

THE UNITARIAN CHURCH IN WESTPORT
FINANCIAL REPORT
FOR THE YEAR ENDED JUNE 30, 2020

**THE UNITARIAN CHURCH IN WESTPORT
FOR THE YEAR ENDED JUNE 30, 2020**

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THE UNITARIAN CHURCH IN WESTPORT

INDEPENDENT AUDITOR'S REPORT



INDEPENDENT AUDITOR'S REPORT

To the Board of Trustees
The Unitarian Church in Westport

We have audited the accompanying financial statements of The Unitarian Church in Westport (TUCW), (a nonprofit organization), which comprise the statement of financial position-modified cash basis as of June 30, 2020, and the related statement of activities-modified cash basis for the year 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 1; this includes determining that the modified cash basis of accounting is an acceptable basis for the preparation of 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.

Auditor's Responsibility

Our responsibility is to express an opinion on these 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 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 qualified audit opinion.

INDEPENDENT AUDITOR'S REPORT


Continued...

Basis for Qualified Opinion

Due to the lack of historical cost data, The Unitarian Church in Westport has estimated the \$3,000,000 beginning balance of land, buildings, and furniture, fixtures and equipment at July 1, 2014. Further, the Church did not begin to depreciate its fixed assets until the year ended June 30, 2015.

Qualified Opinion

In our opinion, except for the possible effects of the matter described in the Basis for Qualified Opinion paragraph, the financial statements referred to above present fairly, in all material respects, the financial position of The Unitarian Church in Westport, as of June 30, 2020, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.



Hope & Hernandez, P.C.
Bridgeport, Connecticut
October 27, 2020

THE UNITARIAN CHURCH IN WESTPORT

FINANCIAL STATEMENTS

**THE UNITARIAN CHURCH IN WESTPORT
STATEMENT OF FINANCIAL POSITION - MODIFIED CASH BASIS
JUNE 30, 2020**

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
<u>ASSETS</u>			
Current Assets:			
Cash	\$ 407,811	\$ 787,952	\$ 1,195,763
Certificate of Deposit	100,577	0	100,577
Investments-Stocks and Bonds	<u>1,146,199</u>	<u>1,677,242</u>	<u>2,823,441</u>
Total Current Assets	<u>1,654,587</u>	<u>2,465,194</u>	<u>4,119,781</u>
Non-Current Assets:			
Fixed Assets, net of accumulated depreciation of \$472,714	<u>2,983,023</u>	<u>0</u>	<u>2,983,023</u>
Total Non-Current Assets	<u>2,983,023</u>	<u>0</u>	<u>2,983,023</u>
TOTAL ASSETS	\$ <u>4,637,610</u>	\$ <u>2,465,194</u>	\$ <u>7,102,804</u>
<u>LIABILITIES AND NET ASSETS</u>			
Current Liabilities:			
403(B) Contribution & COBRA Payable	\$ 4,582	\$ 0	\$ 4,582
Prepaid Pledge Payments	96,295	0	96,295
Paycheck Protection Program Note Payable	<u>112,900</u>	<u>0</u>	<u>112,900</u>
Total Current Liabilities	<u>213,777</u>	<u>0</u>	<u>213,777</u>
Net Assets			
Without Donor Restrictions	4,423,833	0	4,423,833
With Donor Restrictions	<u>0</u>	<u>2,465,194</u>	<u>2,465,194</u>
Total Net Assets	<u>4,423,833</u>	<u>2,465,194</u>	<u>6,889,027</u>
TOTAL LIABILITIES AND NET ASSETS	\$ <u>4,637,610</u>	\$ <u>2,465,194</u>	\$ <u>7,102,804</u>

**THE UNITARIAN CHURCH IN WESTPORT
STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS
FOR THE YEAR ENDED JUNE 30, 2020**

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Support and Revenue:			
Pledge & Gift Trust Income	\$ 525,756	\$ 0	\$ 525,756
Non-Pledge Contributions & Plate Collections	80,104	0	80,104
Contributions With Donor Restrictions	0	730,138	730,138
Fundraisers	39,004	0	39,004
Pass Thru Collections	18,247	0	18,247
Facility Use Fees	78,778	0	78,778
Parking Lot Rentals	45,350	0	45,350
Other Revenue	35,785	0	35,785
Interest & Dividends	25,267	90,795	116,062
Net assets released from Restrictions	<u>99,168</u>	<u>(99,168)</u>	<u>0</u>
 Total Support and Revenue	 <u>947,459</u>	 <u>721,765</u>	 <u>1,669,224</u>
Operating Expenses:			
Program Services	779,628	0	779,628
Management and General	212,972	0	212,972
Fundraising	<u>49,320</u>	<u>0</u>	<u>49,320</u>
 Total Operating Expenses	 <u>1,041,920</u>	 <u>0</u>	 <u>1,041,920</u>
 Changes in Net Assets From Operations	 (94,461)	 721,765	 627,304
Non-Operating Activities:			
Investment Return, Net	<u>(620)</u>	<u>(121,594)</u>	<u>(122,214)</u>
 Changes in Net Assets	 (95,081)	 600,171	 505,090
 Net Assets, Beginning of Year	 <u>4,518,914</u>	 <u>1,865,023</u>	 <u>6,383,937</u>
 Net Assets, End of Year	 <u>\$ 4,423,833</u>	 <u>\$ 2,465,194</u>	 <u>\$ 6,889,027</u>

THE UNITARIAN CHURCH IN WESTPORT

NOTES TO THE FINANCIAL STATEMENTS

**THE UNITARIAN CHURCH IN WESTPORT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2020**

NOTE 1 - NATURE OF ACTIVITIES AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Activities

The Unitarian Church in Westport (TUCW) is a diverse and welcoming religious community, free of creed and dogma, and open to people of all backgrounds and beliefs. The congregation inspires and supports spiritual growth. TUCW connects through worship, music, learning, and caring ministries and acts in the service of peace and justice.

Summary of Significant Accounting Policies

Basis of Presentation

TUCW's policy is to prepare its financial statements on the modified cash basis of accounting, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. Under the modified cash basis, revenues are recognized when received rather than earned and expenses are recognized when paid rather than incurred.

Net Asset Classes

TUCW prepares its financial statements using guidelines established under ASU 2016-4, Not-For-Profit Entities (Topic 958) which require that a nonprofit organization provide information regarding the net assets of the organization based on the existence or absence of donor-imposed restrictions. The types of net asset classifications are described as follows:

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

Net assets with donor restrictions: Net assets subject to stipulations imposed by donors, and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of TUCW or by the passage of time. Other donor restrictions can be perpetual in nature, where by the donor has stipulated that the funds be maintained in perpetuity.

Donor restricted contributions are reported as increases in net assets with donor restrictions. When a restriction expires, net assets are reclassified from net assets with donor restrictions to net assets without donor restrictions in the statement of activities.

**THE UNITARIAN CHURCH IN WESTPORT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2020**

**NOTE 1 - NATURE OF ACTIVITIES AND SUMMARY OF SIGNIFICANT ACCOUNTING
POLICIES – Continued**

Measure of Operations

The statement of activities reports all changes in net assets from operating and non-operating activities. Operating activities consist of those items attributable to TUCW's ongoing programs and interest and dividends earned on investments. Non-operating activities are limited to resources that generate return from investments and other activities considered to be of a more unusual or nonrecurring nature.

Contributions

Contributions received are recorded as net assets without donor restrictions or net assets with donor restrictions, depending on the existence and/or nature of any donor-imposed restrictions. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions.

Contributed property and equipment are recorded at fair value at the date of donation. Contributions with donor-imposed stipulations regarding how long the contributed assets must be used are recorded as net assets with donor restrictions; otherwise, the contributions are recorded as net assets without donor restrictions.

Accounting Policies

The presentation of financial statements in conformity 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 at the date of the financial statements and the reported amounts of revenues and expenses during the reported period. These assumptions include but are not limited to the depreciable lives of long-lived assets. Actual results could differ from those estimates.

Cash and Cash Equivalents

TUCW considers all highly liquid investments with an initial maturity of three months or less to be cash equivalents.

**THE UNITARIAN CHURCH IN WESTPORT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2020**

**NOTE 1 - NATURE OF ACTIVITIES AND SUMMARY OF SIGNIFICANT ACCOUNTING
POLICIES – Continued**

Investments

Investments are recorded at cost, if purchased, or at fair value, if donated. Thereafter, investments are reported at their fair values in the statement of financial position, and changes in fair value are reported as investment return in the statement of activities. Purchases and sales of securities are reflected on a trade-date basis. Gains and losses on sales of securities are based on average cost and are recorded in the statement of activities in the period in which the securities are sold. Interest is recorded when earned. Dividends are accrued as of the ex-dividend date.

Fixed Assets and Accumulated Depreciation

Fixed assets are recorded at cost and include expenditures greater than \$5,000 that naturally increase values or extend useful lives. Contributed assets are recorded at their fair market value at the date of receipt as determined by TUCW. Depreciation totals \$87,519 for the year ended June 30, 2020 and is computed over the estimated useful lives of the assets, which range from 7 to 39 years, using the straight-line method for financial reporting purposes. Expenditures in the nature of normal repairs and maintenance are charged to operations as incurred.

Subsequent Events

Date of Management Evaluation - Management has evaluated subsequent events through October 27, 2020, the date on which the financial statements were available to be issued. Management identified the following significant subsequent event requiring disclosure: Due to cash deposits in excess of Federal Deposit Insurance Corporation limits (see Note 3), TUCW transferred \$725,000 to the American Deposit Management Company, an entity that diversifies its clients' deposits into various FDIC insured banks to ensure full FDIC coverage.

NOTE 2 - INCOME TAXES

The Church is a tax-exempt organization under Section 501(c)(3) of the Internal Revenue Code and applicable state statutes and generally is not subject to income taxes. For the year ended June 30, 2020, TUCW leased a portion of its parking lot to outside entities. As a result, \$2,561 in federal unrelated business income tax was incurred. The Church is not aware of any activities that would jeopardize its tax-exempt status. As of June 30, 2020, the Church had no uncertain tax positions that qualify for either recognition or disclosure in the financial statements and does not expect this to change in the next twelve months. The 2016 through 2019 tax years remain subject to examination by the Internal Revenue Service.

**THE UNITARIAN CHURCH IN WESTPORT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2020**

NOTE 3 - CONCENTRATION OF CREDIT RISK

Financial instruments that potentially subject TUCW to concentration of credit risk consists principally of cash. TUCW at June 30, 2020, maintained \$1,045,801 in cash balances in excess of Federal Deposit Insurance Corporation (FDIC) limits. The Church has not incurred any losses in the past and it believes it is not exposed to any significant credit risk.

NOTE 4 – AVAILABILTY AND LIQUIDITY

The following represents TUCW’s financial assets at June 30, 2020:

Financial assets at year-end:	
Cash and cash equivalents	\$ 1,195,763
Certificate of Deposit	100,577
Investments	<u>2,823,441</u>
Total Financial Assets	\$ 4,119,781
Less amounts not available to be used within one year	1,559,682
Financial assets available to meet general expenditures over the next twelve months	\$ <u>2,560,099</u>

TUCW has a \$250,000 line of credit available to meet cash flow needs.

NOTE 5 - INVESTMENTS - FAIR VALUE MEASUREMENTS

Fair value is defined as the price that would be received to sell an asset in the principal or most advantageous market for the asset in an orderly transaction between market participants on the measurement date. Fair value should be based on the assumptions market participants would use when pricing an asset. U.S. generally accepted accounting principles establish a fair value hierarchy that prioritizes investments based on those assumptions. The fair value hierarchy gives the highest priority to quoted prices in active markets (observable inputs) and the lowest priority to an entity’s assumptions (unobservable inputs). The fair value standards also provide for a practical expedient of fair value allowing for the use of net asset value per share (NAV) when certain requirements are met. TUCW groups assets at fair value in three levels, based on the markets in which the assets and liabilities are traded and the reliability of the assumptions used to determine fair value (except for those items valued at NAV). These levels are:

- Level 1 Unadjusted quoted market prices for identical assets or liabilities in active markets as of the measurement date.

**THE UNITARIAN CHURCH IN WESTPORT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2020**

NOTE 5 - INVESTMENTS - FAIR VALUE MEASUREMENTS - Continued

- Level 2 Other observable inputs, either directly or indirectly, including:
- Quoted prices for similar assets/liabilities in active markets;
 - Quoted prices for identical or similar assets in non-active markets;
 - Inputs other than quoted prices that are observable for the asset/liability; and,
 - Inputs that are derived principally from or corroborated by other observable market data.
- Level 3 Unobservable inputs that cannot be corroborated by observable market data.

TUCW's investments are reported at fair value in the accompanying statement of financial position at June 30, 2020 as follows:

	<u>Total</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Net Asset Value</u>
<u>Without Donor Restrictions</u>				
UUA Common Fund	\$546,043	\$290,431	\$180,266	\$75,346
Vanguard				
Cash	49,790	49,790	-	-
Stocks	7,596	7,596	-	-
Bonds	329,404	329,404	-	-
Vanguard-Bernhard Music Fund				
Stocks	134,643	134,643	-	-
Bonds	71,149	71,149	-	-
Vanguard-Lifespan Faith Development				
Stocks	3,787	3,787	-	-
Vanguard-Buildings & Grounds				
Stocks	3,787	3,787	-	-
Total Without Donor Restrictions	<u>\$1,146,199</u>	<u>\$890,587</u>	<u>\$180,266</u>	<u>\$75,346</u>
<u>With Donor Restrictions</u>				
Vanguard-Social Justice				
Stocks	39,712	39,712	-	-

**THE UNITARIAN CHURCH IN WESTPORT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2020**

	<u>Total</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Net Asset Value</u>
Vanguard-Music				
Stocks	77,848	77,848	-	-
Vanguard				
Cash	466,904	466,904	-	-
Stocks	1,009,680	1,009,680	-	-
Bonds	<u>83,098</u>	<u>83,098</u>	-	-
Total With Donor Restrictions	<u>\$1,677,242</u>	<u>\$1,677,242</u>	-	-

The class of assets shown are the class of assets reported by the investment advisors.

NOTE 6 - FIXED ASSETS

Below is a summary of fixed assets at June 30, 2020:

Church Building and Meeting House	\$1,900,000
Furniture, Fixtures and Equipment	106,880
Building Improvements	188,480
Land Improvements	<u>148,770</u>
Sub-Total Depreciable Assets	2,344,130
Less: Accumulated Depreciation	<u>(472,714)</u>
Net Book Value of Depreciable Assets	1,871,416
Land	1,000,000
Construction Work-In-Progress	<u>111,607</u>
TOTAL	<u>\$2,983,023</u>

NOTE 7 - EMPLOYEE BENEFITS

Deferred Compensation Plan - The Church maintains a 403(b) defined contribution plan open to all employees who meet certain eligibility requirements. For the year ended June 30, 2020, TUCW contributed 10% of participating employees' wages, totaling \$48,595 to the plan which is administered through TIAA-CREF.

**THE UNITARIAN CHURCH IN WESTPORT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2020**

NOTE 8 – PAYCHECK PROTECTION PROGRAM NOTE PAYABLE

On May 4, 2020, TUCW received \$112,900 in Paycheck Protection Program (PPP) funds from the Fairfield County Bank. The note bears interest at 1% and is repayable in 24 equal monthly payments. Repayment of the note begins 10 months (August 13, 2021) after the end of the 24 week covered program period (October 13, 2020). Under the parameters of the PPP program, TUCW may at any time prior to August 13, 2021, apply for loan forgiveness by submitting documentation to Fairfield County Bank supporting that the loan proceeds were used in accordance with PPP’s allowable expense categories.

NOTE 9 – NET ASSETS

Net assets with donor restrictions are as follows for the year ended June 30, 2020:

Specific Purpose	
Minister’s Discretionary Fund	\$ 10,105
Ed’s 40 Year Tribute	4,084
Music	77,848
Social Justice	39,712
Capital Campaign	<u>773,763</u>
	\$ 905,512
Investment in Perpetuity	<u>1,559,682</u>
Total	\$ <u>2,465,194</u>

Investment in Perpetuity consists of \$1,559,682 in cash and investments maintained at Vanguard. The funds were donated to the Church in 2005 with restrictions on the distribution of funds consisting of 50% of the annual income and 50% of the annual capital gains. Funds distributed must be used for grounds maintenance and to pay for outside speakers to attract community interest in Unitarian thinking.

NOTE 10 – OPERATING LEASES

The Church entered into a 60 month non-cancellable operating lease, with monthly payments of \$285, for a Copystar copier system on September 1, 2019. Minimum lease payments at June 30, 2020 are as follows:

<u>Fiscal Year</u>	<u>Amount</u>
2021	\$3,425
2022	3,425
2023	3,425
2024	3,425
2025	571
Thereafter	-0-

**THE UNITARIAN CHURCH IN WESTPORT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2020**

NOTE 10 – OPERATING LEASES - Continued

TUCW leases building space to a nursery school. Minimum lease payments due from the nursery school are as follows:

<u>Fiscal Year</u>	<u>Amount</u>
2021	\$33,000
Thereafter	-0-

TUCW leases parking space to an outside entity at a rate of \$2,200 per month. The lease began December 1, 2018 for a period of 24 months. Minimum lease payments due are as follows:

<u>Fiscal Year</u>	<u>Amount</u>
2021	\$11,000
Thereafter	-0-

TUCW also leases parking space to an outside entity at a rate of \$1,150 per month. The lease expired in 2012 and has continued on a month-to-month basis.

NOTE 11 – LINE OF CREDIT

TUCW has a \$250,000 line of credit from the Fairfield County Bank. The line balance is \$0 at June 30, 2020.