

# **The Synod of the Trinity**

Financial Statements with  
Supplementary Information

Year Ended December 31, 2016  
with Independent Auditor's Report

**MaherDuessel**  
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Pittsburgh | Harrisburg | Butler

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# THE SYNOD OF THE TRINITY

YEAR ENDED DECEMBER 31, 2016

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## Independent Auditor's Report

Members of the Finance and Budget Advisory Team  
The Synod of the Trinity  
Presbyterian Church (U.S.A)

We have audited the accompanying financial statements of The Synod of the Trinity (Synod), a nonprofit organization, which comprise the statement of financial position - modified cash basis as of December 31, 2016, 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 as described in Note 1; 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.

### **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 audit opinion.

## **Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the assets and net assets of the Synod as of December 31, 2016 and its cash receipts and cash disbursements for the year then ended in accordance with the modified cash basis of accounting as described in Note 1.

## **Report on Summarized Comparative Information**

We have previously audited the Synod's 2015 financial statements, and we expressed an unmodified audit opinion on those audited modified cash basis financial statements in our report dated May 9, 2016. In our opinion, the summarized comparative information presented herein, as of and for the year ended December 31, 2015, is consistent, in all material respects, with the audited financial statements from which it has been derived.

## **Basis of Accounting**

We draw attention to Note 1 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.

## **Report on Supplementary Information**

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The schedule of functional expenses - modified cash basis on page 9 is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

*Maher Duessel*

Harrisburg, Pennsylvania  
June 1, 2017

# THE SYNOD OF THE TRINITY

## STATEMENT OF FINANCIAL POSITION - MODIFIED CASH BASIS

DECEMBER 31, 2016

(With Comparative Totals at December 31, 2015)

<u>Assets</u>	<u>2016</u>	<u>2015</u>
Cash and cash equivalents	\$ 508,912	\$ 603,088
Investments	6,386,284	6,201,559
<b>Total Assets</b>	<b>\$ 6,895,196</b>	<b>\$ 6,804,647</b>
<u>Net Assets</u>		
Unrestricted	\$ 6,272,731	\$ 6,218,275
Temporarily restricted	622,465	586,372
<b>Total Net Assets</b>	<b>\$ 6,895,196</b>	<b>\$ 6,804,647</b>

The accompanying notes are an integral part of these financial statements.

# THE SYNOD OF THE TRINITY

## STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS

YEAR ENDED DECEMBER 31, 2016

(With Comparative Totals For Year Ended December 31, 2015)

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total 2016</u>	<u>Total 2015</u>
<b>Cash Receipts:</b>				
National agency receipts and Presbytery Mission treasury services	\$ 156,055	\$ -	\$ 156,055	\$ 174,555
Apportionments	355,599	-	355,599	333,189
Designated general mission	20,578	-	20,578	14,077
Project income	63,236	-	63,236	48,958
Investment income	446,081	44,918	490,999	94,875
Miscellaneous	30,324	-	30,324	33,733
Net assets released from restrictions	8,825	(8,825)	-	-
Total cash receipts	<u>1,080,698</u>	<u>36,093</u>	<u>1,116,791</u>	<u>699,387</u>
<b>Cash Disbursements:</b>				
Program	599,215	-	599,215	750,899
Management and general	427,027	-	427,027	572,762
Total cash disbursements	<u>1,026,242</u>	<u>-</u>	<u>1,026,242</u>	<u>1,323,661</u>
<b>Excess (Deficiency) of Cash Receipts Over Cash Disbursements</b>	54,456	36,093	90,549	(624,274)
<b>Net Assets:</b>				
Beginning of year	<u>6,218,275</u>	<u>586,372</u>	<u>6,804,647</u>	<u>7,428,921</u>
End of year	<u>\$ 6,272,731</u>	<u>\$ 622,465</u>	<u>\$ 6,895,196</u>	<u>\$ 6,804,647</u>

The accompanying notes are an integral part of these financial statements.

# THE SYNOD OF THE TRINITY

## NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2016

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### 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

#### *Organization*

The Synod of the Trinity (Synod) is an intermediate governing body for the Presbyterian Church (U.S.A) representing Pennsylvania, West Virginia, and the Upper Ohio Valley Presbytery in Ohio. The Synod provides research, administrative, and programmatic services to assist the various presbyteries in its region.

#### *Accounting Method*

The Synod reports receipts and disbursements on the modified cash basis of accounting. This basis recognizes assets, net assets, receipts, or disbursements when they result from cash transactions, except that:

- Investment assets are recorded at fair value and changes in fair value are recognized as a component of receipts.

#### *Basis of Presentation*

The Synod reports information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets.

#### *Use of Estimates*

The preparation of financial statements in conformity with modified cash basis of accounting requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

#### *Cash and Cash Equivalents*

The Synod considers all cash and temporary cash investments purchased with an original maturity of three months or less to be cash equivalents.

#### *Investments*

The Synod carries investments in marketable securities with readily determinable fair values and all investments in debt securities at their fair values. Unrealized gains and losses are included in the excess of cash receipts over disbursements in the accompanying statement of activities.

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# THE SYNOD OF THE TRINITY

## NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2016

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### *Fair Value Measurements*

Investments are recorded at fair value. Valuation techniques and inputs used to develop fair value measurements are based on a fair value hierarchy. The hierarchy is broken down into three levels based on the transparency of inputs as follows:

Observable inputs are inputs that market participants would use in pricing the asset or liability based on market data obtained from independent sources. Unobservable inputs reflect assumptions that market participants would use in pricing the asset or liability based on the best information available in the circumstances. The hierarchy is broken down into three levels based on the transparency of inputs as follows:

Level 1 — Quoted prices are available in active markets for identical assets or liabilities as of the report date. A quoted price for an identical asset or liability in an active market provides the most reliable fair value measurement because it is directly observable to the market.

Level 2 — Pricing inputs are other than quoted prices in active markets, which are either directly or indirectly observable as of the report date. The nature of these securities include investments for which quoted prices are available but traded less frequently and investments that are fair valued using other securities, the parameters of which can be directly observed.

Level 3 — Securities that have little to no pricing observability as of the report date. These securities are measured using management's best estimate of fair value, where the inputs into the determination of fair value are not observable and require significant management judgment or estimation.

Inputs are used in applying the various valuation techniques and broadly refer to the assumptions that market participants use to make valuation decisions, including assumptions about risk. Inputs may include price information, volatility statistics, specific and broad credit data, liquidity statistics, and other factors. A financial instrument's level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. However, the determination of what constitutes "observable" requires significant judgment by the Synod. The Synod considers observable data to be that market data that is readily available, regularly distributed or updated, reliable and verifiable, not proprietary, and provided by independent sources that are actively involved in the relevant market. The categorization of a financial instrument within the hierarchy is based upon the pricing transparency of the instrument and does not necessarily correspond to the Synod's perceived risk of that instrument.



# THE SYNOD OF THE TRINITY

## NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2016

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### *Valuation of Investments*

Investments whose values are based on quoted market prices in active markets, and are therefore classified within level 1, include active listed equities, certain U.S. government and sovereign obligations, and certain money market securities. The Synod does not adjust the quoted price for such instruments, even in situations where the Synod holds a large position and a sale could reasonably impact the quoted price.

The Synod does not have Level 2 or 3 investments.

### *Restricted Income*

Gifts of cash and other assets represent restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restrictions are accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

Investment income is recorded as unrestricted unless the donor specifies a restriction in the gift instrument.

### *Disbursement Allocation*

The costs of providing various programs and other activities have been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

### *Income Taxes*

The Synod is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code. In addition, the Synod qualifies for the charitable contribution deduction under Section 170(b)(1)(A) and has been classified as an organization other than a private foundation.

### *Benefit Plan*

The Synod participates in the Benefit Plan of the Presbyterian Church (U.S.A.), which is administered by the Board of Pensions of the Presbyterian Church (U.S.A.). The Benefit Plan, which is available to all Synod employees working a minimum of 20 hours per week, includes a defined contribution retirement plan, major medical, disability, and death benefits. For the year ended December 31, 2016, the Synod contributed to the plan (on

# THE SYNOD OF THE TRINITY

## NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2016

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average) an amount equal to 35.80% of participants' salaries. Benefit expense charged to operations during the year was \$78,051.

### ***Risk Management***

The Synod is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; and natural disasters. Significant losses are covered by commercial insurance.

### ***Pending Standards Update***

ASU 2016-14, “*Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*,” is effective for the Synod’s financial statements for the year ending December 31, 2018. This amendment aims to improve how a nonprofit organization classifies its net assets and provides information in its financial statements and notes about its financial performance, cash flow, and liquidity. The ASU changes the net asset classification, how underwater donor-restricted endowment funds are treated, will increase the information available about liquidity and the availability of resources, requires financial statements for not-for-profits to provide expenses both by nature and function, as well as an analysis of those expenses by both nature and function, along with disclosure of the methods used to allocate those costs among the various functions, and standardizes how organizations present investment returns and what expenses should be netted against those returns. There are qualitative and quantitative requirements in a number of areas, including net asset classes, investment return, expenses, liquidity and availability of resources, and presentation of operating cash flows. Early application of the amendments in the ASU is allowed.

Management has not yet determined the impact of this amendment on the Synod’s financial statements.

### ***Subsequent Events***

Subsequent events have been evaluated through the Independent Auditor’s Report date, which is the date the financial statements were available to be issued.

# THE SYNOD OF THE TRINITY

## NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2016

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### 2. INVESTMENTS

#### *Fair Value of Financial Instruments*

The following summarizes the fair value of financial instruments by levels as of December 31, 2016:

	<u>Level 1</u>
Equities:	
Consumer discretionary	\$ 525,550
Consumer staples	389,879
Energy	251,094
Financials	412,405
Health care	518,917
Industrials	487,228
Information technology	716,849
Materials	21,970
Foreign equities	293,765
Utilities	135,096
Telecommunications services	59,498
Total equities	<u>3,812,251</u>
U.S. Government obligations	<u>292,694</u>
Fixed mortgage backed securities	<u>108</u>
Mutual funds:	
Balance growth	23,978
Large cap growth	28,666
Mid cap core	22,406
Mid cap growth	21,318
Fixed income	1,681,596
Total mutual funds	<u>1,777,964</u>
Emerging markets exchange traded funds	<u>99,734</u>
Developed markets exchange traded funds	<u>403,533</u>
	<u><u>\$ 6,386,284</u></u>

# THE SYNOD OF THE TRINITY

## NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2016

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Investment income consists of the following for the year ended December 31, 2016:

Net realized and unrealized gains	\$ 348,183
Interest and dividends	142,816
	<u>\$ 490,999</u>

### 3. RESTRICTIONS ON NET ASSETS

At December 31, 2016, temporarily restricted net assets are available for the following purposes:

Scholarship funds	\$ 621,486
Other projects	979
	<u>\$ 622,465</u>

### 4. DESIGNATIONS OF NET ASSETS

At December 31, 2016, the Synod has designated net assets in the amount of \$92,566 as available for purposes specified by the Board of Directors.

### 5. CONCENTRATIONS OF CREDIT RISK

Financial instruments that potentially subject the Synod to concentrations of credit risk consist principally of cash, investments, and loan commitments.

The Synod maintains cash and cash equivalents with deposits of \$99,855 insured by the Federal Deposit Insurance Corporation and \$411,516 of money funds held in brokerage accounts that are insured by the Securities Investor Protection Corporation.

The Synod's investments are reported at fair value and, as such, are subject to various market fluctuations that include changes in the interest rate environment and general economic conditions.

## **Supplementary Information**

# THE SYNOD OF THE TRINITY

## SCHEDULE OF FUNCTIONAL EXPENSES - MODIFIED CASH BASIS

YEAR ENDED DECEMBER 31, 2016

(With Comparative Totals For Year Ended December 31, 2015)

	<u>Program</u>	<u>Management and General</u>	<u>Total 2016</u>	<u>Total 2015</u>
<b>Cash Disbursements:</b>				
Salaries	\$ 160,243	\$ 110,346	\$ 270,589	\$ 272,044
Benefits	58,880	40,546	99,426	94,175
Travel	29,001	19,970	48,971	52,426
Office	-	44,885	44,885	45,875
Building	-	36,858	36,858	53,089
Synod meetings	-	83,671	83,671	104,345
Program activities	351,091	-	351,091	509,884
Ecumenical relations	-	28,000	28,000	30,030
Other operating expenses	-	62,751	62,751	161,793
<b>Total Cash Disbursements</b>	<u>\$ 599,215</u>	<u>\$ 427,027</u>	<u>\$ 1,026,242</u>	<u>\$ 1,323,661</u>