

EASTERN PENNSYLVANIA CONFERENCE  
LOAN FUND  
OF THE UNITED METHODIST CHURCH

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REPORT ON AUDIT OF THE  
FINANCIAL STATEMENTS

FOR THE YEARS ENDED  
DECEMBER 31, 2025 AND 2024

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## INDEPENDENT AUDITOR'S REPORT

June 11, 2026

To the Board of Directors of  
Eastern Pennsylvania Conference  
Loan Fund of the United Methodist Church

### ***Opinion***

We have audited the accompanying financial statements of Eastern Pennsylvania Conference Loan Fund of the United Methodist Church (a nonprofit organization), which comprise the statements of financial position as of December 31, 2025 and 2024, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Organization as of December 31, 2025 and 2024, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

### ***Basis for Opinion***

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Organization and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### ***Responsibilities of Management for the Financial Statements***

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, and 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Organization's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

### ***Auditor's Responsibilities for the Audit of the Financial Statements***

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists.

***Auditor's Responsibilities for the Audit of the Financial Statements (Continued)***

The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements, including omissions, are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Organization's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Organization's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

  
O'Connell and Company, LLC

EASTERN PENNSYLVANIA CONFERENCE  
 LOAN FUND  
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STATEMENTS OF FINANCIAL POSITION

DECEMBER 31, 2025 AND 2024

	2025	2024
<b>ASSETS</b>		
Cash and cash equivalents	\$ 87,362	\$ 127,828
Investments	6,028,935	6,464,519
Interest and dividends receivable	52,865	69,543
Notes receivable, net	5,297,828	4,974,832
<b>TOTAL ASSETS</b>	<b>\$ 11,466,990</b>	<b>\$ 11,636,722</b>
<b>LIABILITIES AND NET ASSETS</b>		
<b>Liabilities</b>		
Accounts payable	\$ 18,240	\$ 5,013
Due to Eastern Pennsylvania Conference	137,381	45,482
Interest payable - Escheat	15,921	15,921
Investor certificates payable	6,454,950	7,206,274
<b>Total Liabilities</b>	<b>6,626,492</b>	<b>7,272,690</b>
<b>Net Assets</b>		
Without donor restrictions	4,507,667	4,031,201
With donor restrictions - purpose restriction	332,831	332,831
<b>Total Net Assets</b>	<b>4,840,498</b>	<b>4,364,032</b>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>\$ 11,466,990</b>	<b>\$ 11,636,722</b>

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

EASTERN PENNSYLVANIA CONFERENCE  
LOAN FUND  
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STATEMENTS OF ACTIVITIES

FOR THE YEARS ENDED DECEMBER 31, 2025 AND 2024

	2025			2024		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
<b>SUPPORT AND REVENUE</b>						
Interest - Church Loans	\$ 280,415	\$ 11,312	\$ 291,727	\$ 245,329	\$ 11,312	\$ 256,641
Investment income	571,016	-	571,016	527,692	-	527,692
Contributions	4,890	-	4,890	-	-	-
Bad debt recovery	-	-	-	21,685	-	21,685
Satisfaction of program restrictions	<u>11,312</u>	<u>(11,312)</u>	<u>-</u>	<u>11,312</u>	<u>(11,312)</u>	<u>-</u>
<b>TOTAL SUPPORT AND REVENUE</b>	<u>867,633</u>	<u>-</u>	<u>867,633</u>	<u>806,018</u>	<u>-</u>	<u>806,018</u>
<b>EXPENSES</b>						
Program	281,296	-	281,296	256,752	-	256,752
Administrative	<u>109,871</u>	<u>-</u>	<u>109,871</u>	<u>99,643</u>	<u>-</u>	<u>99,643</u>
<b>TOTAL EXPENSES</b>	<u>391,167</u>	<u>-</u>	<u>391,167</u>	<u>356,395</u>	<u>-</u>	<u>356,395</u>
<b>INCREASE IN NET ASSETS</b>	476,466	-	476,466	449,623	-	449,623
<b>NET ASSETS - Beginning of Year</b>	<u>4,031,201</u>	<u>332,831</u>	<u>4,364,032</u>	<u>3,581,578</u>	<u>332,831</u>	<u>3,914,409</u>
<b>NET ASSETS - End of Year</b>	<u>\$ 4,507,667</u>	<u>\$ 332,831</u>	<u>\$ 4,840,498</u>	<u>\$ 4,031,201</u>	<u>\$ 332,831</u>	<u>\$ 4,364,032</u>

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

EASTERN PENNSYLVANIA CONFERENCE  
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STATEMENTS OF FUNCTIONAL EXPENSES

FOR THE YEARS ENDED DECEMBER 31, 2025 AND 2024

	2025			2024		
	Program	Administrative	Total	Program	Administrative	Total
Administrative ministries charge	\$ -	\$ 70,000	\$ 70,000	\$ -	\$ 70,000	\$ 70,000
Auditing	-	10,000	10,000	-	8,000	8,000
Bad debt expense	-	13,536	13,536	-	-	-
Contributions	61,313	-	61,313	11,312	-	11,312
Data processing	-	750	750	-	3,000	3,000
Insurance	-	300	300	-	1,200	1,200
Interest expense - certificates	219,983	-	219,983	245,440	-	245,440
Miscellaneous	-	496	496	-	1,813	1,813
Office	-	616	616	-	1,638	1,638
Postage	-	-	-	-	34	34
Professional fees	-	14,173	14,173	-	13,958	13,958
Totals	<u>\$ 281,296</u>	<u>\$ 109,871</u>	<u>\$ 391,167</u>	<u>\$ 256,752</u>	<u>\$ 99,643</u>	<u>\$ 356,395</u>

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

EASTERN PENNSYLVANIA CONFERENCE  
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STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED DECEMBER 31, 2025 AND 2024

	<u>2025</u>	<u>2024</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Change in net assets	\$ 476,466	\$ 449,623
Adjustments to reconcile change in net assets to net cash (used) provided by operating activities:		
Gain on investments	(467,190)	(409,382)
Increase (decrease) in allowance for doubtful accounts	21,641	(19,236)
Changes in operating assets and liabilities		
Decrease (Increase)		
Interest receivable	16,678	(17,462)
Increase (Decrease)		
Accounts Payable	13,227	(68,158)
Due to Eastern PA Conference	<u>91,899</u>	<u>18,085</u>
<b>NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</b>	<u>152,721</u>	<u>(46,530)</u>
 <b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Payments Received on Church Notes Receivable	615,863	860,261
Issuance of New Church Notes Receivable	(960,500)	(593,000)
Proceeds from Sales of Investments	1,081,539	737,575
Purchases of Investments	<u>(178,765)</u>	<u>(241,192)</u>
<b>NET CASH PROVIDED BY INVESTING ACTIVITIES</b>	<u>558,137</u>	<u>763,644</u>
 <b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Proceeds - Certificates	174,713	158,328
Redemptions - Certificates	<u>(926,037)</u>	<u>(979,146)</u>
<b>NET CASH USED BY FINANCING ACTIVITIES</b>	<u>(751,324)</u>	<u>(820,818)</u>
 <b>DECREASE IN CASH AND CASH EQUIVALENTS</b>	<b>(40,466)</b>	<b>(103,704)</b>
<b>CASH AND CASH EQUIVALENTS - Beginning of Year</b>	<u>127,828</u>	<u>231,532</u>
<b>CASH AND CASH EQUIVALENTS - End of Year</b>	<u><u>\$ 87,362</u></u>	<u><u>\$ 127,828</u></u>
 <b>SUPPLEMENTAL DISCLOSURE</b>		
Interest paid	<u><u>\$ 281,296</u></u>	<u><u>\$ 256,752</u></u>

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

EASTERN PENNSYLVANIA CONFERENCE  
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NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2025 AND 2024

The Eastern Pennsylvania Conference Loan Fund of the United Methodist Church (the Organization) was organized by The Eastern Pennsylvania Conference of the Evangelical United Brethren Church in 1957. Following the merger of the Evangelical United Brethren Church and The Methodist Church in 1968, the Loan Fund assets were comprised of various funds of former United Brethren, Evangelical United Brethren and Methodist Churches held for the purpose of making loans to churches, as well as gifts, bequests and offerings to the Loan Fund.

Effective January 1, 1980, the Loan Board of the Eastern Pennsylvania Conference of The United Methodist Church was incorporated as the Eastern Pennsylvania Conference Loan Fund of The United Methodist Church. Prior to incorporation, the activities conducted by the Loan Fund were accounted for in a separate fund of the Conference. The Organization is sponsored by the Eastern Pennsylvania Conference of the United Methodist Church, which has certain reserve powers over the Organization. Loans are restricted to member churches of the Northeast Jurisdiction of the United Methodist Church and currently extended to churches within the Eastern Pennsylvania, Peninsula-Delaware, and Baltimore-Washington Conferences of that Jurisdiction.

1 Summary of Significant Accounting Policies

*Basis of Accounting*

The financial statements of the Organization have been prepared on the accrual basis of accounting and accordingly reflect all significant receivables, payables and other liabilities.

*Cash and Cash Equivalents*

Cash and cash equivalents consist of cash held in checking, savings, money market accounts and certificates of deposit with original maturities of 90 days or less. However, all funds held in accounts by external investment managers are reported as investments.

*Income Tax Status*

The Organization is exempt from income tax under IRC section 501(c)(3), though it is subject to tax on income unrelated to its exempt purpose, unless that income is otherwise excluded by the Code. The Organization has processes in place to ensure the maintenance of its tax-exempt status; to identify and report unrelated income; to determine its filing and tax obligations; and to identify and evaluate other matters that may be considered tax positions. The Organization has determined that there are no material uncertain tax positions that require recognition or disclosure in the financial statements.

*Investments*

Investments are reported at fair value.

EASTERN PENNSYLVANIA CONFERENCE  
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NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2025 AND 2024

1 Summary of Significant Accounting Policies (Continued)

*Fair Value Measurements*

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. This guidance establishes a three-level hierarchy for fair value measurements based upon the transparency of inputs to the valuation of an asset or liability as of the measurement date. The three levels are defined as follows:

*Level 1* - Inputs to the valuation methodology are quoted prices (unadjusted) for identical assets or liabilities in active markets.

*Level 2* - Inputs to the valuation methodology include quoted prices for similar assets or liabilities in active markets and inputs that are observable for the asset or liability, either directly or indirectly, for substantially the same term as the financial instrument. Alternative investments' fair value are based on their net asset value per unit as reported by their managers.

*Level 3* - Inputs to the valuation methodology are unobservable.

A financial instrument's categorization within the valuation hierarchy is based upon the lowest level of input that is significant to the fair value measurement.

Assets and liabilities that are measured at fair value are based on one or more of the three valuation techniques that follow:

*Market approach* - Prices and other relevant information generated by market transactions involving identical or comparable assets or liabilities.

*Cost approach* - Amount that would be required to replace the service capacity of an asset (i.e., replacement cost).

*Income approach* - Techniques to convert future amounts to a single present amount based on market expectations (including present value techniques and option-pricing models).

*Functional Allocation of Expenses*

The costs of program and supporting services activities have been summarized on a functional basis in the statement of activities. The statement of functional expenses presents the natural classification detail of expenses by function. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

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NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2025 AND 2024

1 Summary of Significant Accounting Policies (Continued)

*Net Assets*

Net assets, revenues, gains and losses are classified based on the existence or absence of donor or grantor imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

Net Assets Without Donor Restrictions - Net assets available for use in general operations and not subject to donor or grantor restrictions.

Net Assets With Donor Restrictions - Net assets subject to donor or grantor imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Gifts of long-lived assets and gifts of cash restricted for the acquisition of long-lived assets are recognized as revenue when the assets are placed in service. Contributions restricted by donors are reported as increases in net assets without donor restrictions if the restrictions expire in the reporting period when the revenue is recognized. All other donor-restricted contributions are reported as increases in net assets with donor restrictions, depending on the nature of the restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported on the statement of activities as net assets released from restrictions.

*Notes Receivable*

Notes receivable are stated at the amount management expects to collect from outstanding balances so as to provide a measure of credit losses and doubtful accounts. Management provides for probable uncollectible amounts through a provision for bad debt expense and an adjustment to a valuation allowance based on its assessment of the current status of individual receivables. Balances that are still outstanding after management has used reasonable collection efforts are written off through a charge to the valuation allowance and a credit to the applicable receivable account. Balances are considered past due one day after the due date.

*Use of Estimates*

The preparation 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 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 could differ from those estimates.

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FOR THE YEARS ENDED DECEMBER 31, 2025 AND 2024

2 Liquidity

The table below represents financial assets available for general expenditures within one year at December 31, 2025 and 2024:

Financial assets at year end:	<u>2025</u>	<u>2024</u>
Cash and cash equivalents	\$ 87,362	\$ 127,828
Investments	6,028,935	6,464,519
Notes receivable, due within one year	1,024,959	844,539
Interest and dividends receivable	<u>52,865</u>	<u>69,543</u>
Total financial assets	7,194,121	7,506,429
Less amounts not available to be used within one year:		
Investor certificate redemptions	\$ 826,089	\$ 844,539
Interest payable - Escheat	15,921	15,921
Donor restricted with liquidity horizons greater than one year	<u>332,831</u>	<u>332,831</u>
Financial assets not available to be used within one year	<u>1,174,841</u>	<u>1,193,291</u>
Financial assets available to meet general expenditures within one year	<u>\$ 6,019,280</u>	<u>\$ 6,313,138</u>

The Organization's goal is generally to maintain cash sufficient to meet operating expenses. As part of its liquidity plan, investments are available to be liquidated to meet additional cash needs.

Investor certificates are payable within 60 days of written notice of demand. Management does not anticipate certificate redemptions to exceed loan principal payments received within one year.

The Organization has donor-restricted assets that are not available for general expenditure within one year in the normal course of operations. These assets, which are limited to use, are more fully described in Note 6.

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NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2025 AND 2024

3 Investments

The following tables set forth by level, within the fair value hierarchy, the Organization's investments as of December 31, 2025 and 2024, respectively:

	Investments at Fair Values as of December 31, 2025			
	Level 1	Level 2	Level 3	Total
Certificate of Deposit	\$ 50,000	\$ -	\$ -	\$ 50,000
Money Market Funds	171,076	-	-	171,076
Mutual Funds - Equity	2,771,969	-	-	2,771,969
Mutual Funds - Fixed Income	3,035,890	-	-	3,035,890
Total Assets at Fair Value	\$ 6,028,935	\$ -	\$ -	\$ 6,028,935

	Investments at Fair Values as of December 31, 2024			
	Level 1	Level 2	Level 3	Total
Certificate of Deposit	\$ 50,000	\$ -	\$ -	\$ 50,000
Money Market Funds	153,467	-	-	153,467
Mutual Funds - Equity	2,918,907	-	-	2,918,907
Mutual Funds - Fixed Income	3,342,145	-	-	3,342,145
Total Assets at Fair Value	\$ 6,464,519	\$ -	\$ -	\$ 6,464,519

Investment income consists of the following:

	2025	2024
Interest and dividends	\$ 165,365	\$ 178,364
Realized gain on investments	347,718	225,992
Unrealized gain on investments	119,472	183,390
Investment fees	(61,539)	(60,054)
Total	\$ 571,016	\$ 527,692

EASTERN PENNSYLVANIA CONFERENCE  
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FOR THE YEARS ENDED DECEMBER 31, 2025 AND 2024

4 Notes Receivable

The Loan Fund grants mortgages and other secured loans to United Methodist Churches. Loans outstanding are as follows:

Interest Rate	<u>2025</u>	<u>2024</u>
2.0%	\$ 38,874	\$ 41,044
4.0%	390,609	396,261
4.25%	4,033,234	4,563,927
5.25%	<u>1,439,908</u>	<u>556,756</u>
Subtotal	5,902,625	5,557,988
Less: Allowance for doubtful accounts	<u>(604,797)</u>	<u>(583,156)</u>
Notes Receivable	<u>\$ 5,297,828</u>	<u>\$ 4,974,832</u>

The future maturities of notes receivable are as follows:

	<u>2025</u>	<u>2024</u>
Due within one year	\$ 1,024,959	\$ 844,539
Due after one year through five years	2,488,206	2,910,652
Due after five years through ten years	1,398,575	1,334,724
Due after ten years	<u>990,885</u>	<u>488,073</u>
Total	<u>\$ 5,902,625</u>	<u>\$ 5,577,988</u>

5 Investor Certificates Payable

Investors purchase certificates which bear interest at the rate of 3.25% for the years ended December 31, 2025 and 2024. Interest is calculated and paid in June and December of each year. Investors may withdraw their funds upon 60 days written notice. Certificates payable amount to \$6,454,950 and \$7,206,274 at December 31, 2025 and 2024, respectively. Interest expense totaled \$219,983 and \$245,440 for the years ended December 31, 2025 and 2024, respectively.

6 Net Assets with Donor Restrictions

Net assets with donor restrictions are available for the following purpose:

	<u>2025</u>	<u>2024</u>
Loan program	<u>\$ 332,831</u>	<u>\$ 332,831</u>

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6 Net Assets with Donor Restrictions (Continued)

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purposes or by occurrence of other events specified by the donors.

	<u>2025</u>	<u>2024</u>
Contributions for ministry	<u>\$ 11,312</u>	<u>\$ 11,312</u>

7 Related Party Transaction

Certain services are provided by and the related expense paid to the Eastern Pennsylvania Conference of the United Methodist Church. These services include accounting and administrative services, insurance, and office expenses. The amounts of these services for the years ended December 31, 2025 and 2024 were \$71,546 and \$76,047 respectively.

8 Subsequent Events

Subsequent events have been evaluated through June 11, 2026, the date these financial statements were available to be issued.