



**Park Avenue United Methodist Church  
Trust Fund**

Financial Statements

December 31, 2019 and 2018

## **Independent Auditors' Report**

### **Board of Trustees Park Avenue United Methodist Church Trust Fund**

We have audited the accompanying financial statements of Park Avenue United Methodist Church Trust Fund (the "Trust Fund"), which comprise the statements of assets and net assets (modified cash basis) as of December 31, 2019 and 2018, and the related statements of revenues, expenses and changes in net assets (modified cash basis) 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 the modified cash basis of accounting described in Note 2, this includes determining that the modified cash basis of accounting is an acceptable basis for the preparation of the financial statements in the circumstances. Management is also responsible for the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### ***Auditors' 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 auditors' 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 entity'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 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.

**Board of Trustees  
Park Avenue United Methodist Church Trust Fund**

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***Opinion***

In our opinion, the financial statements referred to above present fairly, in all material respects, the assets and net assets of Park Avenue United Methodist Church Trust Fund as of December 31, 2019 and 2018, and its revenues and expenses for the years then ended in conformity with the modified cash basis of accounting.

***Basis of Accounting***

We draw attention to Note 2 of the financial statements, which describes the basis of accounting. The financial statements are prepared on the modified cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

*PKF O'Connor Davies, LLP*

May 20, 2020

**Park Avenue United Methodist Church Trust Fund**

Statements of Assets and Net Assets  
(Modified Cash Basis)

	December 31,	
	<u>2019</u>	<u>2018</u>
<b>ASSETS</b>		
Investments, at fair value		
Short-term investments	\$ 76,029	\$ 118,498
Fixed income funds	2,316,071	1,602,941
Common stocks and equity funds	<u>6,100,260</u>	<u>5,715,598</u>
	<u>\$ 8,492,360</u>	<u>\$ 7,437,037</u>
<b>NET ASSETS</b>		
Net assets without donor restrictions	<u>\$ 8,492,360</u>	<u>\$ 7,437,037</u>

**Park Avenue United Methodist Church Trust Fund**

Statements of Revenues, Expenses and Changes in Net Assets  
(Modified Cash Basis)

	<u>Year Ended December 31,</u>	
	<u>2019</u>	<u>2018</u>
<b>INCOME</b>		
Interest and dividends	\$ 111,602	\$ 129,910
Unrealized gain/(loss) on investments	1,025,142	(847,096)
Realized gain/(loss) on investments	211,407	74,876
Capital gain distribution	<u>163,258</u>	<u>211,125</u>
Total Income	<u>1,511,409</u>	<u>(431,185)</u>
 <b>EXPENSES</b>		
Program Services		
Grant distributions	<u>438,000</u>	<u>375,253</u>
Total Program Services	<u>438,000</u>	<u>375,253</u>
 Supporting Services		
Custodian fees	9,118	19,381
Foreign tax expense	15	316
Accounting fees and other administrative costs	<u>8,953</u>	<u>7,818</u>
Total Supporting Services	<u>18,086</u>	<u>27,515</u>
 Total Expenses	<u>456,086</u>	<u>402,768</u>
Change in Net Assets	1,055,323	(833,953)
 <b>NET ASSETS WITHOUT DONOR RESTRICTIONS</b>		
Beginning of year	<u>7,437,037</u>	<u>8,270,990</u>
 End of year	<u>\$ 8,492,360</u>	<u>\$ 7,437,037</u>

See notes to financial statements

## **Park Avenue United Methodist Church Trust Fund**

Notes to Financial Statements  
December 31, 2019 and 2018

### **1. Organization**

The Park Avenue United Methodist Church Trust Fund (the "Trust Fund") provides grants to various charitable organizations in the Greater New York area based upon requests submitted to the Trustees. Upon review and evaluation, approved amounts are distributed in accordance with a predetermined disbursement schedule. As an affiliate of Park Avenue United Methodist Church (the "Church"), the Trust Fund is exempt from income taxes.

### **2. Summary of Significant Accounting Policies**

#### ***Basis of Accounting and Presentation***

The accompanying financial statements of the Trust Fund have been prepared on the modified cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America ("U.S. GAAP"). Revenue is recognized when received rather than when earned and expenses are recognized when paid rather than when incurred, except for the reporting of investments at fair value and the recognition of unrealized gains (losses) on investments. Management has determined that the modified cash basis of accounting is an acceptable basis for the preparation of the financial statements in the circumstances.

Net assets are classified based on the existence or absence of donor imposed restrictions. All net assets at December 31, 2019 and 2018 are without donor restriction.

#### ***Use of Estimates***

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the reported amount of revenues and expenses during the period. Actual results could differ from those estimates.

#### ***Fair Value of Financial Instruments***

The Trust Fund follows U.S. GAAP guidance on *Fair Value Measurements* which defines fair value and establishes a fair value hierarchy organized into three levels based upon the input assumptions used in pricing assets. Level 1 inputs have the highest reliability and are related to assets with unadjusted quoted prices in active markets. Level 2 inputs relate to assets with other than quoted prices in active markets which may include quoted prices for similar assets or liabilities or other inputs which can be corroborated by observable market data. Level 3 inputs are unobservable inputs and are used to the extent that observable inputs do not exist.

#### ***Investments and Investment Return***

Investments are valued at their fair values in the statements of assets and net assets. Investment return includes interest, dividends, realized and unrealized investment gains and losses, custodian fees and foreign tax fees.

#### ***Functional Allocation of Expenses***

The costs of providing program and supporting services have been summarized on the statements of revenues, expense and changes in net assets on a functional basis. Based on the Trust Fund's mission, no supporting service expenses have been allocated to program expenses.

## Park Avenue United Methodist Church Trust Fund

Notes to Financial Statements  
December 31, 2019 and 2018

### 2. Summary of Significant Accounting Policies (*continued*)

#### ***Accounting for Uncertainty in Income Taxes***

Management is not aware of any violation of the Trust Fund's tax status as an organization exempt from income taxes, nor of any exposure to unrelated business income tax.

#### ***Subsequent Events***

Management has evaluated subsequent events for disclosure and/or recognition in the financial statements through the date that the financial statements were available to be issued, which date is May 20, 2020.

### 3. Credit Risk Concentration

The Trust Fund places its investments in highly rated financial institutions. Such assets are insured to the extent provided by law under the Securities Investor Protection Corporation ("SIPC"). At times, investments and cash balances may exceed amounts insured by SIPC.

### 4. Investments and Investment Return

Investments, at fair value categorized by the fair value hierarchy, as of December 31, consisted of the following:

Level 1 Inputs	2019	2018
Common Stocks		
Consumer discretionary industry	\$ 188,815	\$ 184,335
Utilities	36,246	44,275
Consumer staples	37,202	78,835
Energy	34,465	49,794
Financials	195,290	198,735
Health care	209,145	257,186
Information technology	355,845	255,569
Industrials	169,891	108,429
Materials	6,752	35,064
Real estate	24,131	22,146
Communication services	190,610	79,201
Fixed Income Fund	2,316,071	1,602,941
Equity Funds		
Large cap strategies	2,783,383	2,692,550
Global small and mid cap	976,727	912,087
Strategic opportunities	891,758	797,392
Total Level 1 Inputs	8,416,331	7,318,539
Short-term investments, at cost	76,029	118,498
	<u>\$ 8,492,360</u>	<u>\$ 7,437,037</u>

## Park Avenue United Methodist Church Trust Fund

Notes to Financial Statements  
December 31, 2019 and 2018

### 4. Investments and Investment Return *(continued)*

Investment return for the years ended December 31 consisted of the following:

	2019	2018
Interest and dividends	\$ 111,602	\$ 129,910
Unrealized gain/(loss) on investments	1,025,142	(847,096)
Realized gain on sale of investments	211,407	74,876
Capital gain distribution	163,258	211,125
Custodian fees	(9,118)	(19,381)
Foreign tax expense	(15)	(316)
	\$ 1,502,276	\$ (450,882)

At the end of 2018, the Trust Fund modified its investment strategy from investing in corporate bonds and government securities to investing in a fixed income mutual fund. Investment fees from mutual funds are based on a percentage of the fund under management and are included in the investment return of the fund.

### 5. Grant Distributions

Grants distributed consisted of the following for the years ended December 31:

	2019	2018
Park Avenue United Methodist Church Operating Grant	\$ 288,000	\$ 226,100
Park Avenue United Methodist Church (Fire Alarm System)	-	9,153
Park Avenue United Methodist Church (Park Slope)	100,000	-
The United Methodist City Society Payment of Loan in Full	-	40,000
The United Methodist City Society (repairs to First Spanish UMC)	-	50,000
United Methodist Church of Bayshore	50,000	50,000
	\$ 438,000	\$ 375,253

### 6. Liquidity and Availability of Financial Assets

The financial assets of the Trust Fund are without donor restriction and are available for general expenditures. As part of liquidity management, the Trust Fund maintains in its investment portfolio short term investments representing an amount approximating 6-12 months of anticipated expenses. The Trust Fund does not intend to spend from its net assets other than amounts appropriated for the upcoming year.

## **Park Avenue United Methodist Church Trust Fund**

Notes to Financial Statements  
December 31, 2019 and 2018

### **7. Subsequent Event**

Subsequent to year end, the COVID-19 pandemic has resulted in substantial volatility in the global financial markets. As a result, the Trust Fund's investment portfolio has incurred a significant decline in its fair value since December 31, 2019. Because the value of the Trust Fund's individual investments have and will fluctuate in response to changing market conditions, the amount of losses, if any, which will be recognized in subsequent periods, cannot be determined.

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