

**WESTERN RESERVE ASSOCIATION OF THE UNITED
CHURCH OF CHRIST**

FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2016 AND 2015



CliftonLarsonAllen

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INDEPENDENT ACCOUNTANTS' REVIEW REPORT

Association Council
Western Reserve Association of the United Church of Christ
Cuyahoga Falls, Ohio

We have reviewed the accompanying financial statements of Western Reserve Association of the United Church of Christ, which comprise the statement of financial position as of December 31, 2016, and the related statements of activities and cash flows for the year 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 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.

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.

Accountants' 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 American Institute of Certified Public Accountants. 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.

Accountants' Conclusion

Based on our review, we are not aware of any material modifications that should be made to the accompanying 2016 financial statements in order for them to be in accordance with accounting principles generally accepted in the United States of America.

Association Council
Western Reserve Association of the United Church of Christ

Report on 2015 Financial Statements

The 2015 financial statements of Western Reserve Association of the United Church of Christ were reviewed by Bruner Cox LLP, whose practice became a part of CliftonLarsonAllen LLP effective June 1, 2016, and whose report dated May 23, 2016, stated that based on their review, they were not aware of any material modifications that should be made to those financial statements in order for them to be in accordance with accounting principles generally accepted in the United States of America.

CliftonLarsonAllen LLP

CliftonLarsonAllen LLP

Canton, Ohio
June 26, 2017

WESTERN RESERVE ASSOCIATION OF THE UNITED CHURCH OF CHRIST
STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2016 AND 2015
(SEE INDEPENDENT ACCOUNTANTS' REVIEW REPORT)

ASSETS	<u>2016</u>	<u>Restated 2015</u>
CURRENT ASSETS		
Cash and Cash Equivalents	\$ 93,815	\$ 208,704
Accounts Receivable	76,526	37,033
Accounts Receivable - Eastern Ohio Association	5,902	3,142
Assets Held for Sale	75,000	450,000
Total Current Assets	<u>251,243</u>	<u>698,879</u>
PROPERTY AND EQUIPMENT		
Furniture, Fixtures, and Office Equipment	6,250	6,250
Vehicles	42,409	42,409
Total	<u>48,659</u>	<u>48,659</u>
Less: Accumulated Depreciation	20,509	15,978
Total Property and Equipment	<u>28,150</u>	<u>32,681</u>
OTHER ASSETS		
Investments	5,661,963	5,071,206
Security Deposit	835	835
Total Other Assets	<u>5,662,798</u>	<u>5,072,041</u>
Total Assets	<u><u>\$ 5,942,191</u></u>	<u><u>\$ 5,803,601</u></u>
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Current Maturities of Long-Term Debt	\$ 10,962	\$ 7,922
Accounts Payable:		
Trade	74,956	93,464
OCWM	56,120	59,445
Total Current Liabilities	<u>142,038</u>	<u>160,831</u>
LONG-TERM DEBT, NET OF CURRENT MATURITIES	8,155	19,136
NET ASSETS		
Unrestricted:		
General Operating	(7,318)	93,490
Board Designated	3,423,981	2,845,146
Total Unrestricted	<u>3,416,663</u>	<u>2,938,636</u>
Temporarily Restricted	2,375,335	2,684,998
Total Net Assets	<u>5,791,998</u>	<u>5,623,634</u>
Total Liabilities and Net Assets	<u><u>\$ 5,942,191</u></u>	<u><u>\$ 5,803,601</u></u>

See accompanying Notes to Financial Statements.

WESTERN RESERVE ASSOCIATION OF THE UNITED CHURCH OF CHRIST
STATEMENTS OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2016
(SEE INDEPENDENT ACCOUNTANTS' REVIEW REPORT)

	Unrestricted	Unrestricted Board Designated	Temporarily Restricted	Total 2016
SUPPORT AND REVENUE				
Our Churches' Wider Mission	\$ 330,634	\$ -	\$ -	\$ 330,634
Designated Gifts/Program Income	180,882	5,550	-	186,432
Realized and Unrealized Gain (Losses) on Investments	(104,512)	128,258	149,296	173,042
Investment Income	101,721	-	-	101,721
Other Income	22,242	-	-	22,242
Release from Restrictions	13,932	445,027	(458,959)	-
Total Support and Revenue	<u>544,899</u>	<u>578,835</u>	<u>(309,663)</u>	<u>814,071</u>
EXPENSES				
Amount Paid to Ohio Conference	181,849	-	-	181,849
Passthrough Gifts	117,178	-	-	117,178
Salaries and Wages	157,695	-	-	157,695
Payroll Taxes	4,015	-	-	4,015
Employee Benefits	54,263	-	-	54,263
Staff Travel	(8,352)	-	-	(8,352)
Repairs and Maintenance	3,083	-	-	3,083
Rental/Leased Equipment	705	-	-	705
Rent/Lease Facility	12,518	-	-	12,518
Insurance	12,033	-	-	12,033
Outside Professional Services	12,631	-	-	12,631
Communications	6,123	-	-	6,123
Departmental/Program	36,728	-	-	36,728
General Expenses	50,707	-	-	50,707
Depreciation	4,531	-	-	4,531
Total Expenses	<u>645,707</u>	<u>-</u>	<u>-</u>	<u>645,707</u>
CHANGE IN NET ASSETS	(100,808)	578,835	(309,663)	168,364
Net Assets - Beginning of Year	93,490	2,845,146	2,684,998	5,623,634
NET ASSETS - END OF YEAR	<u>\$ (7,318)</u>	<u>\$ 3,423,981</u>	<u>\$ 2,375,335</u>	<u>\$ 5,791,998</u>

See accompanying Notes to Financial Statements.

WESTERN RESERVE ASSOCIATION OF THE UNITED CHURCH OF CHRIST
STATEMENTS OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2015
(SEE INDEPENDENT ACCOUNTANTS' REVIEW REPORT)

	Unrestricted	Unrestricted Board Designated	Temporarily Restricted	Permanently Restricted	Total 2015
SUPPORT AND REVENUE					
Our Churches' Wider Mission	\$ 423,443	\$ -	\$ -	\$ -	\$ 423,443
Designated Gifts/Program Income	184,682	2,984	-	-	187,666
Contribution of Asset Held for Sale	-	-	375,000	-	375,000
Realized and Unrealized Gain					
(Losses) on Investments	57,625	(254,370)	(58,332)	-	(255,077)
Investment Income	83,563	-	-	-	83,563
Impairment Loss on Assets Held for Sale	-	-	(155,510)	-	(155,510)
Other Income	4,239	-	-	-	4,239
Release from Restrictions	90,364	40,560	(130,924)	-	-
Total Support and Revenue	<u>843,916</u>	<u>(210,826)</u>	<u>30,234</u>	<u>-</u>	<u>663,324</u>
EXPENSES					
Amount Paid to Ohio Conference	235,441	-	-	-	235,441
Passthrough Gifts	146,889	-	-	-	146,889
Salaries and Wages	155,107	-	-	-	155,107
Payroll Taxes	3,902	-	-	-	3,902
Employee Benefits	54,869	-	-	-	54,869
Staff Travel	16,996	-	-	-	16,996
Repairs and Maintenance	2,459	-	-	-	2,459
Rental/Leased Equipment	2,179	-	-	-	2,179
Rent/Lease Facility	14,268	-	-	-	14,268
Insurance	7,270	-	-	-	7,270
Outside Professional Services	18,723	-	-	-	18,723
Communications	5,012	-	-	-	5,012
Departmental/Program	71,603	2,984	-	-	74,587
General Expenses	69,664	-	-	-	69,664
Depreciation	5,490	-	-	-	5,490
Total Expenses	<u>809,872</u>	<u>2,984</u>	<u>-</u>	<u>-</u>	<u>812,856</u>
CHANGE IN NET ASSETS	34,044	(213,810)	30,234	-	(149,532)
Net Assets - Beginning of Year as Previously Reported	59,446	440,917	369,652	4,903,151	5,773,166
Restatement (see Note 2)	<u>-</u>	<u>2,618,039</u>	<u>2,285,112</u>	<u>(4,903,151)</u>	<u>-</u>
Net Assets - Beginning of Year as Restated	59,446	3,058,956	2,654,764	-	5,773,166
NET ASSETS - END OF YEAR	<u>\$ 93,490</u>	<u>\$ 2,845,146</u>	<u>\$ 2,684,998</u>	<u>\$ -</u>	<u>\$ 5,623,634</u>

See accompanying Notes to Financial Statements.

WESTERN RESERVE ASSOCIATION OF THE UNITED CHURCH OF CHRIST
STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2016 AND 2015
(SEE INDEPENDENT ACCOUNTANTS' REVIEW REPORT)

	2016	2015
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in Net Assets	\$ 168,364	\$ (149,532)
Adjustments to Reconcile Change in Net Assets to Net Cash Used by Operating Activities:		
Depreciation Expense	4,531	5,490
Contribution of Asset Held for Sale	-	(375,000)
Impairment Loss	-	155,510
Net Realized and Unrealized (Gains) Losses on Investments	(173,402)	255,077
Reinvested Investment Income	(46,581)	(33,192)
(Increase) Decrease in Assets:		
Accounts Receivable	(42,253)	6,539
Increase (Decrease) in Liabilities:		
Accounts payable	(18,508)	7,807
Accounts Payable - Ohio Conference	(3,325)	(18,797)
Net Cash Used by Operating Activities	(111,174)	(146,098)
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from Sale of Investments	618,111	573,000
Purchase of Investments	(988,885)	(425,671)
Proceeds from Sale of Assets Held for Sale	375,000	-
Net Cash Provided by Investing Activities	4,226	147,329
CASH FLOWS FROM FINANCING ACTIVITIES		
Payments on Long-Term Debt	(7,941)	(7,588)
Net Cash Used by Financing Activities	(7,941)	(7,588)
NET DECREASE IN CASH AND CASH EQUIVALENTS	(114,889)	(6,357)
Cash and Cash Equivalents - Beginning of Year	208,704	215,061
CASH AND CASH EQUIVALENTS - END OF YEAR	\$ 93,815	\$ 208,704
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION		
Cash Paid for Interest	\$ 1,027	\$ 1,380

See accompanying Notes to Financial Statements.

WESTERN RESERVE ASSOCIATION OF THE UNITED CHURCH OF CHRIST
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016 AND 2015
(SEE INDEPENDENT ACCOUNTANTS' REVIEW REPORT)

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Business

Western Reserve Association of the United Church of Christ (the Association) is a nonprofit organization that is responsible for receiving and distributing proceeds from member churches. The Association also serves as an administrator for certain programs and funds for various churches. The Association role and mission is to build and nurture connections between congregations, clergy, other leaders and groupings for the purpose of supporting one another. The Association and The Eastern Ohio Association of the United Church of Christ share operating expenses such as salaries, benefits, and other administrative expenses in order for both associations to become more efficient and economical.

The significant accounting policies followed by the Association are described below.

Basis of Accounting

These financial statements have been prepared on the accrual basis of accounting.

Basis of Presentation

The Association's financial statements are presented in accordance with the Not-for-Profit Entities topic of the Financial Accounting Standards Board (FASB) Accounting Standards Codification. Under this topic, the Association is required to report information regarding its financial position and activities according to three classes of net assets described as follows:

Unrestricted Net Assets – Net assets which are not subject to donor-imposed restrictions.

Temporarily Restricted Net Assets – Net assets subject to donor-imposed restrictions that may or will be met either by actions of the Association and/or the passage of time.

Permanently Restricted Net Assets – Net assets subject to donor-imposed restrictions that the Association maintains permanently. Generally, the donors of these assets permit the Association to use all or part of the income earned on related investments for general or specific purposes.

Concentration of Credit Risk

The Association maintains its cash in bank deposit accounts which, at times, may exceed federally insured limits. The Association has not experienced any losses in such accounts, and management believes it is not exposed to any significant credit risk on cash.

Fair Value of Financial Instruments

The carrying amounts of financial instruments, including cash, cash equivalents, accounts receivable, accounts payable, and accrued liabilities approximates fair value due to the short maturity of these instruments. The carrying amount of long-term debt approximates fair value because the fixed rates are based on current rates offered to the Association for debt with similar terms and maturities.

WESTERN RESERVE ASSOCIATION OF THE UNITED CHURCH OF CHRIST
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016 AND 2015
(SEE INDEPENDENT ACCOUNTANTS' REVIEW REPORT)

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Use of Estimates

The preparation of the financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and 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 may differ from those estimates.

Cash and Cash Equivalents

The Association considers cash equivalents to include demand deposits and all highly liquid debt instruments purchased with an original maturity of 90 days or less.

Investments

Investments consist of marketable debt and equity securities. All investments are reported at fair value. Realized gains or losses are determined on the specific identification method and are reflected as part of investment income. Unrealized gains or losses are reflected on the statement of activities. See Note 2 for discussion of fair value measurements.

Property and Equipment

Property and equipment are stated at cost, or if donated, at estimated fair value at the date of the donation less accumulated depreciation. Additions and improvements are capitalized, while expenditures for maintenance and repairs are charged to expense as incurred. Depreciation is computed using the straight-line method over the estimated useful lives of the assets. The provision for depreciation expense was \$4,531 and \$5,490 for 2016 and 2015, respectively.

Revenue Recognition

The Association is dependent upon support from its member churches to fund its operations. The amount of support (goal) from each member church is estimated annually by the Association based on each church's financial situation and past giving record. The churches' goals include support for the Association, the Ohio Conference; and the National Office of the United Church of Christ (General Synod). The Association, in conjunction with the Ohio Conference, determines the portion of support that will be maintained by the Association to fund operations and the portion with will be forwarded to the Ohio Conference and the General Synod. The portion of support maintained by the Association is reflected in the statement of activities. The amounts forwarded to the Ohio Conference and the General Synod are reflected as agency transactions and are reported as increases and decreases in cash flows from operating activities in the statements of cash flows.

WESTERN RESERVE ASSOCIATION OF THE UNITED CHURCH OF CHRIST
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016 AND 2015
(SEE INDEPENDENT ACCOUNTANTS' REVIEW REPORT)

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Contributions

Contributions are recognized when the donor makes a promise to give to the Organization that is, in substance, unconditional. Contributions that are restricted by the donor are reported as increases in unrestricted net assets, if the restrictions expire in the fiscal year in which the contributions are recognized. All other donor-restricted contributions are reported as increases in temporarily or permanently restricted net assets depending on the nature of the restrictions. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the consolidated statement of activities as net assets released from restrictions.

Contributions of property and equipment are recorded as support at their estimated fair value. Such contributions are reported as unrestricted support unless the donor has restricted the contributed asset to a specific purpose. Assets contributed with explicit restrictions regarding their use and contributions of cash that must be used to acquire property and equipment are reported as restricted support. Absent donor stipulations regarding how long those contributed assets must be maintained, the Organization reports expirations of donor restrictions when the donated or acquired assets are placed in service as instructed by the donor. The Organization reclassifies temporarily restricted net assets to unrestricted net assets at that time.

Income Taxes

The Association is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code.

The Association has adopted the Accounting for Uncertainty in Income Taxes topic of the Financial Accounting Standards Board (FASB) Accounting Standards Codification. Management has determined the effects of the adoption of this topic to be insignificant; therefore, no adjustments have been recorded and no further disclosures are required.

Contributed Services

The Association receives services donated by its members in carrying out the Association's ministry. No amounts have been reflected in the financial statements for those services since they do not meet the criteria for recognition under accounting principles and the accounting pronouncement *Accounting for Contributions Received and Contributions Made*.

Reclassifications

Certain amounts in the prior-year financial statements have been reclassified for comparative purposes to conform with the presentation in the current-year financial statements.

Subsequent Events

Subsequent events have been evaluated through June 26, 2017, which is the date the financial statements were available to be issued.

WESTERN RESERVE ASSOCIATION OF THE UNITED CHURCH OF CHRIST
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016 AND 2015
(SEE INDEPENDENT ACCOUNTANTS' REVIEW REPORT)

NOTE 2 RESTATEMENT

The accompanying financial statements for 2015 have been restated to correct for an error in the recording of accounts receivable and accounts payable. The effect of the error was to understate accounts receivable and accounts payable. For comparative purposes, previously reported 2015 amounts have been restated to increase accounts receivable and accounts payable by \$3,142.

Previously reported permanently restricted net assets have been reclassified to temporarily restricted net assets as management has determined that there are no funds subject to donor imposed restricted that require the Association to maintain the principal of the funds permanently.

NOTE 3 FAIR VALUE OF FINANCIAL INSTRUMENTS

The Association accounts for assets and liabilities in accordance with the provisions of the *Fair Value Measurements and Disclosures* topic of the FASB *Accounting Standards Codification*. This topic applies to all assets and liabilities that are being measured and reported on a fair value basis. This topic requires disclosure that establishes a framework for measuring fair value in accordance with accounting principles generally accepted in the United States of America, and expands disclosure about fair value measurements. This statement enables the reader of the financial statements to assess the inputs used to develop those measurements by establishing a hierarchy for ranking the quality and reliability of the information used to determine fair values. The statement requires that assets and liabilities carried at fair value will be classified and disclosed in one of the following three categories:

Level 1 – Quoted market prices in active markets for identical assets or liabilities.

Level 2 – Observable market based inputs or unobservable inputs that are corroborated by market data.

Level 3 – Unobservable inputs that are not corroborated by market data.

Assets measured at fair value are comprised of the following:

<u>December 31, 2016</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
United Church Funds:				
Cash Equivalent Fund	\$ 19,024	\$ -	\$ -	\$ 19,024
Aggressive Balance Fund	-	1,358,946	-	1,358,946
Moderate Balanced Fund	-	1,827,915	-	1,827,915
KeyBank NA:				
Cash and Cash Equivalent Funds	72,045	-	-	72,045
Equity Funds	1,666,671	-	-	1,666,671
Fixed Income Funds	679,362	-	-	679,362
Real Estate Funds	-	-	38,000	38,000
Total	<u>\$ 2,437,102</u>	<u>\$ 3,186,861</u>	<u>\$ 38,000</u>	<u>\$ 5,661,963</u>

WESTERN RESERVE ASSOCIATION OF THE UNITED CHURCH OF CHRIST
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016 AND 2015
(SEE INDEPENDENT ACCOUNTANTS' REVIEW REPORT)

NOTE 3 FAIR VALUE OF FINANCIAL INSTRUMENTS (CONTINUED)

<u>December 31, 2015</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
United Church Funds:				
Cash Equivalent Fund	\$ 18,967	\$ -	\$ -	\$ 18,967
Aggressive Balance Fund	-	1,135,176	-	1,135,176
Moderate Balanced Fund	-	1,541,672	-	1,541,672
KeyBank NA:				
Cash and Cash Equivalent Funds	41,861	-	-	41,861
Equity Funds	1,596,058	-	-	1,596,058
Fixed Income Funds	699,467	-	-	699,467
Real Estate Funds	-	-	38,000	38,000
Other Funds	5	-	-	5
Total	<u>\$ 2,356,358</u>	<u>\$ 2,676,848</u>	<u>\$ 38,000</u>	<u>\$ 5,071,206</u>

In determining the appropriate levels, the Association performs a detailed analysis of the asset and liabilities that are subject to the Fair Value Measurements and Disclosure topic. At each reporting period, all assets and liabilities for which the fair value measurement is based on significant unobservable inputs are classified as Level 3.

The Association holds investments in debt and equity securities which are classified as available for sale securities. The fair value of these investment securities is the market value based on quoted market prices, when available, or market prices provided by recognized broker dealers. For the years ended December 31, 2016 and 2015, the application of valuation techniques applied to similar assets and liabilities has been consistent.

The Association records all of its investments at fair value. At December 31 the Association held the following investments:

	<u>December 31, 2016</u>		<u>December 31, 2015</u>	
	<u>Cost Value</u>	<u>Market Value</u>	<u>Cost Value</u>	<u>Market Value</u>
United Church Funds:				
Cash Equivalents	\$ 19,024	\$ 19,024	\$ 18,967	\$ 18,967
Aggressive Balance Fund	1,114,544	1,358,946	951,891	1,135,176
Moderate Balanced Fund	1,561,875	1,827,915	1,350,159	1,541,672
KeyBank NA	2,401,011	2,456,078	2,560,160	2,375,391
Total	<u>\$ 5,096,454</u>	<u>\$ 5,661,963</u>	<u>\$ 4,881,177</u>	<u>\$ 5,071,206</u>

The change in value of investments consisted of:

	<u>2016</u>	<u>2015</u>
United Church Foundation:		
Unrealized Gains (Losses)	\$ 136,898	\$ (125,011)
Realized Gains (Losses), Net	14,643	21,296
KeyBank NA Accounts:		
Unrealized Gains (Losses)	120,426	(238,215)
Realized Gains (Losses), Net	(98,925)	86,853
Total	<u>\$ 173,042</u>	<u>\$ (255,077)</u>

WESTERN RESERVE ASSOCIATION OF THE UNITED CHURCH OF CHRIST
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016 AND 2015
(SEE INDEPENDENT ACCOUNTANTS' REVIEW REPORT)

NOTE 4 LONG-TERM DEBT

Long-term debt consists of the following at December 31:

<u>Description</u>	<u>2016</u>	<u>2015</u>
Note payable with a financing company dated October 2012; due in 60 monthly installments of \$533 including interest at 6.55%; due November 2017 with half of the balance on Eastern Ohio Association of the United Church of Christ's books; collateralized by a vehicle	\$ 5,570	\$ 8,292
Note payable with a financing company dated July 2014; due in 60 monthly installments of \$467 including interest at 2.20%; due July 2019 with half of the balance on Eastern Ohio Association of the United Church of Christ's books; collateralized by a vehicle	6,980	9,611
Note payable with a financing company dated July 2014; due in 60 monthly installments of \$467 including interest at 2.20%; due July 2019 with half of the balance on Eastern Ohio Association of the United Church of Christ's books; collateralized by a vehicle	<u>6,567</u>	<u>9,155</u>
	19,117	27,058
Less: Current Maturities	<u>10,962</u>	<u>7,922</u>
Long-Term Debt, Net of Current Maturities	<u>\$ 8,155</u>	<u>\$ 19,136</u>

Current maturities of debt are as follows at December 31, 2016:

<u>Year Ending December 31,</u>	<u>Amount</u>
2017	\$ 10,962
2018	5,592
2019	<u>2,563</u>
Total	<u>\$ 19,117</u>

WESTERN RESERVE ASSOCIATION OF THE UNITED CHURCH OF CHRIST
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016 AND 2015
(SEE INDEPENDENT ACCOUNTANTS' REVIEW REPORT)

NOTE 5 NET ASSETS

There are certain programs and funds that are directly administered by the Association. The various member churches fund these programs. At December 31, the balances in these programs were as follows:

	Beginning Balance 12/31/15	Revenue	Transfers In/(Out)	Expenses	Ending Balance 12/31/16
Designated Unrestricted:					
Association Funds	\$ 17,015	\$ 1,071	\$ (714)	\$ -	\$ 17,372
Revolving Loan Fund	97,842	6,238	-	-	104,080
Elam Weist Fund	101,882	6,416	(4,244)	-	104,054
Lay School of the Church Fund	3,456	233	-	-	3,689
Congregations Resource Team Fund	18,607	1,257	-	-	19,864
Continuing Education Fund	20,373	1,576	865	-	22,814
Mission Ministry Fund	8,110	2,112	3,568	-	13,790
Church Development Fund	193,531	14,715	4,853	-	213,099
Volunteer Travel Fund	1,414	-	(1,414)	-	-
Jubilation Fund	100	-	-	-	100
Shepherd Fund	3,650	-	(1,400)	-	2,250
North Olmstead Continuing Education	750	-	(245)	-	505
Affirm Camp	3,000	5,550	(552)	-	7,998
Reserve Fund	-	5,424	34,250	-	39,674
Fellowship Wickliffe Fund	-	8,527	358,584	-	367,111
Trinity Brooklyn UCC	-	-	51,476	-	51,476
Seminarian Background Check Fund	25	-	-	-	25
Key Bank Endowment Fund	2,375,391	80,689	-	-	2,456,080
Total	<u>\$ 2,845,146</u>	<u>\$ 133,808</u>	<u>\$ 445,027</u>	<u>\$ -</u>	<u>\$ 3,423,981</u>
Temporarily Restricted:					
First Lakewood Development	\$ 73,303	\$ 4,882	\$ (3,017)	\$ -	\$ 75,168
Trinity Hanscom Scholarship	21,171	1,496	5,622	-	28,289
Gerry's House-Resource Center	-	-	-	-	-
Marie Schatz Fund	1,890	128	-	-	2,018
Jacob Schatz Fund	1,890	128	-	-	2,018
Parkwood Church	37,498	2,361	(1,562)	-	38,297
Trinity Assistant Fund	978,979	65,347	(41,209)	-	1,003,117
Trinity Mission Fund	543,257	36,293	(21,189)	-	558,361
Cleveland Trinity Mission Fund	228,544	15,400	(7,907)	-	236,037
North Olmsted Fund	348,466	23,261	(14,697)	-	357,030
Assets Held for Resale	450,000	-	(375,000)	-	75,000
Total	<u>\$ 2,684,998</u>	<u>\$ 149,296</u>	<u>\$ (458,959)</u>	<u>\$ -</u>	<u>\$ 2,375,335</u>

WESTERN RESERVE ASSOCIATION OF THE UNITED CHURCH OF CHRIST
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NOTE 5 NET ASSETS (CONTINUED)

	Beginning Balance 12/31/14 (Audited)	Revenue	Transfers In/(Out)	Expenses	Ending Balance 12/31/15 (Reviewed)
Designated Unrestricted:					
Association Funds	\$ 18,280	\$ (422)	\$ (843)	\$ -	\$ 17,015
Revolving Loan Fund	100,164	(2,322)	-	-	97,842
Elam Weist Fund	109,391	(2,529)	(4,980)	-	101,882
Lay School of the Church Fund	3,332	(83)	207	-	3,456
Congregations Resource Team Fund	19,126	(469)	(50)	-	18,607
Continuing Education Fund	18,181	(535)	2,727	-	20,373
Mission Ministry Fund	8,557	(174)	(273)	-	8,110
Church Development Fund	163,886	(5,188)	34,833	-	193,531
Volunteer Travel Fund	-	-	1,414	-	1,414
Jubilation Fund	-	-	100	-	100
Shepherd Fund	-	-	3,650	-	3,650
North Olmstead Continuing Education	-	-	750	-	750
Affirm Camp	-	-	3,000	-	3,000
Seminarian Background Check Fund	-	-	25	-	25
Key Bank Endowment Fund	2,618,039	(242,648)	-	-	2,375,391
Total	<u>\$ 3,058,956</u>	<u>\$ (254,370)</u>	<u>\$ 40,560</u>	<u>\$ -</u>	<u>\$ 2,845,146</u>
Temporarily Restricted:					
First Lakewood Development	\$ 78,629	\$ (1,910)	\$ (3,416)	\$ -	\$ 73,303
Trinity Hanscom Scholarship	17,721	(391)	3,841	-	21,171
Gerry's House-Resource Center	13,772	-	(13,772)	-	-
Marie Schatz Fund	1,937	(47)	-	-	1,890
Jacob Schatz Fund	1,937	(47)	-	-	1,890
Parkwood Church	40,261	(931)	(1,832)	-	37,498
Trinity Assistant Fund	1,053,503	(25,605)	(48,919)	-	978,979
Trinity Mission Fund	577,754	(14,232)	(20,265)	-	543,257
Cleveland Trinity Mission Fund	234,591	(6,047)	-	-	228,544
North Olmsted Fund	375,129	(9,122)	(17,541)	-	348,466
Assets Held for Resale	230,510	375,000	-	(155,510)	450,000
Program Funds:					
Jubilation Fund	100	-	(100)	-	-
Fall Meeting	1,039	-	(1,039)	-	-
Resource Ministry Team Grant	1,200	-	(1,200)	-	-
Resource Center Special Fund	2,280	-	(2,280)	-	-
Association Minister's Discretionary	318	-	(318)	-	-
Volunteer Travel Fund	1,414	-	(1,414)	-	-
Shepherd Fund	3,650	-	(3,650)	-	-
North Olmstead Continuing Education	19,019	-	(19,019)	-	-
Total	<u>\$ 2,654,764</u>	<u>\$ 316,668</u>	<u>\$ (130,924)</u>	<u>\$ (155,510)</u>	<u>\$ 2,684,998</u>

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NOTE 6 PASSTHROUGH GIFTS

The Association had the following passthrough gifts which are recorded as income and expenses on the statement of activities at December 31:

	<u>2016</u>	<u>2015</u>
Unrestricted Funds Passthrough:		
Special Offerings Funds:		
One Great Hour of Sharing	\$ 43,236	\$ 51,305
Christmas Fund	23,629	32,006
Campfires - Ohio Conference	300	300
Camps - Ohio Conference	-	300
Camps - Pilgrim and Temple	-	200
General Synod - Ohio Conference	-	531
Flint Water Relief	118	-
Ohio Disaster Relief	250	1,250
Neighbors in Need	24,865	30,568
Richard Wolff Trust	-	800
Strengthen the Church	14,715	12,975
National Disaster Relief	100	5,063
Directed Passthrough Funds:		
Back Bay Mission	4,875	750
Church World Service - Blankets	326	1,160
Church World Service - Hurricane Matthew	320	-
Crossroad	197	132
CUE Seminaries	3,531	8,036
Echoing Hills	-	20
Hope Homes Foundation	197	132
Hunger Relief	-	1,022
Literacy Project	-	10
Rezash Fund	283	-
UNICEF	38	62
United Church Homes	197	267
Total	<u>\$ 117,178</u>	<u>\$ 146,889</u>

NOTE 7 PENSION AND BENEFIT PLANS

The Association maintains two qualified contributory retirement plans administered by the United Church of Christ Pension Boards. The Annuity Fund for Ministers and the Retirement Fund for Lay Workers are for the benefit of ordained and lay employees respectively. Employees become participants in the plans effective the date of employment. Contributions to the plans are made at the rate of 14% of salary.

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NOTE 7 PENSION AND BENEFIT PLANS (CONTINUED)

The Association has a tax-deferred annuity program which grants income tax deferral under the provision of Internal Revenue Code section 403b for eligible employees desiring to participate in the plan. At present there is one employee that participates. The Association does not contribute to this plan on behalf of employees.

The Association provides health, dental, vision, life, and disability insurance coverage for its eligible employees through participation in a group plan. The United Church of Christ Pension Boards administers the health and insurance policies.

Full-time employees may receive full family coverage while part-time employees who work at least 20 hours per week consistently may receive individual coverage and are offered the opportunity to purchase the family coverage if needed.

Pension and benefit expense for 2016 and 2015 amounted to \$54,263 and \$54,869, respectively.

NOTE 8 OPERATING LEASES

The Association has entered into leasing arrangements for office space and equipment for use in its operations through 2018. Rental expense under operating lease agreements amounted to \$13,223 and \$16,447 for 2016 and 2015, respectively.

The following is a schedule by year of the future minimum rental payments required under lease agreements having initial or remaining noncancelable lease terms in excess of one year as of December 31, 2016:

<u>Year Ending December 31,</u>	<u>Amount</u>
2017	\$ 10,018
2018	2,505
Total	<u>\$ 12,523</u>

NOTE 9 RELATED PARTY TRANSACTIONS

The Association loans money to churches for capital improvement purposes. Loans are not to exceed \$10,000 per church and repayment is not to exceed five years. Interest rates are set at the greater of 70.0% of prime or 5.0%. There are no loans outstanding as of December 31, 2016 and 2015.

Included in accounts receivable are \$74,995 and \$34,837 at December 31, 2016 and 2015 respectively, representing receipts from churches that were received in January 2017 and January 2016, respectively.

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NOTE 9 RELATED PARTY TRANSACTIONS (CONTINUED)

Included in accounts payable are \$56,120 and \$59,445 at December 31, 2016 and 2015, respectively, payable to the Ohio Conference.

Included in operating revenue and support are \$330,634 and \$423,443 for the years ended December 31, 2016 and 2015, respectively, from churches reported as Our Church's Wider Mission contributions. The Association paid \$181,849 and \$235,441 in 2016 and 2015, respectively, of this revenue to the Ohio Conference.

Included in accounts receivable are amounts due from the Eastern Ohio Association (EOA) of the United Church of Christ of \$5,902 and \$3,142 at December 31, 2016 and 2015, respectively related to amounts contributed to the joint account which are included in cash on EOA's books.