

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

**FINANCIAL STATEMENTS**

**YEARS ENDED DECEMBER 31, 2017 AND 2016**

CliftonLarsonAllen LLP



WEALTH ADVISORY | OUTSOURCING | AUDIT, TAX, AND CONSULTING



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## INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying statement of financial position of Western Reserve Association of The United Church of Christ as of December 31, 2017, and the related notes.

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

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

### ***Auditors' Responsibility***

Our responsibility is to express an opinion on the financial statements based on our audit. We conducted our audit 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 from 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 statement, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statement 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 entity'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 on the statement of financial position.

***Opinion on the Statement of Financial Position***

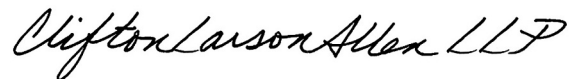
In our opinion, the statement of financial position referred to in the first paragraph presents fairly, in all material respects, the financial position of Western Reserve Association of The United Church of Christ as of December 31, 2017, in accordance with accounting principles generally accepted in the United States of America.

**Disclaimer of Opinion on Statements of Activities and Cash Flows**

Because we were not engaged to audit the statements of activities and cash flows, we did not extend our auditing procedures to enable us to express an opinion on the results of operations and cash flows for the year ended December 31, 2017. Accordingly, we express no opinion on the results of operations and cash flows for the year ended December 31, 2017.

**Other Matter**

The 2016 financial statements were reviewed by us, and our report thereon, dated June 26, 2017, stated we were not aware of any material modifications that should be made to those statements for them to be in conformity with accounting principles generally accepted in the United State of America. However, a review is substantially less in scope than an audit and does not provide a basis for the expression of an opinion on the financial statements.



**CliftonLarsonAllen LLP**

Canton, Ohio  
June 5, 2018

**WESTERN RESERVE ASSOCIATION OF THE UNITED CHURCH OF CHRIST  
STATEMENTS OF FINANCIAL POSITION  
DECEMBER 31, 2017 AND 2016**

	2017	Reviewed 2016
<b>ASSETS</b>		
<b>CURRENT ASSETS</b>		
Cash and Cash Equivalents	\$ 78,301	\$ 93,815
Accounts Receivable	25,053	76,526
Accounts Receivable - Eastern Ohio Association	12,750	5,902
Total Current Assets	116,104	176,243
<b>PROPERTY AND EQUIPMENT</b>		
Furniture, Fixtures, and Office Equipment	6,250	6,250
Vehicles	29,170	42,409
Total	35,420	48,659
Less: Accumulated Depreciation	20,150	20,509
Total Property and Equipment	15,270	28,150
<b>OTHER ASSETS</b>		
Investments	6,309,794	5,661,963
Security Deposit	835	835
Assets Held for Sale	75,000	75,000
Total Other Assets	6,385,629	5,737,798
Total Assets	\$ 6,517,003	\$ 5,942,191
<b>LIABILITIES AND NET ASSETS</b>		
<b>CURRENT LIABILITIES</b>		
Current Maturities of Long-Term Debt	\$ 2,861	\$ 10,962
Accounts Payable:		
Trade	3,080	74,956
OCWM	50,658	56,120
Total Current Liabilities	56,599	142,038
<b>LONG-TERM DEBT, NET OF CURRENT MATURITIES</b>	739	8,155
<b>NET ASSETS</b>		
Unrestricted:		
General Operating	72,493	(7,318)
Board Designated	3,721,831	3,423,981
Total Unrestricted	3,794,324	3,416,663
Temporarily Restricted	2,665,341	2,375,335
Total Net Assets	6,459,665	5,791,998
Total Liabilities and Net Assets	\$ 6,517,003	\$ 5,942,191

See accompanying Notes to Financial Statements.

**WESTERN RESERVE ASSOCIATION OF THE UNITED CHURCH OF CHRIST**  
**STATEMENT OF ACTIVITIES**  
**YEAR ENDED DECEMBER 31, 2017**

	Unrestricted	Unrestricted Board Designated	Temporarily Restricted	Unaudited Total 2017
	<u>Unrestricted</u>	<u>Unrestricted Board Designated</u>	<u>Temporarily Restricted</u>	<u>Total 2017</u>
<b>SUPPORT AND REVENUE</b>				
Our Churches' Wider Mission	\$ 341,523	\$ -	\$ -	\$ 341,523
Designated Gifts/Program Income	170,366		-	170,366
Realized and Unrealized Gain (Losses) on Investments	(112,024)	388,893	388,691	665,560
Investment Income	100,816	-	-	100,816
Loss on Disposal of Assets	(5,183)	-	-	(5,183)
Other Income	18,200	-	-	18,200
Release from Restrictions	189,728	(91,043)	(98,685)	-
Total Support and Revenue	<u>703,426</u>	<u>297,850</u>	<u>290,006</u>	<u>1,291,282</u>
<b>EXPENSES</b>				
Amount Paid to Ohio Conference	187,838	-	-	187,838
Passthrough Gifts	133,546	-	-	133,546
Salaries and Wages	148,237	-	-	148,237
Payroll Taxes	3,948	-	-	3,948
Employee Benefits	53,666	-	-	53,666
Staff Travel	3,797	-	-	3,797
Repairs and Maintenance	3,114	-	-	3,114
Rental/Leased Equipment	372	-	-	372
Rent/Lease Facility	10,851	-	-	10,851
Insurance	6,125	-	-	6,125
Outside Professional Services	11,946	-	-	11,946
Communications	3,707	-	-	3,707
Departmental/Program	21,302	-	-	21,302
General Expenses	31,719	-	-	31,719
Depreciation	3,447	-	-	3,447
Total Expenses	<u>623,615</u>	<u>-</u>	<u>-</u>	<u>623,615</u>
<b>CHANGE IN NET ASSETS</b>	79,811	297,850	290,006	667,667
Net Assets - Beginning of Year	<u>(7,318)</u>	<u>3,423,981</u>	<u>2,375,335</u>	<u>5,791,998</u>
<b>NET ASSETS - END OF YEAR</b>	<u>\$ 72,493</u>	<u>\$ 3,721,831</u>	<u>\$ 2,665,341</u>	<u>\$ 6,459,665</u>

See accompanying Notes to Financial Statements.

**WESTERN RESERVE ASSOCIATION OF THE UNITED CHURCH OF CHRIST**  
**STATEMENT OF ACTIVITIES**  
**YEAR ENDED DECEMBER 31, 2016**

	Unrestricted	Unrestricted Board Designated	Temporarily Restricted	Reviewed Total 2016
<b>SUPPORT AND REVENUE</b>				
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	544,899	578,835	(309,663)	814,071
<b>EXPENSES</b>				
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	645,707	-	-	645,707
<b>CHANGE IN NET ASSETS</b>	(100,808)	578,835	(309,663)	168,364
Net Assets - Beginning of Year as Restated	93,490	2,845,146	2,684,998	5,623,634
<b>NET ASSETS - END OF YEAR</b>	\$ (7,318)	\$ 3,423,981	\$ 2,375,335	\$ 5,791,998

See accompanying Notes to Financial Statements.

**WESTERN RESERVE ASSOCIATION OF THE UNITED CHURCH OF CHRIST**  
**STATEMENTS OF CASH FLOWS**  
**YEARS ENDED DECEMBER 31, 2017 AND 2016**

	Unaudited 2017	Reviewed 2016
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Change in Net Assets	\$ 667,667	\$ 168,364
Adjustments to Reconcile Change in Net Assets to Net Cash Used by Operating Activities:		
Depreciation Expense	3,447	4,531
Net Realized and Unrealized (Gains) Losses on Investments	(665,560)	(173,402)
Loss on Disposal of Asset	5,183	-
Reinvested Investment Income	(100,816)	(101,721)
(Increase) Decrease in Assets:		
Accounts Receivable	44,625	(42,253)
Increase (Decrease) in Liabilities:		
Accounts Payable	(71,876)	(18,508)
Accounts Payable - Ohio Conference	(5,462)	(3,325)
Net Cash Used by Operating Activities	<u>(122,792)</u>	<u>(166,314)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Proceeds from Sale of Investments	518,439	618,111
Purchase of Investments	(399,894)	(933,745)
Proceeds from Sale of Assets Held for Sale	-	375,000
Net Cash Provided by Investing Activities	<u>118,545</u>	<u>59,366</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Payments on Long-Term Debt	<u>(11,267)</u>	<u>(7,941)</u>
Net Cash Used by Financing Activities	<u>(11,267)</u>	<u>(7,941)</u>
<b>NET DECREASE IN CASH AND CASH EQUIVALENTS</b>	(15,514)	(114,889)
Cash and Cash Equivalents - Beginning of Year	<u>93,815</u>	<u>208,704</u>
<b>CASH AND CASH EQUIVALENTS - END OF YEAR</b>	<u><u>\$ 78,301</u></u>	<u><u>\$ 93,815</u></u>
<b>SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION</b>		
Cash Paid for Interest	<u><u>\$ 525</u></u>	<u><u>\$ 1,027</u></u>
<b>SUPPLEMENTAL DISCLOSURE OF NONCASH INVESTING AND FINANCING ACTIVITIES</b>		
Proceeds from Sale of Property and Equipment	\$ 4,250	\$ -
Payment on Long-Term Debt	<u>(4,250)</u>	<u>-</u>
Net Noncash Investing and Financing Activities	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>

See accompanying Notes to Financial Statements.



**WESTERN RESERVE ASSOCIATION OF THE UNITED CHURCH OF CHRIST**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2017 AND 2016**

**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. During November 2017, the Association Council voted to merge with the Eastern Ohio Association of the United Church of Christ pending the approval of the Ohio Conference.

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.

**WESTERN RESERVE ASSOCIATION OF THE UNITED CHURCH OF CHRIST  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2017 AND 2016**

**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 \$3,447 and \$4,531 for 2017 and 2016, 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 which 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, 2017 AND 2016**

**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 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*.

**Recent Accounting Pronouncements**

**Presentation of Financial Statements of Not-for-Profit Entities**

In August 2016, the Financial Accounting Standards Board (FASB) issued ASU 2016-14, *Not-For-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*. This standard was issued to improve the information presented in financial statements and notes about a nonprofit entity's liquidity, financial performance, and cash flows. The new standard is effective for fiscal years beginning after December 15, 2017. The Organization is currently evaluating the impact of this election on the consolidated financial statements.

**WESTERN RESERVE ASSOCIATION OF THE UNITED CHURCH OF CHRIST**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2017 AND 2016**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Recent Accounting Pronouncements (Continued)**

**Revenue from Contracts with Customers**

In May 2014, the FASB issued amended guidance to clarify the principles for recognizing revenue from contracts with customers. The guidance requires an entity to recognize revenue to depict the transfer of goods or services to customers in an amount that reflects the consideration to which an entity expects to be entitled in exchange for those goods or services. The guidance also requires expanded disclosures relating to the nature, amount, timing, and uncertainty of revenue and cash flows arising from contracts with customers. Additionally, qualitative and quantitative disclosures are required regarding customer contracts, significant judgments and changes in judgments, and assets recognized from the costs to obtain or fulfill a contract. The guidance will initially be applied retrospectively using one of two methods. The standard will be effective for the entity for annual reporting periods beginning after December 15, 2018, and interim reporting periods within annual periods beginning after December 15, 2019. Management is evaluating the effect of the amended revenue recognition guidance on the entity's financial statements.

**Subsequent Events**

Subsequent events have been evaluated through June 5, 2018, which is the date the financial statements were available to be issued.

**NOTE 2 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.

**WESTERN RESERVE ASSOCIATION OF THE UNITED CHURCH OF CHRIST**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2017 AND 2016**

**NOTE 2 FAIR VALUE OF FINANCIAL INSTRUMENTS (CONTINUED)**

Assets measured at fair value are comprised of the following:

<u>December 31, 2017</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
United Church Funds:				
Cash Equivalent Fund	\$ 19,201	\$ -	\$ -	\$ 19,201
Aggressive Balance Fund	-	1,563,872	-	1,563,872
Moderate Balanced Fund	-	2,029,120	-	2,029,120
KeyBank NA:				
Cash and Cash Equivalent Funds	40,239	-	-	40,239
Equity Funds	1,917,759	-	-	1,917,759
Fixed Income Funds	701,603	-	-	701,603
Real Estate Funds	-	-	38,000	38,000
Total	<u>\$ 2,678,802</u>	<u>\$ 3,592,992</u>	<u>\$ 38,000</u>	<u>\$ 6,309,794</u>
<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 Equivalents 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>

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, 2017 and 2016, the application of valuation techniques applied to similar assets and liabilities has been consistent.

**WESTERN RESERVE ASSOCIATION OF THE UNITED CHURCH OF CHRIST**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2017 AND 2016**

**NOTE 2 FAIR VALUE OF FINANCIAL INSTRUMENTS (CONTINUED)**

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

	<u>December 31, 2017</u>		<u>December 31, 2016</u>	
	<u>Cost Value</u>	<u>Market Value</u>	<u>Cost Value</u>	<u>Market Value</u>
United Church Funds:				
Cash Equivalents	\$ 19,201	\$ 19,201	\$ 19,024	\$ 19,024
Aggressive Balance Fund	1,527,935	2,029,120	1,114,544	1,358,946
Moderate Balanced Fund	1,100,270	1,563,872	1,561,875	1,827,915
KeyBank NA	2,433,091	2,697,601	2,401,011	2,456,078
Total	<u>\$ 5,080,497</u>	<u>\$ 6,309,794</u>	<u>\$ 5,096,454</u>	<u>\$ 5,661,963</u>

The change in value of investments consisted of:

	<u>2017</u>	<u>2016</u>
United Church Foundation:		
Unrealized Gains	\$ 457,474	\$ 136,898
Realized Gains, Net	32,647	14,643
KeyBank NA Accounts:		
Unrealized Gains	58,197	120,426
Realized Gains (Losses), Net	117,242	(98,925)
Total	<u>\$ 665,560</u>	<u>\$ 173,042</u>

**WESTERN RESERVE ASSOCIATION OF THE UNITED CHURCH OF CHRIST  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2017 AND 2016**

**NOTE 3 LONG-TERM DEBT**

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

<u>Description</u>	<u>2017</u>	<u>2016</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
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
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>3,600</u>	<u>6,567</u>
Total	3,600	19,117
Less: Current Maturities	<u>2,861</u>	<u>10,962</u>
Long-Term Debt, Net of Current Maturities	<u><u>\$ 739</u></u>	<u><u>\$ 8,155</u></u>

Maturities of debt are as follows at December 31, 2017:

<u>Year Ending December 31,</u>	<u>Amount</u>
2018	\$ 2,861
2019	<u>739</u>
Total	<u><u>\$ 3,600</u></u>

**WESTERN RESERVE ASSOCIATION OF THE UNITED CHURCH OF CHRIST**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2017 AND 2016**

**NOTE 4 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 12/31/16 (Reviewed)	Revenue	Transfers In/(Out)	Expenses	Ending Balance 12/31/17 (Audited)
<b>Designated Unrestricted:</b>					
Association Funds	\$ 17,372	\$ 2,651	\$ (889)	\$ -	\$ 19,134
Revolving Loan Fund	104,080	15,582	-	-	119,662
Elam Weist Fund	104,054	15,879	(5,317)	-	114,616
Lay School of the Church Fund	3,689	563	(414)	-	3,838
Congregations Resource Team Fund	19,864	3,134	(209)	-	22,789
Continuing Education Fund	22,814	3,816	1,342	-	27,972
Mission Ministry Fund	13,790	1,966	(6,672)	-	9,084
Church Development Fund	213,099	33,440	(18,910)	-	227,629
Jubilation Fund	100	-	-	-	100
Shepherd Fund	2,250	-	-	-	2,250
North Olmstead Continuing Education	505	-	(500)	-	5
Affirm Camp	7,998	-	(7,998)	-	-
Reserve Fund	39,674	6,268	-	-	45,942
Fellowship Wickliffe Fund	367,111	64,065	-	-	431,176
Trinity Brooklyn UCC	51,476	-	(51,476)	-	-
Seminarian Background Check Fund	25	-	-	-	25
Key Bank Endowment Fund	2,456,080	241,529	-	-	2,697,609
Total	<u>\$ 3,423,981</u>	<u>\$ 388,893</u>	<u>\$ (91,043)</u>	<u>\$ -</u>	<u>\$ 3,721,831</u>
<b>Temporarily Restricted:</b>					
First Lakewood Development	\$ 75,168	\$ 12,678	\$ (3,802)	\$ -	\$ 84,044
Trinity Hanscom Scholarship	28,289	3,852	9,523	-	41,664
Marie Schatz Fund	2,018	318	-	-	2,336
Jacob Schatz Fund	2,018	318	-	-	2,336
Parkwood Church	38,297	5,845	(1,957)	-	42,185
Trinity Assistant Fund	1,003,117	170,263	(51,212)	-	1,122,168
Trinity Mission Fund	558,361	94,736	(23,336)	-	629,761
Cleveland Trinity Mission Fund	236,037	40,061	(9,623)	-	266,475
North Olmsted Fund	357,030	60,620	(18,278)	-	399,372
Assets Held for Resale	75,000	-	-	-	75,000
Total	<u>\$ 2,375,335</u>	<u>\$ 388,691</u>	<u>\$ (98,685)</u>	<u>\$ -</u>	<u>\$ 2,665,341</u>



**WESTERN RESERVE ASSOCIATION OF THE UNITED CHURCH OF CHRIST**  
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**NOTE 4 NET ASSETS (CONTINUED)**

	Beginning Balance 12/31/15 (Reviewed)	Revenue	Transfers In/(Out)	Expenses	Ending Balance 12/31/16 (Reviewed)
<b>Designated Unrestricted:</b>					
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>
<b>Temporarily Restricted:</b>					
First Lakewood Development	\$ 73,303	\$ 4,882	\$ (3,017)	\$ -	\$ 75,168
Trinity Hanscom Scholarship	21,171	1,496	5,622	-	28,289
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 PASSTHROUGH GIFTS**

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

	2017	2016
Unrestricted Funds Passthrough:		
Special Offerings Funds:		
One Great Hour of Sharing	\$ 46,606	\$ 43,236
Christmas Fund	22,597	23,629
Campfires - Ohio Conference	300	300
Flint Water Relief	-	118
Hurricane Relief (USA)	8,433	-
Hurricane Relief-World	3,676	-
Ohio Disaster Relief	-	250
Neighbors in Need	20,588	24,866
Richard Wolff Trust	300	-
Strengthen the Church	16,806	14,715
Syrian Refugee Fund	185	-
National Disaster Relief	3,444	100
Wider Church Ministries	500	-
Directed Passthrough Funds:		
Back Bay Mission	1,000	4,875
Richard Beck Stock Donation	5,631	-
Church World Service - Blankets	1,123	326
Church World Service - Hurricane Matthew	-	320
Crossroad	15	197
CUE Seminaries	600	3,531
Hope Homes Foundation	15	197
Hunger Relief	522	-
Rezash Fund	-	283
UCAN-National UCC	145	-
UNICEF	35	38
United Church Homes	1,025	197
Total	\$ 133,546	\$ 117,178

**NOTE 6 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 6 PENSION AND BENEFIT PLANS (CONTINUED)**

The Association has a tax-deferred annuity program which grants income tax deferment 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 2017 and 2016 amounted to \$53,666 and \$54,263, respectively.

**NOTE 7 OPERATING LEASES**

The Association has entered into leasing arrangements for office space and equipment for use in its operations through 2023. Rental expense under operating lease agreements amounted to \$11,223 and \$13,223 for 2017 and 2016, 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, 2017:

<u>Year Ending December 31,</u>	<u>Amount</u>
2018	\$ 10,492
2019	10,650
2020	10,650
2021	10,650
2022	10,650
2023	2,663
Total	<u>\$ 55,755</u>

**NOTE 8 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, 2017 and 2016.

**WESTERN RESERVE ASSOCIATION OF THE UNITED CHURCH OF CHRIST  
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DECEMBER 31, 2017 AND 2016**

**NOTE 8 RELATED PARTY TRANSACTIONS (CONTINUED)**

Included in accounts receivable are \$25,053 and \$76,526 at December 31, 2017 and 2016, respectively, representing receipts from churches that were received in January 2018 and January 2017, respectively.

Included in accounts payable are \$50,658 and \$56,120 at December 31, 2017 and 2016, respectively, payable to the Ohio Conference.

Included in operating revenue and support are \$341,523 and \$330,634 for the years ended December 31, 2017 and 2016, respectively, from churches reported as Our Church's Wider Mission contributions. The Association paid \$187,838 and \$181,849 in 2017 and 2016, 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 \$12,750 and \$5,902 at December 31, 2017 and 2016, respectively, related to amounts contributed to the joint account which are included in cash on EOA's books.