contributions	\$ 12,994	\$ 6,010	\$ 33,677	\$ 21,159
Special support ministries	133,705	19,439	130,363	22,321
Disaster plan		100		
General Synod			3,950	18,727
	<u>\$ 146,699</u>	<u>\$ 25,549</u>	<u>\$ 167,990</u>	<u>\$ 62,207</u>