GENERAL AGENCIES OF
THE UNITED METHODIST CHURCH
BENEFIT PLAN

FINANCIAL STATEMENTS

As of and for the Years Ended December 31, 2021 and 2020

And Report of Independent Auditor

Cherry Bekaert LLP
Your Guide Forward

GENERAL AGENCIES OF
THE UNITED METHODIST CHURCH BENEFIT PLAN
TABLE OF CONTENTS

Cherry Bekaert LLP
Your Guide Forward

Report of Independent Auditor

To the General Council on Finance and Administration
The United Methodist Church – Plan Sponsor and

To the Committee on Audit and Review
The General Council on Finance and Administration
The United Methodist Church

Opinion

We have audited the accompanying financial statements of the General Agencies of The United Methodist Church Benefit Plan (the "Plan"), which comprise the statements of benefit obligations and net assets available for plan benefits as of December 31, 2021 and 2020, and the related statements of changes in benefit obligations and net assets available for plan benefits 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 status of the Plan as of December 31, 2021 and 2020, and the changes in its financial status 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 Plan 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 Plan's ability to continue as a going concern for one year after the date the financial statements are available to be issued.

Management is also responsible for maintaining a current plan instrument, including all plan amendments; administering the plan; and determining that the plan's transactions that are presented and disclosed in the financial statements are in conformity with the plan's provisions, including maintaining sufficient records with respect to each of the participants, to determine the benefits due or which may become due to such participants.

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. 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 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 Plan’s internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used 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 Plan’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.

Cherry Bekaert LLP

Charlotte, North Carolina
August 31, 2022

GENERAL AGENCIES OF
THE UNITED METHODIST CHURCH BENEFIT PLAN
STATEMENTS OF BENEFIT OBLIGATIONS AND NET ASSETS AVAILABLE FOR PLAN BENEFITS

DECEMBER 31, 2021 AND 2020

	2021	2020
Benefit Obligations:		
Incurred but not reported health plan claims reserve	$ 800,000	$ 531,000
Postretirement benefit obligations:		
Current retirees	27,549,218	40,093,332
Other participants fully eligible for benefits	11,573,863	20,481,183
Other participants not yet fully eligible for benefits	17,376,807	25,731,742
Total Postretirement Benefit Obligations	56,499,888	86,306,257
Total Benefit Obligations	57,299,888	86,837,257
Net Assets Available for Plan Benefits:		
Assets:		
Cash	264,453	288,625
Due from GCFA short-term pooled investment fund	831,321	8,419,480
Participant contributions receivable	13,756	21,427
Prepaid expenses	33,946	7,480
Investments at the United Methodist Church Foundation and the Texas Methodist Foundation, at fair value	13,514,314	6,323,196
Equipment, net of accumulated depreciation of $15,961 and $463,915 at December 31, 2021 and 2020	31,921	40,357
Total Assets	14,689,711	15,100,565
Liabilities - accrued expenses	111,974	228,647
Net Assets Available for Plan Benefits	14,577,737	14,871,918
Excess of Benefit Obligations over Net Assets Available for Plan Benefits	$ 42,722,151	$ 71,965,339

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

GENERAL AGENCIES OF
THE UNITED METHODIST CHURCH BENEFIT PLAN
STATEMENTS OF CHANGES IN BENEFIT OBLIGATIONS AND NET ASSETS AVAILABLE FOR PLAN BENEFITS

YEARS ENDED DECEMBER 31, 2021 AND 2020

	2021	2020
Net decrease in benefit obligations:		
Increase (decrease) during the year attributable to:		
Demographic impact on liability	$ (27,135,847)	$ (2,592,538)
Update to claim costs and participant contributions	(1,498,421)	(11,854,349)
Update to trend assumptions	(489,481)	(81,226)
Change due to update in discount rate	(2,955,723)	8,560,776
Service costs	3,149,421	-
Interest costs	1,435,651	-
Expected benefit payments	(2,498,208)	-
Passage of time	-	3,009,279
Change due to Mortality Table Change	186,239	(688,309)
Change in incurred but not reported claims reserve	269,000	(147,000)
Total net decrease in benefit obligations	(29,537,369)	(3,793,367)
Net (decrease) increase in net assets available for Plan benefits:		
Additions:		
Participant and Plan sponsor contributions	10,502,767	11,569,657
Contributions – flexible spending accounts	282,137	305,048
Interest income	128,448	123,464
Net appreciation in investments	1,062,670	389,156
Total additions	11,976,022	12,387,325
Deductions:		
Insurance claims paid	9,297,446	7,700,308
Premiums paid	728,775	956,806
Benefits paid – flexible spending accounts	289,379	291,480
Administrative expenses:		
Medical and dental fees	663,264	606,657
Flexible spending accounts	9,202	10,791
Plan sponsor service fees	662,502	559,732
Consultant fees	20,000	69,050
Maintenance and support	452,955	303,541
Wellness	71,320	101,666
Audit fees	23,128	24,273
Depreciation	15,961	-
Other	36,271	20,303
Total expenses for administration	1,954,603	1,696,013
Total deductions	12,270,203	10,644,607
Net (decrease) increase in net assets available for Plan benefits	(294,181)	1,742,718
Decrease in excess of benefit obligations over net assets available for Plan benefits	(29,243,188)	(5,536,085)
Excess of benefit obligations over net assets available for Plan benefits:		
Beginning of year	71,965,339	77,501,424
End of year	$ 42,722,151	$ 71,965,339

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

Note 1—Nature of the Plan

The following description of the General Agencies of The United Methodist Church Benefit Plan (the "Plan") provides only general information. Participants should refer to the Plan Agreement for a complete description of the Plan's provisions.

General – The Plan, a health and welfare benefit plan, was established effective January 1, 1986 for the purpose of maintaining group insurance benefits, including medical, dental, vision, life, and short and long-term disability defined benefits, for active and retired employees of certain General Agencies of The United Methodist Church ("General Agencies") and two other United Methodist related organizations. Effective January 1, 1987, the Plan also began maintaining group insurance benefits for active and retired bishops provided through the Episcopal Fund of The United Methodist Church. The General Council on Finance and Administration of The United Methodist Church ("GCFA") sponsors the Plan. The Plan is exempt from compliance with the participation, vesting, and funding rules of the Employee Retirement Income Security Act of 1974.

Benefits – As of January 1, 2019, General Agency employees working a minimum of 30 hours per week, and their eligible dependents, are eligible to receive health, medical, life, and disability benefits from the Plan upon hire. General agency employees and their eligible dependents who were hired prior to January 1, 2019 and who were, and continue to, work at least 20 hours per week continue to be eligible to receive health, medical, life, and disability benefits from the Plan. Effective January 1, 2020, eligible employees are also able to make election for legal and identity theft benefits for themselves and their dependents, which includes up to $1 million identity theft insurance policy. Employees may be eligible to retire with medical and dental benefits for themselves and their dependents. Effective January 1, 2019, new Medicare eligible retirees age 65 and over are eligible for one post-65 medical benefit: the retiree health reimbursement account.

Effective January 1, 1997, GCFA adopted a policy whereby employees are eligible to retire with medical, dental, and life benefits if they meet one of four conditions:

- Retire with a total of 78 "points" (the sum of an employee's age and years of service);
- If hired after January 1, 1997, retire at age 62 or older with seven years of active service;
- If hired prior to January 1, 1997, retire at age 62 or older with five years of active service; or
- Employees who retire at an age less than 62 with 70 to 77 total points are eligible for medical benefits for themselves and their dependents, provided that 100% of the premiums are paid by the retiree until the retiree reaches age 62 or the retiree can provide proof of insurability for the retiree and their eligible dependents at age 62. At age 62, the agency resumes paying premiums on behalf of the retiree.

Note 1—Nature of the Plan (continued)

Contributions – In addition to deductibles and copayments, the costs of the Plan are funded by contributions from employees, retirees, and participating employers as follows:

These percentages differ based on the coverage election (i.e. HDHP, PPO 500, PPO 1,000).

	Participant Contribution		Employer Contribution	
	2021	2020	2021	2020
Employee $500 deductible	22%	22%	78%	78%
Employee $1,000 deductible	16%	16%	84%	84%
Employee $1,400 deductible	10%	10%	90%	90%
Employee with one dependent $500 deductible	26%	26%	74%	74%
Employee with one dependent $1,000 deductible	21%	21%	79%	79%
Employee with one dependent $1,400 deductible	15%	15%	85%	85%
Employee plus family $500 deductible	26%	26%	74%	74%
Employee plus family $1,000 deductible	21%	21%	79%	79%
Employee plus family $1,400 deductible	15%	15%	85%	85%
Retiree Age 62 - 64 $500 deductible	41%	41%	59%	59%
Retiree Age 62 - 64 $1,000 deductible	36%	36%	64%	64%
Retiree Age 62 - 64 $1,400 deductible	31%	31%	69%	69%

Retirees age 65 and over are eligible for annual reimbursement of healthcare costs up to $2,250 for themselves and up to $2,000 for their spouse. Any unused annual reimbursement amount is carried over to the subsequent year.

Medical and Dental Insurance Funding – The medical and dental insurance benefits are provided under a self-insured, administrative services only arrangement. The individual stop loss for the years ended December 31, 2021 and 2020 was $300,000. This arrangement requires that GCFA pay United Healthcare, the Plan administrator, a per-person fee each month to provide the network access and process the claims for participants. The administrative fee is paid via monthly invoice while claims are funded weekly.

Life and Disability Insurance Funding – GCFA collects amounts from the General Agencies and other participants for the premiums for life and disability insurance. Employees of all General Agencies are grouped together for experience rating purposes and the premiums for these agencies are remitted in full to the insurance company.

The life and disability plans are fully insured on a straight premium basis with any surplus or deficit remaining with the insurance company. Premiums paid for these benefits were $506,741 and $717,765 for the years ended December 31, 2021 and 2020, respectively.

Flexible Spending Accounts – The Plan allows employees to participate in two flexible spending account programs. The Health Care Spending account allowed a participant to set aside up to $2,750 and $2,500 for the years ended December 31, 2021 and 2020, respectively, on a pretax basis to pay for unreimbursed healthcare expenses. The Dependent Care Spending account allowed a participant to set aside up to $5,000 for the years ended December 31, 2021 and 2020 on a pretax basis to pay for unreimbursed dependent care expenses. Any amounts remaining in the spending accounts at the end of the year must be forfeited to the Plan; additionally claims that exceed deposits are paid by the Plan. Claims may be submitted for expenses incurred during the previous year until the following March 31. Forfeitures were $-0- for the years ended December 31, 2021 and 2020, and are used to decrease the GCFA's contribution into the Plan.

Note 1—Nature of the Plan (continued)

Administrative Expenses – The Plan pays administrative expenses that consist primarily of administrative fees paid to third party claims administrators, the Plan sponsor (see Note 6), and actuary. These expenses are reported on the statements of changes in net assets available for benefits as administrative expenses.

Plan Termination – Although it has not expressed any intention to do so, the Committee on Personnel, Policies, and Practices (the “Committee”), consisting of representatives from participating General Agencies, has the right to modify the benefits provided to active employees. In addition, the Plan may be terminated by the Committee at any time. Upon termination, the assets then remaining shall be subject to the applicable provisions of the Plan then in effect and shall be used until exhausted to pay benefits to participants in order of entitlement.

Note 2—Summary of significant accounting policies

Basis of Accounting – The accompanying financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America (“U.S. GAAP”). Benefits are recorded when paid and an accrual is made at period end for an estimate of claims incurred but not reported.

Use of Estimates – The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, claims incurred but not reported, and postretirement benefit obligations as of the date of the financial statements, and the reported amounts of changes in net assets available for plan benefits and plan benefit obligations during the reporting period. Actual results could differ from those estimates.

Equipment, Net – Equipment is recorded at cost, less accumulated depreciation. Depreciation is computed using the straight-line method over the estimated useful lives of three to six years. Equipment consists primarily of computer equipment and software.

Due from GCFA Short-Term Pooled Investment Fund – The amounts presented as due from GCFA in the accompanying financial statements represent the Plan’s portion of the short-term investment portfolio managed by GCFA on behalf of certain agencies and related organizations of The United Methodist Church. The amount due from this fund effectively represents the amount of cash deposits that are available to the Plan to be disbursed out of GCFA’s centralized cash management system. Since these deposits are legally invested in GCFA’s name and not in a separate demand account in the Plan’s name, they are not classified as cash and cash equivalents, but rather are considered an amount due from GCFA. The short-term investment portfolio includes funds invested in demand deposits, taxable municipal bonds, mutual funds and notes from other United Methodist Plans. The Plan did not receive an allocation of interest from GCFA during the years ended December 31, 2021 and 2020.

Income Recognition – Purchases and sales of securities are recorded on a trade-date basis. Dividends are recorded on the ex-dividend date. Interest income is recorded as earned. Net appreciation (depreciation) includes the Plan’s gains and losses on investments bought and sold, as well as held, during the year.

Postretirement Benefits – The postretirement benefit obligations represent the actuarial present value of those estimated future benefits that are attributed to employee service rendered through December 31, 2021 and 2020. The actuarial report was prepared as of January 1 of the respective years, for the periods ending December 31. Postretirement benefits include future benefits expected to be paid to or for (1) current retirees, (2) other participants fully eligible for benefits, and (3) other participants not yet fully eligible for benefits. Prior to an active employee’s full eligibility date, the postretirement benefit obligation is the portion of the expected postretirement benefit obligation that is attributed to that employee’s service rendered to the valuation date.

Note 2—Summary of significant accounting policies (continued)

The actuarial present value of the expected postretirement benefit obligations is determined by an actuary and is the amount that results from applying actuarial assumptions to historical claims-cost data in order to estimate future annual incurred claims costs per participant, and the probability of payment (by means of decrements such as those for death, disability, or retirement) between the valuation date and the expected date of payment.

Assumptions used in the postretirement benefit valuation as of December 31, 2021 and 2020 are as follows:

	2021	2020
Discount rate	2.70%	2.33%
Mortality	PRI-2012 Table with improvement scale MP-2021	PRI-2012 Table with improvement scale MP-2020
Average retirement age	66	66
Initial Annual Healthcare Trend rates - Medical premiums:		
Pre-65	5.60%	5.60%
Initial Annual Healthcare Trend rates - Dental premiums	4.00%	4.70%
Ultimate Annual Healthcare Trend rates - Medical premiums:		
Pre-65	3.70%	3.70%
Ultimate Annual Healthcare Trend rate - Dental premiums	3.70%	3.60%
Year Ultimate Healthcare Trend Rate is Reached:		
Medical		
Pre-65	2073	2073
Dental	2073	2075
Participation Rates	50% of future retirees are assumed to elect spousal coverage upon retirement. Males are assumed to be 3 years older than their spouse. Actual plan participation is used for retirees and their spouses. 100% of future retirees will be Medicare eligible and elect to particpate in the HRA upon retirement and all future retirees elect dental and life insurance.	50% of future retirees are assumed to elect spousal coverage upon retirement. Males are assumed to be 3 years older than their spouse. Actual plan participation is used for retirees and their spouses. 100% of future retirees will be Medicare eligible and elect to participate in the HRA upon retirement and all future retirees elect dental and life insurance.

Note 2—Summary of significant accounting policies (continued)

The forgoing assumptions are based on the assumption that the Plan will continue. Were the Plan to terminate, different actuarial assumptions and other factors might be applicable in determining the actuarial present value of the postretirement benefit obligation.

The healthcare cost trend assumption has a significant effect on the amounts reported in the accompanying financial statements. If the assumed trend rates increased by one percentage point each year in the future, the postretirement benefit obligation as of December 31, 2021 and 2020 would increase by approximately $11,209,000 and $11,059,000, respectively.

Incurred but Not Reported Health Plan Claims Reserve – Plan obligations for health claims incurred by all participants but not reported as of December 31, 2021 and 2020 are estimated based upon actual claims expense trends. Estimates of $800,000 and $531,000 for claims incurred by all participants are included in the current benefit obligation as of December 31, 2021 and 2020, respectively.

Risks and Uncertainties – As of December 31, 2021 and 2020, the Plan utilized an investment instrument including the Socially Principled Fund and Balanced Fund, respectively, of The United Methodist Church Foundation (see Note 4). Investments, in general, are exposed to various risks, such as interest rate, credit, and overall market volatility. Due to the level of risk associated with certain investment securities, it is reasonably possible that changes in the values of investment securities will occur in the near term and those changes could materially affect the amounts reported in the financial statements.

Plan contributions are made and the actuarial present value of accumulated plan benefits are reported based on certain assumptions pertaining to interest rates, inflation rates, and employee demographics, all of which are subject to change. Due to uncertainties inherent in the estimations and assumptions process, it is at least reasonably possible that changes in these estimates and assumptions in the near term would be material to the financial statements.

Fair Value Measurements – The Plan's investments are reported at fair value. U.S. GAAP defines fair value as the exchange price that would be received for an asset or paid to transfer a liability (exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction value hierarchy which requires an entity to maximize the use of observable inputs when measuring fair value. Assets recorded at fair value in the statements of benefit obligations and net assets available for plan benefits are categorized based on the level of judgment used in the measurement of their fair value. These judgment levels, as defined by Financial Accounting Standards Board Accounting Standards Codification ("ASC") 820, *Fair Value Measurements and Disclosures*, are as follows:

Level 1 – Inputs to the valuation methodology are quoted prices available in active markets for identical investments as of the reporting date;

Level 2 – Inputs to the valuation methodology are other than quoted prices in active markets, which are either directly or indirectly observable as of the reporting date, and fair value can be determined through the use of models or other valuation methodologies; and

Level 3 – Inputs to the valuation methodology are unobservable inputs in situations where there is little or no market activity for the asset or liability and the reporting entity makes estimates and assumptions related to the pricing of the asset or liability including assumptions regarding risk.

The Plan's investments are held by The United Methodist Church Foundation and the Texas Methodist Foundation. Fair value is determined using the fair value of the underlying net assets of the fund divided by the number of shares outstanding, or net asset value ("NAV"), as a practical expedient. In accordance with ASC Subtopic 820-10, certain investments that are measured at fair value using NAV per share (or its equivalent) practical expedient have not been classified in the fair value hierarchy. Transactions occur daily with no advance notice requirements. There are no unfunded commitments.

Note 2—Summary of significant accounting policies (continued)

The Plan believes its valuation methods are appropriate and consistent with other market participants; however, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

Note 3—Benefit obligations

The Plan's unfunded accumulated postretirement benefit obligation was approximately $41,922,000 and $71,434,000 as of December 31, 2021 and 2020, respectively. It is expected that premiums for future years with respect to the Plan's postretirement benefit obligations will be funded by the participating General Agencies.

The decrease in the Plan's accumulated postretirement benefit obligation ("APBO") was as a result of a decrease in the number of participants used in the actuarial valuation of approximately 165 active plan participants as well as a decrease of approximately 155 retiree participants, including spouses and surviving spouses. These decreases are primarily based on changes in the number of eligible active employees, retirees choosing to opt out of retiree benefits, retiree and/or retiree spouse deaths and the withdrawal of employees and retirees of the United Methodist Women organization ("UMW"). UMW elected to sponsor separate benefit plans and accordingly, those former participants are no longer considered in the APBO of the Plan.

The actuarial present value of benefit obligations is reported based on certain assumptions pertaining to interest rates, health care inflation rates, and employee demographics, all of which are subject to change. Due to uncertainties inherent in the estimation process and related assumptions, it is at least reasonably possible that changes in these estimates and assumptions in the near term would be material to the financial statements.

On December 8, 2003, the Medicare Prescription Drug, Improvement, and Modernization Act of 2003 (the "Act") for employers that sponsor postretirement health care plans that provide prescription drug benefits was signed into law. The Act introduces a prescription drug benefit under Medicare as well as a federal subsidy to sponsors of retiree health care benefit plans that provide a benefit that is at least actuarially equivalent to Medicare Part D.1. Under the Act, for multiemployer plans, the Medicare subsidy was received directly by the Plan and not individual employers participating in the Plan. The Plan adopted the Medicare Advantage Plan and as a result, the Plan is no longer eligible to receive the federal subsidy.

Note 4—Fair value of investments at UMCF and the Texas Methodist Foundation

In July 2007, the Plan invested $3,650,000 in the Balanced Fund of The United Methodist Church Foundation ("UMCF"). As of December 31, 2021 and 2020, the Plan's investment in UMCF was $13,513,438 and $6,322,325, respectively, and is carried at fair value. Investment income, net of investment fees on these funds totaled $1,191,113 and $512,620 during the years ended December 31, 2021 and 2020, respectively.

At December 31, 2021, the UMCF fund is invested within the Methodist Socially Principled Fund and Methodist Socially Principled Plus Fund. The objective of the Methodist Socially Principled Model is to provide a reasonable level of current income and simultaneously to protect the purchasing power of the principal against inflation, while following the underlying benchmarks investments. There is no guarantee that these objectives will be reached. The targeted allocation of the fund is 35% invested in a fixed income fund, 30% in a domestic large capitalization equity portfolio, 10% in a domestic small/mid-capitalization equity portfolio, and 25% in an

Note 4—Fair value of investments at UMCF and the Texas Methodist Foundation (continued)

international equity portfolio. This model is designed for those investors who are seeking a single asset allocation to provide broad diversification, reasonable income, and protection against inflation. The Foundation reserves the right to change the asset allocation or mix of this model as allowed by its statement of investment policy, objectives, and guidelines at any time without notice to participants. The objective of the Methodist Socially Principled Plus Model is to provide similar investment returns as the Methodist Socially Principled Fund but to reduce the volatility of the returns by increased portfolio diversification through the use of alternative investment strategies, including fund of hedge funds, long short hedge fund managers, credit and equity relative value strategies and managed futures that can utilize currency and commodity forwards and futures. There is no guarantee that these objectives will be reached. The targeted allocation of the fund is 30% invested in a fixed income fund, 25% in a domestic large capitalization equity portfolio, 10% in a domestic small/mid-capitalization equity portfolio, 15% in an international equity portfolio, and 20% in an alternative investment portfolio. This model is designed for those investors who are seeking an option to provide broad diversification, reasonable current income, and protection against inflation. The Foundation reserves the right to change the asset allocation or mix of this model as allowed by its statement of investment policy, objectives, and guidelines at any time without notice to participants.

At December 31, 2020, the UMCF fund was invested within the Balanced Fund and Balanced Plus Fund. The Balanced Fund's objective is to provide a reasonable level of current income and, simultaneously, to protect the purchasing power of the principal against inflation. The targeted allocation of the fund is 35% invested in a fixed income fund, 30% in a domestic large capitalization equity portfolio, 10% in a domestic small/mid-capitalization equity portfolio, and 25% in an international equity portfolio. This fund is designed for those investors who are seeking a single fund to provide broad diversification, reasonable current income, and protection against inflation. The Balanced Plus Fund's objective is to provide similar investment returns as the Balanced Fund, but to reduce the volatility of the returns by increased portfolio diversification through the use of alternative investment strategies. The targeted allocation of the fund is 30% invested in a fixed income fund, 25% in domestic large capitalization equity portfolios, 10% in domestic small/mid-capitalization equity portfolios, 15% in an international equity portfolio, and 20% in alternative investments consisting of funds of hedge funds and managed futures portfolios. This fund is designed for those investors who are seeking a single fund to provide broad diversification, reasonable current income, and protection against inflation.

In April 2006, the Plan invested $8,965,578 in the Methodist Loan Fund with the Texas Methodist Foundation. The investment matured in June 2012. As of December 31, 2021 and 2020, the Plan's investment at the Texas Methodist Foundation was $876 and $871, respectively.

Note 5—Federal income tax exemption

The Plan is organized exclusively for charitable, religious, and educational purposes and is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code under the group ruling for United Methodist affiliated organizations.

The Plan accounts for the effect of any uncertain tax positions based on a more likely than not threshold to the recognition of the tax positions being sustained based on the technical merits of the position under examination by the applicable taxing authority. If a tax position or positions are deemed to result in uncertainties of those positions, the unrecognized tax benefit is estimated based on a cumulative probability assessment that aggregates the estimated tax liability for all uncertain tax positions. Tax positions for the Plan include, but are not limited to, the tax-exempt status and determination of whether income is subject to unrelated business income tax; however, the Plan has determined that such tax positions do not result in an uncertainty requiring recognition.

Note 6—Related party transactions

During the years ended December 31, 2021 and 2020, the Plan sponsor provided services on behalf of the Plan for certain accounting and administrative services. Those amounts incurred by the Plan sponsor related to payroll and operating costs were allocated to the Plan in the amount of $662,502 and $559,732, respectively, and are included in the Plan sponsor service fees on the accompanying statements of changes in benefit obligations and net assets available for Plan benefits. As discussed in Note 2, at December 31, 2021 and 2020, certain of the Plan's investments, totaling $831,321 and $8,419,480, respectively, are held by the Plan sponsor in the short-term pooled investment fund.

Note 7—Contingencies

The Protocol of Reconciliation and Grace Through Separation was introduced as legislation in early 2020 for the upcoming General Conference. This joins other legislative proposals that if adopted by the General Conference would provide an alternative way for churches to separate from the United Methodist Church. These proposals include a provision for new denominations to receive financial payments from the United Methodist Church and retain their real estate. The scheduled General Conference has been delayed until 2024, and the financial impact resulting from these potential separations on the Plan is unknown at this time.

Note 8—Subsequent events

Management has evaluated subsequent events through August 31, 2022, the date the financial statements were available for issuance.