# GENERAL COUNCIL ON FINANCE AND ADMINISTRATION OF THE UNITED METHODIST CHURCH AND AFFILIATES

CONSOLIDATED FINANCIAL STATEMENTS AND SUPPLEMENTARY INFORMATION

***As of and for the Years Ended December 31, 2022 and 2021***

***And Report of Independent Auditor***

Cherry Bekaert LLP

*Your Guide Forward*

**GENERAL COUNCIL ON FINANCE AND ADMINISTRATION OF THE UNITED METHODIST CHURCH AND AFFILIATES**

TABLE OF CONTENTS


**REPORT OF INDEPENDENT AUDITOR** .......... 1-3

**CONSOLIDATED FINANCIAL STATEMENTS**

Consolidated Statements of Financial Position .......... 4
Consolidated Statements of Activities .......... 5
Consolidated Statements of Functional Expenses .......... 6-7
Consolidated Statements of Cash Flows .......... 8
Notes to the Consolidated Financial Statements .......... 9-41

**SUPPLEMENTARY INFORMATION**

Consolidating Statement of Financial Position .......... 42-43
Consolidating Statement of Activities by Net Asset Category .......... 44-45
Statement of Functional Expenses for GCFA (Non-Consolidated) and Comparison to Budget (Unaudited) .......... 46-47
Incurred and Cumulative Paid Losses and Allocated Loss Adjustment Expenses, Net of Reinsurance (Unaudited) .......... 48-50
Average Annual Percentage Payout of Incurred Losses by Age (Unaudited) .......... 51

Cherry Bekaert LLP
Your Guide Forward

# Report of Independent Auditor

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

## Opinion

We have audited the accompanying consolidated financial statements of the General Council on Finance and Administration of The United Methodist Church and affiliates, which comprise the consolidated statements of financial position as of December 31, 2022 and 2021, the related consolidated statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the consolidated financial statements.

In our opinion, based on our audits and the report of other auditors, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of the General Council on Finance and Administration of The United Methodist Church and affiliates as of December 31, 2022 and 2021, the changes in their net assets and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

We did not audit the financial statements of a controlled nonprofit affiliate, United Methodist Insurance Company, Inc. ("UMI"), whose statements reflect total assets of $8,467,707 and $6,475,092 as of December 31, 2022 and 2021, respectively, and total support and revenues of $239,621 and $458,172 for the years then ended, respectively. Those statements were prepared in accordance with accounting practices prescribed or permitted by the Vermont Department of Financial Regulation, which is a basis of accounting other than accounting principles generally accepted in the United States of America. Those statements were audited by other auditors whose report has been furnished to us. We have applied audit procedures on the conversion adjustment to the financial statements of UMI, which conform those financial statements to accounting principles generally accepted in the United States of America. Our opinion, insofar as it relates to amounts included for UMI, prior to the conversion adjustment, is based solely on the report of other auditors.

## 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 Consolidated Financial Statements* section of our report. We are required to be independent of the General Council of Finance and Administration of The United Methodist Church and affiliates and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to out 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 Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated 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 consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the General Council on Finance and Administration of the United Methodist Church and affiliates' ability to continue as a going concern within one year after the date that the consolidated financial statements are available to be issued.

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

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue and 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, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users made on the basis of these consolidated 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 consolidated 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 consolidated 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 General Council on Finance and Administration of The United Methodist Church and affiliates' 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 consolidated financial statements.

- Conclude, whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the General Council on Finance and Administration of The United Methodist Church and affiliates' 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 audits.

## OTHER MATTERS

*Other Information*

Our audits were conducted for the purpose of forming an opinion on the 2022 consolidated financial statements as a whole. The schedules on pages 42 – 47 are presented for purposes of additional analysis and are not a required part of the consolidated 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 consolidated financial statements. The information has been subjected to the auditing procedures applied in the audits of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated 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 consolidated financial statements as a whole.

## Report on Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the disclosures about short-duration insurance contracts on pages 48 – 51 be presented to supplement the consolidated financial statements. Such information, although not a part of the consolidated financial statements, is required by the Financial Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the consolidated financial statements in an appropriate operational, economic, or historical context. The required supplementary information has been subjected to certain limited procedures performed by other auditors in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to inquiries, the consolidated financial statements, and other knowledge obtained during the audit of the consolidated financial statements. The other auditors did not express an opinion or provide any assurance on the information as it relates to UMI, because the limited procedures did not provide them with sufficient evidence to express an opinion or provide any assurance.

Cherry Bekaert LLP

Charlotte, North Carolina
September 7, 2023

**GENERAL COUNCIL ON FINANCE AND ADMINISTRATION OF THE UNITED METHODIST CHURCH AND AFFILIATES**
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

*DECEMBER 31, 2022 AND 2021*

| | 2022 | 2021 |
|---|---|---|
| **ASSETS** | | |
| Cash and cash equivalents | $ 24,476,695 | $ 26,864,725 |
| Short-term investment portfolio - cash balance pool ("CBP") | 69,261,246 | 80,561,124 |
| Accrued interest and dividends receivable | 567,660 | 508,881 |
| Due from annual conferences | 22,396,883 | 27,477,398 |
| Accounts receivable | 1,123,578 | 845,285 |
| Prepaid expenses and other assets | 278,822 | 284,754 |
| Long-term investment portfolio | 75,076,873 | 70,583,340 |
| General Agency Benefit Trust assets | 148,588,482 | 190,402,745 |
| Lease right-of use-assets | 927,888 | - |
| Land and fixed assets, net | 776,990 | 5,667,028 |
| Premiums receivable, net of allowance for doubtful accounts | - | 248,228 |
| Reinsurance recoverable - paid losses | - | 319,013 |
| Reinsurance recoverable - unpaid losses | 6,411,144 | 3,517,935 |
| Commission receivable | - | 64,526 |
| Loss escrow | 125,000 | 149,985 |
| **Total Assets** | $ 350,011,261 | $ 407,494,967 |
| **LIABILITIES AND NET ASSETS** | | |
| Liabilities: | | |
| Accounts payable and accrued expenses | $ 2,054,349 | $ 2,664,496 |
| Due to Related Organizations: | | |
| General agencies - CBP | 29,438,955 | 42,906,334 |
| Other affiliated organizations | 421,471 | 234,157 |
| General advance specials | 12,368,677 | 15,743,804 |
| General Funds | 66,085,034 | 63,706,806 |
| Lease liability | 926,313 | - |
| General Agency Benefit Trust obligations | 148,588,482 | 190,402,745 |
| Funds held for investors in the UMC Foundation | 45,451,394 | 50,126,948 |
| Liability for losses and loss adjustment expenses | 6,984,169 | 3,973,830 |
| Losses payable | 31,690 | 203,097 |
| Commission payable | - | 9,256 |
| Deferred agency revenue | 147,434 | 200,236 |
| Surplus notes | 1,678,950 | 1,678,950 |
| Total Liabilities | 314,176,918 | 371,850,659 |
| Net Assets: | | |
| Without Donor Restrictions: | | |
| Invested in property and equipment | 776,990 | 5,667,028 |
| Board-designated | 236,377 | 238,357 |
| Undesignated | 21,507,284 | 13,243,795 |
| Total Without Donor Restrictions | 22,520,651 | 19,149,180 |
| With Donor Restrictions: | | |
| Subject to purpose restrictions | 19,410 | 19,410 |
| Endowment | 13,294,282 | 16,475,718 |
| Total With Donor Restrictions | 13,313,692 | 16,495,128 |
| Total Net Assets | 35,834,343 | 35,644,308 |
| **Total Liabilities and Net Assets** | $ 350,011,261 | $ 407,494,967 |

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

**GENERAL COUNCIL ON FINANCE AND ADMINISTRATION OF THE UNITED METHODIST CHURCH AND AFFILIATES**
CONSOLIDATED STATEMENTS OF ACTIVITIES

*YEARS ENDED DECEMBER 31, 2022 AND 2021*

| | 2022 | | | 2021 | | |
|---|---|---|---|---|---|---|
| | Without Donor Restrictions | With Donor Restrictions | Total | Without Donor Restrictions | With Donor Restrictions | Total |
| Operating Revenue and Support: | | | | | | |
| Allocation from UMC: | | | | | | |
| Allocation from the General Funds | $ 5,871,329 | $ - | $ 5,871,329 | $ 5,934,262 | $ - | $ 5,934,262 |
| Other Operating Income: | | | | | | |
| Investment return, net | 600,637 | 1,578 | 602,215 | 1,672,856 | 30,956 | 1,703,812 |
| Distribution from Benefit Trust | 1,358,041 | - | 1,358,041 | 1,286,380 | - | 1,286,380 |
| Contributions and other | 594,691 | 312 | 595,003 | 688,080 | 275 | 688,355 |
| Grant income | - | 14,770 | 14,770 | 1,536,107 | - | 1,536,107 |
| Premiums earned, net of reinsurance | 59,651 | - | 59,651 | - | - | - |
| Other service fee income | 1,933,820 | - | 1,933,820 | 2,119,030 | - | 2,119,030 |
| Net assets released from restriction | 14,770 | (14,770) | - | - | - | - |
| Total Other Operating Income | 4,561,610 | 1,890 | 4,563,500 | 7,302,453 | 31,231 | 7,333,684 |
| Total Operating Revenue and Support | 10,432,939 | 1,890 | 10,434,829 | 13,236,715 | 31,231 | 13,267,946 |
| Operating Expenses: | | | | | | |
| Program Services: | | | | | | |
| Administration | 4,797,599 | - | 4,797,599 | 4,143,463 | - | 4,143,463 |
| Financial services | 1,363,937 | - | 1,363,937 | 1,304,840 | - | 1,304,840 |
| Management information systems | 2,203,417 | - | 2,203,417 | 2,188,235 | - | 2,188,235 |
| Statistics and records | 595,975 | - | 595,975 | 456,588 | - | 456,588 |
| Total Program Services | 8,960,928 | - | 8,960,928 | 8,093,126 | - | 8,093,126 |
| United Methodist Church Foundation: | | | | | | |
| Funds management | 144,645 | - | 144,645 | 132,236 | - | 132,236 |
| Management and general | 16,073 | - | 16,073 | 14,694 | - | 14,694 |
| United Methodist Insurance Company: | | | | | | |
| Insurance services | 965,198 | - | 965,198 | 611,228 | - | 611,228 |
| Total Operating Expenses | 10,086,844 | - | 10,086,844 | 8,851,284 | - | 8,851,284 |
| Excess of operating revenue over operating expenses | 346,095 | 1,890 | 347,985 | 4,385,431 | 31,231 | 4,416,662 |
| Nonoperating Revenues (Expenses): | | | | | | |
| Net (decrease) increase in Permanent Fund | - | (3,171,678) | (3,171,678) | - | 1,824,028 | 1,824,028 |
| Unrealized (losses) gainson debt securities to be held to maturity | (4,711,125) | (11,648) | (4,722,773) | (950,700) | 3,362 | (947,338) |
| Gain on sale of fixed assets | 7,766,130 | - | 7,766,130 | (1,342) | - | (1,342) |
| Other comprehensive loss | (29,629) | - | (29,629) | (21,513) | - | (21,513) |
| Total Nonoperating Revenues (Expenses) | 3,025,376 | (3,183,326) | (157,950) | (973,555) | 1,827,390 | 853,835 |
| Change in net assets | 3,371,471 | (3,181,436) | 190,035 | 3,411,876 | 1,858,621 | 5,270,497 |
| Net assets, beginning of year | 19,149,180 | 16,495,128 | 35,644,308 | 15,737,304 | 14,636,507 | 30,373,811 |
| Net assets, end of year | $ 22,520,651 | $ 13,313,692 | $ 35,834,343 | $ 19,149,180 | $ 16,495,128 | $ 35,644,308 |

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

# GENERAL COUNCIL ON FINANCE AND ADMINISTRATION OF THE UNITED METHODIST CHURCH AND AFFILIATES

## CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES

*YEAR ENDED DECEMBER 31, 2022*

| | Program Services | | | | | UMCF | | UMI | |
|---|---|---|---|---|---|---|---|---|---|
| | | | | | | Program Services | Supporting Services | Program Services | |
| | Administration | Financial Services | Management Information Systems | Statistics and Records | Total Program Services | Funds Management | Management and General | Insurance Services | Total |
| Salaries | $ 2,951,733 | $ 1,043,957 | $ 1,021,701 | $ 255,833 | $ 5,273,224 | $ 87,419 | $ 9,713 | $ 149,100 | $ 5,519,456 |
| Employee benefits | 905,992 | 325,236 | 318,548 | 88,243 | 1,638,019 | 15,881 | 1,765 | 26,229 | 1,681,894 |
| Continuing education | 13,248 | 1,159 | 1,198 | - | 15,605 | - | - | - | 15,605 |
| Retiree benefits | 85,266 | - | - | - | 85,266 | - | - | - | 85,266 |
| Grants | 4,770 | - | - | - | 4,770 | - | - | - | 4,770 |
| Telephone | 12,926 | 3,124 | 171,658 | 600 | 188,308 | 1,501 | 167 | 165 | 190,141 |
| Postage and freight | 4,734 | 324 | 5,144 | 23 | 10,225 | 69 | 8 | 12 | 10,314 |
| Printing | 1,660 | - | - | - | 1,660 | 13 | 1 | - | 1,674 |
| Office supplies | 4,648 | 642 | 723 | - | 6,013 | 856 | 95 | - | 6,964 |
| Rent | 99,199 | - | - | - | 99,199 | 5,431 | 604 | - | 105,234 |
| Moving expenses | 16,862 | - | - | - | 16,862 | - | - | | 16,862 |
| Subscriptions and memberships | 17,345 | 1,975 | 39,461 | - | 58,781 | 2,257 | 251 | - | 61,289 |
| Equipment replacement and maintenance | 287,573 | 446 | 116,857 | - | 404,876 | - | - | 2,011 | 406,887 |
| Software support and maintenance | 101,650 | 7,001 | 446,771 | 247,072 | 802,494 | 12,645 | 1,405 | - | 816,544 |
| Building repair and maintenance | 55,258 | - | - | - | 55,258 | - | - | - | 55,258 |
| Promotional materials/other office | 1,401 | - | - | - | 1,401 | 9,273 | 1,030 | - | 11,704 |
| Depreciation | 4,804 | - | 34,822 | - | 39,626 | - | - | - | 39,626 |
| Amortization of right of use assets | 4,901 | - | - | - | 4,901 | - | - | - | 4,901 |
| Professional fees | 827,382 | - | 35,050 | - | 862,432 | 66,644 | 7,405 | - | 936,481 |
| Meeting | 74,738 | - | - | - | 74,738 | 136 | 15 | 936 | 75,825 |
| Staff travel | 109,546 | 189 | 11,484 | 4,204 | 125,423 | 8,336 | 926 | 6,650 | 141,335 |
| Insurance | 81,616 | - | - | - | 81,616 | 4,523 | 503 | 3,710 | 90,352 |
| Bank/financing charges | 328 | 21,996 | - | - | 22,324 | - | - | 20,455 | 42,779 |
| Bad debt recovery | - | (5,000) | - | - | (5,000) | - | - | - | (5,000) |
| Overhead allocation | (870,633) | (97,915) | - | - | (968,548) | - | - | - | (968,548) |
| Policy acquisition and underwriting | | - | - | - | - | - | - | 779,682 | 779,682 |
| Other | 652 | 356 | - | - | 1,008 | 2,346 | 261 | 10,365 | 13,980 |
| Intercompany eliminations | - | 60,447 | - | - | 60,447 | (72,685) | (8,076) | (34,117) | (54,431) |
| Total Expenses for Operations | $ 4,797,599 | $ 1,363,937 | $ 2,203,417 | $ 595,975 | $ 8,960,928 | $ 144,645 | $ 16,073 | $ 965,198 | $ 10,086,844 |

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

**GENERAL COUNCIL ON FINANCE AND ADMINISTRATION OF THE UNITED METHODIST CHURCH AND AFFILIATES**
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES

*YEAR ENDED DECEMBER 31, 2021*

| | Program Services | | | | | UMCF | | UMI | |
|---|---|---|---|---|---|---|---|---|---|
| | | | | | | Program Services | Supporting Services | Program Services | |
| | Administration | Financial Services | Management Information Systems | Statistics and Records | Total Program Services | Funds Management | Management and General | Insurance Services | Total |
| Salaries | $ 2,803,158 | $ 999,737 | $ 1,161,790 | $ 250,246 | $ 5,214,931 | $ 82,321 | $ 9,147 | $ 139,917 | $ 5,446,316 |
| Employee benefits | 858,766 | 324,488 | 314,139 | 84,314 | 1,581,707 | 14,810 | 1,646 | 24,710 | 1,622,873 |
| Continuing education | 44,218 | 3,607 | 3,206 | 2,008 | 53,039 | 135 | 15 | - | 53,189 |
| Retiree benefits | 86,832 | - | - | - | 86,832 | - | - | - | 86,832 |
| Grants | (8,306) | - | - | - | (8,306) | - | - | - | (8,306) |
| Telephone | 13,786 | 1,255 | 192,086 | 630 | 207,757 | 1,501 | 167 | - | 209,425 |
| Postage and freight | 4,375 | 129 | 1,181 | - | 5,685 | 13 | 1 | 30 | 5,729 |
| Printing | 2,801 | - | - | - | 2,801 | - | - | - | 2,801 |
| Office supplies | 3,312 | 531 | 1,109 | - | 4,952 | 649 | 72 | 30 | 5,703 |
| Rent | - | - | - | - | - | 4,320 | 480 | - | 4,800 |
| Subscriptions and memberships | 9,285 | 1,142 | 426 | - | 10,853 | 4,300 | 478 | 420 | 16,051 |
| Equipment replacement and maintenance | 6,117 | 104 | 67,296 | - | 73,517 | 254 | 28 | - | 73,799 |
| Software support and maintenance | 65,889 | 8,434 | 424,122 | 119,390 | 617,835 | 9,380 | 1,042 | - | 628,257 |
| Building repair and maintenance | 121,800 | - | - | - | 121,800 | - | - | - | 121,800 |
| Promotional materials/other office | 294 | - | - | - | 294 | 3,607 | 401 | - | 4,302 |
| Depreciation | 135,933 | - | 53,673 | - | 189,606 | - | - | - | 189,606 |
| Professional fees | 738,184 | 14,575 | 14,829 | - | 767,588 | 64,510 | 7,168 | - | 839,266 |
| Meeting | 13,882 | - | - | - | 13,882 | 6 | 1 | 110 | 13,999 |
| Staff travel | 11,817 | 13 | 1,862 | - | 13,692 | 791 | 88 | 1,011 | 15,582 |
| Insurance | 78,444 | - | - | - | 78,444 | 4,706 | 523 | 5,961 | 89,634 |
| Bank/financing charges | - | 45,682 | - | - | 45,682 | - | - | 111,405 | 157,087 |
| Bad debt recovery | - | (5,000) | - | - | (5,000) | - | - | - | (5,000) |
| Overhead allocation | (847,161) | (90,055) | (47,484) | - | (984,700) | - | - | - | (984,700) |
| Policy acquisition and underwriting | - | - | - | - | - | - | - | 450,095 | 450,095 |
| Other | 37 | 198 | - | - | 235 | - | - | 4,564 | 4,799 |
| Intercompany eliminations | - | - | - | - | - | (59,067) | (6,563) | (127,025) | (192,655) |
| Total Expenses for Operations | $ 4,143,463 | $ 1,304,840 | $ 2,188,235 | $ 456,588 | $ 8,093,126 | $ 132,236 | $ 14,694 | $ 611,228 | $ 8,851,284 |

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

**GENERAL COUNCIL ON FINANCE AND ADMINISTRATION OF THE UNITED METHODIST CHURCH AND AFFILIATES**
CONSOLIDATED STATEMENTS OF CASH FLOWS

*YEARS ENDED DECEMBER 31, 2022 AND 2021*

| | 2022 | 2021 |
|---|---|---|
| **Cash flows from operating activities:** | | |
| Change in net assets | $ 190,035 | $ 5,270,497 |
| Adjustments to reconcile change in net assets to net cash flows from operating activities: | | |
| Depreciation | 39,626 | 189,606 |
| Noncash lease expense | 4,901 | - |
| Net losses on investments | 5,340,168 | 487,868 |
| (Gain) loss on disposal of fixed assets | (7,766,130) | 1,342 |
| Other comprehensive loss | 29,629 | 21,513 |
| Change in operating assets and liabilities: | | |
| Accrued interest and dividends receivable | (58,779) | 6,004 |
| Due from annual conferences | 5,080,515 | 2,599,740 |
| Accounts receivable | (278,293) | 66,984 |
| Prepaid expenses and other assets | 5,932 | 38,208 |
| General Agency Benefit Trust assets | 41,814,263 | (4,290,265) |
| Premiums receivable, net | 248,228 | 260,753 |
| Reinsurance recoverable - paid losses | 319,013 | (26,407) |
| Reinsurance recoverable - unpaid losses | (2,893,209) | 1,990,346 |
| Commission receivable | 64,526 | (64,526) |
| Loss escrow | 24,985 | 395,015 |
| Accounts payable and accrued expenses | (610,147) | 1,347,716 |
| Due to various agencies | (16,655,192) | (621,883) |
| Due to General Funds | 2,378,228 | 3,353,223 |
| Paycheck Protection Program deferred grant revenue | - | (1,978,756) |
| General Agency Benefit Trust obligations | (41,814,263) | 4,290,265 |
| Liability for losses and loss adjustment expenses | 3,010,339 | (2,167,671) |
| Losses payable | (171,407) | 112,771 |
| Reinsurance premiums payable | - | (144,912) |
| Commission payable | (9,256) | (3,506) |
| Deferred agency revenue | (52,802) | (16,302) |
| Net cash flows from operating activities | (11,759,090) | 11,117,623 |
| **Cash flows from investing activities:** | | |
| Change in funds held by investors in UMC Foundation | (4,675,554) | 10,179,522 |
| Change in participant balances in short-term investment portfolio - CBP | (13,467,379) | (7,769,794) |
| Net sales (purchases) of investments | 14,903,927 | (5,623,200) |
| Net sales (acquisitions) of fixed assets | 12,616,542 | (728,242) |
| Net cash flows from investing activities | 9,377,536 | (3,941,714) |
| **Cash flows from financing activities:** | | |
| Payments on finance lease obligation | (6,476) | - |
| Payment of surplus notes | - | (350,000) |
| Net cash flows from financing activities | (6,476) | (350,000) |
| Net change in cash and cash equivalents | (2,388,030) | 6,825,909 |
| Cash and cash equivalents, beginning of year | 26,864,725 | 20,038,816 |
| Cash and cash equivalents, end of year | $ 24,476,695 | $ 26,864,725 |
| **Supplemental schedule of noncash investing and financing activities:** | | |
| Right-of-use assets obtained in exchange for new operating and finance lease liabilities | $ 1,026,659 | $ - |

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

## Note 1—Nature of the organization

The General Council on Finance and Administration ("GCFA") of The United Methodist Church (the "Church") is an Illinois not-for-profit corporation. GCFA's primary function is to hold in trust and distribute certain monies voluntarily given by individual church members through their local churches for general Church benevolences and programs of the general agencies. GCFA serves as a conduit for these monies, which are transmitted to GCFA by annual conference treasurers and are distributed directly to The General Funds of The United Methodist Church (the "General Funds"), as specified. Revenue arising from receipt and expenses related to the distribution of such monies are recorded in the consolidated financial statements of the General Funds and not by GCFA. As defined in the Book of Discipline of The United Methodist Church, the General Funds are in actuality a series of restricted trust funds donated for specified purposes and benevolences to be carried out at the general level of the denomination. Such amounts aggregated $193,394,767 and $166,408,122 for 2022 and 2021, respectively.

GCFA also performs accounting and reporting functions for general agencies and related organizations; establishes policy governing the functions of banking, payroll, accounting, and budget control; performs oversight functions for invested funds of general agencies receiving general Church funds; takes legal steps to safeguard and protect the interests and rights of the denomination; publishes denominational statistics; and maintains an accurate record of the mailing addresses of active clergy and others.

In 1999, The United Methodist Church Foundation (the "Foundation") was incorporated as a Missouri not-for-profit corporation. The purpose of the Foundation is to: 1) further the principles of stewardship throughout the life of Church, 2) allow for the collective long-term investment of funds belonging to Church and to other eligible affiliated groups within the Church, and 3) develop endowment funds for the support of specified ministries of the Church. The Foundation is consolidated with GCFA because GCFA is the sole member of the corporation and controls board appointments for the Foundation.

During 2004, in order to help fulfill connectional, missional, and stewardship imperatives through the local church, GCFA implemented a long-term property and casualty insurance and risk management strategy for the Church in the United States. This was implemented by the creation of a Church owned and operated insurance company (all lines captive) with reinsurance partners who understand the denomination's need for flexibility, inclusiveness, and ownership. This insurance company was incorporated as The United Methodist Property and Casualty Trust ("PACT") in December 2004, as a District of Columbia not-for-profit corporation.

The United Methodist Insurance Company, Inc. ("UMI") was organized as a not-for-profit under the laws of the state of Vermont on April 5, 2011 and received a Certificate of Authority to conduct captive insurance operations from the state of Vermont Department of Financial Regulation (the "Department") on August 2, 2011. UMI commenced operations on August 26, 2011. UMI is wholly owned by GCFA. UMI was formed to provide cost effective risk management and an insurance program for the benefit of GCFAs members, which include annual conferences, local churches, and other organizations associated with the United Methodist denomination.

Effective December 18, 2013, UMI merged with PACT. Prior to the merger, PACT was an association captive domiciled in the District of Columbia. PACT was owned 75% by GCFA with the remaining interest owned by 20 funding members that are members or affiliates of GCFA. The merger was approved by the Department and the District of Columbia Department of Insurance, Securities, and Banking. In connection with the merger, UMI issued surplus notes to 18 former funding members of PACT totaling an original amount of $2,395,700 in exchange for their membership in PACT, as more fully described in Note 14.

## Note 1—Nature of the organization (continued)

Effective July 27, 2018, UMI formed United Methodist Insurance Agency, Inc. ("UMIA") as a wholly owned company. UMIA was formed to become the conduit between UMI and the third party insurance agent contracted to place new and renewal coverage for their members effective January 1, 2019.

In May 2018, GCFA decided to change the direction of the property and casualty insurance program of the Church. As a consequence, effective January 1, 2019, UMI ceased providing new and renewal coverage with the intention of having UMI's operations consist solely of the run-off of its insurance business, and the placement of coverage with third party insurers utilizing UMIA and the third party insurance agent. Effective March 1, 2019, due to lower than projected renewal rates into the UMIA third party insurer placements, UMI began writing property and casualty insurance coverage and ceded 100% of the risk to an approved reinsurer.

Beginning in January 1, 2020, UMI no longer writes direct coverage and has begun transitioning insurance placements for policyholders at policy renewal to third party insurers through UMIA and the third party insurance agent. As a consequence, UMI's operations consist solely of the run-off of its insurance business, and the placement of coverage with third party insurers utilizing UMIA and the third party insurance agent.

Due to the nature of UMI's operations and business purpose, there are no donor-imposed restrictions associated with UMI's net assets. As such, all net asset balances are considered to be without donor restrictions.

UMI operates utilizing dedicated employees and service providers. The various service provider agreements are with GCFA, Artex Risk Solutions ("Artex"); Sovereign, Gallagher Bassett Services, Inc. ("Gallagher Bassett"); Zurich American Insurance Company ("Zurich"); and York Risk Services Group ("York"), and formerly with Suracy.

Effective December 31, 1996, as directed by action of the 1996 General Conference, Wespath Benefits and Investments ("Wespath") transferred certain excess pension assets to the General Agency Benefit Trust ("Benefit Trust"). GCFA on behalf of agencies, which have voting rights, on GCFAs Committee on Personnel Policies and Practices, at the time of the creation of the Benefit Trust and their successors along with Wespath, are the beneficiaries of the Benefit Trust assets. Although the Benefit Trust is a separate legal entity, it has no financial reporting obligations and the value of the assets of the Benefit Trust would therefore not be reported unless included on the consolidated financial statements of the beneficiaries. As such, GCFA has reflected the value of the Benefit Trust assets for which GCFA is the beneficiary on the accompanying consolidated statements of financial position as well as an equal and offsetting obligation since the funds will ultimately benefit the agencies that are beneficiaries of the Benefit Trust's assets.

Funding for GCFAs operations is principally provided by allocations received from the General Funds, which are allocated to GCFA based on a four-year budget developed from projections of expected program costs. The allocation accounts for approximately 56% and 45% of GCFAs total operating revenue in 2022 and 2021, respectively. GCFAs continued existence is dependent upon the Church's future financial support. The Church's financial support of GCFA is dependent upon contributions from its congregations (i.e., congregational participation in the apportionment covenant).

These consolidated financial statements include the accounts of GCFA, the Foundation, and UMI (collectively, "GCFA" throughout these consolidated financial statements) and have been prepared on the accrual basis of accounting using the significant accounting policies described below.

## Note 2—Summary of significant accounting policies

*Basis of Presentation* – GCFA maintains its accounts in accordance with the principles and practices of fund accounting. Fund accounting is the procedure by which resources for various purposes are classified into funds that are in accordance with activities or objectives of GCFA. Separate accounts are maintained for each fund. For reporting purposes, GCFAs consolidated financial statements have been prepared to focus on the organization as a whole and to classify balances and transactions into two net asset categories based on the existence or absence of donor-imposed restrictions. Descriptions of the two net asset categories and the types of transactions affecting each category are 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 GCFA. These net assets may be used at the discretion of GCFAs management and the Board of Directors. GCFA has chosen to provide further classification information about net assets without donor restrictions on the consolidated statements of financial position. The sub classifications are as follows:

*Invested in Property and Equipment* – Represents net assets invested in property and equipment, net of accumulated depreciation.

*Board-Designated* – Represents resources set aside by the Board of Directors to be used for specific activities within guidelines established by the Board.

*Undesignated* – Represents the cumulative net assets without donor restrictions excluding those net assets invested in property and equipment and designated for specific activities.

*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 GCFA or by the passage of time. Other donor restrictions are perpetual in nature, whereby the donor has stipulated 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 consolidated statements of activities.

Revenue is reported as increases in net assets without donor restrictions unless use of the related assets is limited by donor-imposed restrictions. Expenses are reported as decreases in net assets without donor restriction. Gains and losses on investments and other assets or liabilities are reported as increases or decreases in net assets without donor restrictions unless their use is restricted by explicit donor stipulation or by law. Expirations of temporary restrictions on net assets are reported as reclassifications from net assets with donor restrictions to net assets without donor restrictions.

Contributions are recognized when cash, other assets, or an unconditional promise to give is received. Conditional promises to give, that is, those with a measurable performance or other barrier, and a right of return or right of release, are not recognized until the conditions on which they depend have been substantially met. Contributions of assets other than cash are recorded at their estimated fair value.

GCFA is reimbursed for services performed for the general agencies and related organizations through an allocation from the General Administration Fund and earnings on invested funds. Additionally, GCFA is reimbursed through fixed charges to the World Service Fund, the Episcopal Fund, the Interdenominational Cooperation Fund, and the Youth Services Fund, as well as from Special Sundays.

## Note 2—Summary of significant accounting policies (continued)

*Allowance for Doubtful Accounts* – Allowances for doubtful accounts total $433,702 and $438,702 as of December 31, 2022 and 2021, respectively, to provide for the potential non-payment of outstanding amounts due from an affiliated organization and premium receivable balances in excess of 90 days outstanding.

*Cash and Cash Equivalents* – Cash and cash equivalents are all highly liquid investments with original maturities of three months or less at date of purchase.

*Concentration of Credit Risk* – Financial instruments that potentially subject GCFA to concentrations of credit risk consist of cash and cash equivalent accounts in financial institutions, which from time to time exceed the Federal Deposit Insurance Corporation ("FDIC") limits, money market accounts with investment companies, and direct investments in obligations of individual businesses or quasi-governmental organizations. Management monitors balances in excess of limits insured by the FDIC and believes that these balances do not represent a significant credit risk.

*Investments* – Investments are carried at fair value based on quoted market prices or audited financial statements of the investee. Purchases and sales of investments are recorded on the trade date. Dividend income is recorded on the ex-dividend date. Interest income is recognized on the accrual basis. Realized gains and losses are determined on the basis of first-in, first-out methodology.

GCFA has placed long-term investments with the Foundation for their management. The Foundation has established, for accounting purposes, an initial unit value for an accounting unit of the common investment funds held by the Foundation. The Foundation assigns units to participants based on the participants' net assets divided by the unit value. At all times, the total value of the common investment funds' net assets divided by the total of all participants' units will equal the unit value. The unit value of the common investment funds' net assets will be determined on each valuation date. The valuation of the assets of the Foundation is based on the fair value of the common investment fund investments as of the valuation date, which is the last day of each month.

*Property and Equipment* – Fixed assets are reported at cost at date of acquisition, or fair value at date of donation in the case of gifts. GCFA capitalizes and depreciates property and equipment of $5,000 or more. Depreciation is provided over the estimated useful lives (3 to 40 years) of the respective assets, using the straight-line method with a modified half-year convention. The modified half-year convention treats property placed in service or retired during the first half of the year as being made on the first day of the year. Thus, a full-year's depreciation under this method is allowed on property placed in service in the first six months, and no depreciation is allowed on property placed in service in the second six months.

*Due to General Agencies – Cash Balance Pool ("CBP")* – The amount due to general agencies represents amounts due to participants in the CBP which is managed by GCFA on behalf of certain general agencies and related organizations. GCFA allocates interest earned on CBP investments to the general agencies and related organizations. Interest earned is calculated and distributed annually and is based on monthly account balances for these agencies and related organizations. Distributions to the agencies and related organizations are based on GCFA's policy in the following steps:

1. The net pool return for the month to be paid by GCFA to the beneficiary agencies is the 1-month US Treasury Bill Rate prevailing as of the 3 PM close of the first business day of the month plus a spread between 35 to 50 basis points. GCFA can modify the spread at its discretion, in which case the CBP beneficiaries will be notified of the new spread prior to the end of the prior month. This spread can be either an addition or subtraction from the 1-month U.S. Treasury Bill Rate. In months when the return of the CBP is less than 50 basis points, the payout to the CPB beneficiaries will be set at 50 basis points. In months when the return of the CBP is more than 50 basis points, the payout to the CBP beneficiaries shall not exceed the return of the CBP.

## Note 2—Summary of significant accounting policies (continued)

2. The net pool return will be earned on all monies deposited up to the individual agency limit of 1.5 times the average cash pool balance for the previous two years. Above this limit, the agency will earn a net portfolio return of 1-month US Treasury Bill Rate minus 15 basis points.

*Use of Estimates* – The preparation of consolidated financial statements in conformity with accounting principles generally accepted in the United States of America ("U.S. GAAP") requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and contingent assets and liabilities at the consolidated financial statement date, as well as the reported amounts of revenue and expenses during the period. Actual results could differ from those estimates.

*Functional Allocation of Expenses* – GCFAs costs of providing administrative services on behalf of the general agencies and the Church have been summarized on a functional basis in the consolidated statements of activities. Accordingly, certain costs have been allocated among program services and supporting services benefited. Such allocations are determined by management on an equitable basis.

The expenses that are allocated include the following:

| Expense | Method of Allocation |
|---|---|
| Salaries | Time and effort |
| Employee benefits | Time and effort |

*Premiums* – Premiums written are earned ratably over the terms of the policies to which they relate. Premiums written relating to the unexpired portion of policies in force at the balance sheet date are recorded as unearned premiums. Premiums ceded pursuant to reinsurance agreements are expensed over the terms of the underlying policies, to which, they relate and are netted against earned premiums. Ceded premiums relating to the unexpired portion of underlying reinsurance agreements are recorded as prepaid reinsurance premiums.

UMI recognizes premium deficiencies when there is a probable loss on an insurance contract. Premium deficiencies are recognized if the sum of expected losses and loss adjustment expenses, expected dividends to policyholders, unamortized deferred acquisition costs, and maintenance costs exceeded unearned premiums and anticipated investment income. No premium deficiency reserve has been recorded as of December 31, 2022 and 2021.

*Contingent Ceding Commissions* – Ceding commissions earned on the reinsurance contract with Swiss Re America Corporation ("Swiss Re") prior to December 31, 2018 were adjustable based on loss experience within the respective treaties. Effective January 1, 2018, the Swiss Re agreement was revised to replace the contingent ceding commission with a profit commission. Contingent ceding commission accrued for both years ended December 31, 2022 and 2021 was $71,695 and is included as a component of accounts payable and accrued expenses. As adjustments to the ultimate losses projected under the treaty are revised, associated adjustments to the commissions will be reflected in current operations.

*Agency Commission Revenue* – Effective January 1, 2019, the Suracy agreement was amended to include agency commission royalty revenue payable to UMIA as a percentage of net written premium for each eligible policy written within 30 days of the end of each month. The royalty percentage is equal to 1% of the worker's compensation eligible policies and 3% for all other commercial eligible policies. Such revenue is earned over the terms of the policies to which the royalties relate. Unearned portions of agency commission royalties are recorded as deferred agency revenue. Commission adjustments for policy cancelations are recorded when they become known as an offset to deferred agency revenue.

## Note 2—Summary of significant accounting policies (continued)

On June 17, 2022, Suracy terminated its agency agreement with UMIA. As of December 31, 2022, UMIA estimates $147,434 of agency commissions due from Suracy, which is composed of unearned commissions at the date of termination that Suracy has asserted are not due under the terms of the contract. UMI believes that the unearned commissions continue to be due under the terms of the contact, has engaged external council and initiated an action against Suracy in August 2022 for breach of the agency agreement and to recover the disputed claims. Suracy denies UMI's claim and filed a counterclaim against UMI alleging breach of the agency agreement and libel. UMI intends to vigorously pursue its claim and defend its counter claim. As such, UMI believes no allowance for doubtful accounts is necessary associated with the agency commission as of December 31, 2022. UMI has also recorded a deferred agency revenue liability of $147,434 at December 31, 2022 associated with the disputed fees.

Effective June 21, 2022, UMI transitioned insurance placements for new business and existing policyholders, as of June 21, 2022 through renewal, to third party insurers through UMIA and Sovereign. Agency commission royalty revenue is payable to UMIA as a percentage of net written premium for each eligible policy written within 30 days the of receipt of commission payments from the insurance carrier underwriting the referred customer policy. The royalty percentage is equal to 30% percent of the commissions earned by Sovereign for New Book of Business referred by UMIA, or 20% percent of the commissions earned by Sovereign per year for renewals of New Book of Business. Such revenue is earned over the terms of the policies to which the royalties relate. Unearned portions of agency commission royalties are recorded as deferred agency revenue. Commission adjustments for policy cancellations are recorded when they become known as an offset to deferred agency revenue.

Agency commission revenue is recorded as a component of other service fee income on the consolidated statement of activities. Agency fees receivable are recorded as a component of premiums receivable on the consolidated balance sheets. As of December 31, 2022, the opening agency fees receivable balance was $245,226 and the closing balance was $165,264. As of December 31, 2021, the opening agency fees receivable balance was $356,520 and the closing balance was $245,226.

*Policy Acquisition and Other Underwriting Expenses* – Policy acquisition and other underwriting expenses include program expenses incurred in the production of new or renewal business are deferred and amortized over the terms of the policies to which they relate. Unamortized portions of policy acquisition costs and other underwriting expenses are recorded as deferred policy acquisition costs.

*Liability for Losses and Loss Adjustment Expenses* – The liability for unpaid losses and loss adjustment expenses reported in the consolidated financial statements includes case-basis estimates of reported losses, plus supplemental amounts for projected incurred but not reported (“IBNR”) losses plus expected development on reported claims. UMI received a waiver from the Department on December 22, 2022, for the December 31, 2022 actuarial certification requirement under Vermont captive insurance law. As such, as of December 31, 2022, IBNR was estimated by management using the actuarially derived ultimates from 2021. A calculation was performed by which the 2021 ultimates were increased during 2022 when the sum of case-basis losses and loss expense reserves and inception to date paid losses and loss expenses exceeded the 2021 selected ultimate. Once calculated, the case-basis losses and loss expense reserves and inception to date paid losses and loss expenses were removed from the ultimate. The remaining portion of the ultimate represented the estimated IBNR.

During 2021, the IBNR was estimated using loss projections prepared by a consulting actuary utilizing certain actuarial assumptions. IBNR reserves were derived from the difference between the projected ultimate losses and loss expenses incurred and the sum of case-basis losses and loss expense reserves, and inception-to-date paid losses and loss expense. Ultimate losses were projected at each reporting date. Actuarial methods utilized included the estimated ultimate incurred, paid and case methods.

## Note 2—Summary of significant accounting policies (continued)

Management believes that its aggregate liability for unpaid losses and loss adjustment expenses at year-end represents its best estimate of the amount necessary to cover the ultimate cost of losses. However, because of uncertainty related to the limited population of insured risks, limited historical data, economic conditions including inflation, judicial decisions, legislation, revisions of statutes of limitations and other matters, it is not presently possible to determine whether actual loss experience will conform to the assumptions used in estimating the liability. As a result, the actual liability may be significantly in excess of or less than the amount indicated in the consolidated financial statements. As adjustments to these estimates become necessary such adjustments are reflected in current operations.

*Reinsurance Recoverable – Unpaid Losses* – Reinsurance recoverable on unpaid losses includes estimated amounts of unpaid losses and loss adjustment expenses, which are expected to be recoverable from reinsurers pursuant to reinsurance agreements. Such amounts have been estimated using actuarial assumptions consistent with those used in establishing the liability for losses and loss adjustment expenses. Management believes reinsurance recoverable, as recorded, represents its best estimate of such amounts; however, as changes in the estimated ultimate liability for losses and loss adjustment expenses are determined, the estimated ultimate amount recoverable from reinsurers will also change. Accordingly, the ultimate recoverable could be significantly in excess of or less than the amount indicated in the consolidated financial statements. As adjustments to these estimates become necessary, such adjustments are reflected in current operations.

UMI relies on ceded reinsurance to limit its insurance risk as described further in Note 14. In the event that any or all of the reinsuring companies are unable to meet their obligations under existing reinsurance agreements, UMI would be contingently liable for such amounts. In preparing consolidated financial statements, management makes estimates of the amounts recoverable from reinsurers, which includes consideration of amounts, if any, estimated to be uncollectible based on assessment of factors including management's assessment of the creditworthiness of the reinsurers. Management evaluated the creditworthiness of its reinsurers and determined that no specific valuation allowance was required at December 31, 2022 and 2021.

*Reinsurance Recoverable – Paid Losses* – Reinsurance recoverable on paid losses includes amounts of losses and loss adjustment expenses paid by UMI, which are expected to be recoverable from the reinsurers pursuant to reinsurance agreements. Management has determined that no provision for uncollectible reinsurance recoveries is necessary as of December 31, 2022 and 2021.

*Loss Escrow* – The loss escrow fund represents funds held by Gallagher Bassett, Zurich, and York, which are utilized to pay losses and loss adjustment expenses.

*Losses Payable* – Losses payable represent the liability associated with the payment for loss and loss adjustment expenses that are due and have been approved by UMI for payment, for which payments are in process at year-end.

## Note 2—Summary of significant accounting policies (continued)

*Financial Instruments* – Assets recorded at fair value in the consolidated statements of financial position 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* – Quoted prices in active markets that are accessible at the measurement date for identical securities.

*Level 2* – Quoted prices in markets that are not considered to be active or financial instruments for which all significant inputs are observable, either directly or indirectly. Inputs include quoted prices for similar assets and liabilities in active markets, inputs that are derived from investment manager reporting or corroborated by an independent advisor, and inputs obtained with benchmarks for similar assets for substantially the full term on the financial investments. If market quotations are not readily available for valuations, assets may be valued by a method the investment manager of the fund believes accurately reflects fair value.

*Level 3* – Prices or valuations that require using significant unobservable inputs in determining fair value. The inputs into the determination of fair value require significant judgment or estimation by the investment manager. The investment manager uses either the market approach, which generally consists of using comparable market transactions, or the income approach, which generally consists of the net present value of estimated future cash flows, adjusted as appropriate for liquidity, credit, market, and/or other risk factors.

*Income Taxes* – GCFA and the Foundation are organized exclusively for charitable, religious, and educational purposes and has received a determination letter for the denomination from the Internal Revenue Service indicating it is exempt from federal income tax under Section 501(c)(3) of the U.S. Internal Revenue Code (the "IRC"). UMI is also a tax-exempt entity under Section 501(c)(3) of the IRC. GCFA, the Foundation, and UMI are also exempt from filing a Form 990 due to their affiliation with a religious organization as described in Section 509(a) of the IRC.

GCFA 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 GCFA include, but are not limited to, the tax-exempt status and determination of whether income is subject to unrelated business income tax; however, GCFA has determined that such tax positions do not result in an uncertainty requiring recognition.

*Recent Accounting Pronouncements* – In February 2016, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") 2016-02, *Leases* ("Topic 842"), which supersedes existing guidance for accounting for leases under Topic 840, *Leases*. FASB also subsequently issued additional ASU's which amend and clarify Topic 842. The most significant change in the new leasing guidance is the requirement to recognize right-of-use ("ROU") assets and lease liabilities for leases on the statement of financial position.

GCFA adopted these ASU's, effective January 1, 2022, using the modified retrospective approach. As a result of adopting these ASUs, GCFA recorded ROU assets and lease liabilities of approximately $1,026,659. Adoption of the new lease standard did not materially impact GCFA's net assets and had no impact on cash flows.

## Note 3—Liquidity and availability of resources

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

| | 2022 | 2021 |
|---|---|---|
| Financial assets at year-end: | | |
| Cash and cash equivalents | $ 24,476,695 | $ 26,864,725 |
| Investments, at fair value | 144,338,119 | 151,144,464 |
| Accrued interest and dividends receivable | 567,660 | 508,881 |
| Due from annual conferences | 22,396,883 | 27,477,398 |
| Accounts receivable | 1,123,578 | 845,285 |
| General Agency Benefit Trust assets | 148,588,482 | 190,402,745 |
| Premiums receivable, net of allowance for doubtful accounts | - | 248,228 |
| Commissions receivable | - | 64,526 |
| Total financial assets | 341,491,417 | 397,556,252 |
| Less amounts not available to be used for general expenditures within one year: | | |
| Net assets in endowments subject to donor restriction | 13,294,282 | 16,475,718 |
| Net assets subject to purpose restriction | 19,410 | 19,410 |
| Due to related organizations: | | |
| General agencies - CBP | 29,438,955 | 42,906,334 |
| Other affiliated organizations | 421,471 | 234,157 |
| General advance specials | 12,368,677 | 15,743,804 |
| General Funds | 66,085,034 | 63,706,806 |
| Board-designated net assets limited to use | 236,377 | 238,357 |
| General Agency Benefit Trust obligations | 148,588,482 | 190,402,745 |
| Funds held for investors in the UMC Foundation | 45,451,394 | 50,126,948 |
| Financial assets not available to be used within one year | 315,904,082 | 379,854,279 |
| Financial assets available to meet general expenditures within one year | $ 25,587,335 | $ 17,701,973 |

GCFA considers general expenditures to include program expenses, supporting services, and any other commitments or liabilities to be paid in the subsequent year. As part of GCFAs liquidity management plan, it structures its financial assets to be available as its obligations become due. GCFA has certain board-designated and donor-restricted assets limited to use which are not available for general expenditure within one year in the normal course of operations. Accordingly, these assets have been included in assets not available for general expenditures within one year. These assets, which are limited to use, are more fully described in Notes 10 and 11.

Included in GCFA’s consolidated financial assets are funds that are held for other related organizations, since these funds represent amounts due to these related organizations, the funds are not available for use by GCFA and are, therefore, included in assets not available for general expenditure within one year.

Benefit Trust assets are investments to be used for the benefit of certain general agencies of the Church to partially fund retiree and active employee benefit costs. Although GCFA is a co-trustee of these funds, the funds cannot be used for general expenditures of GCFA and are, therefore, included in assets not available for general expenditure within one year.

## Note 3—Liquidity and availability of resources (continued)

Funds held for investors in the Foundation are investments held by the Foundation as fiduciary. These assets are only available to the applicable investor for which the Foundation holds the funds and, accordingly, are included in assets not available for general expenditure within one year.

## Note 4—Investments

*Short-Term Investments Portfolio – CBP* – The operating cash requirements of substantially all entities of the Church are managed on a central basis by GCFA. When an organization has surplus funds, they are deposited with GCFA for investment. When additional funds are required, funds will be returned by GCFA or GCFA may loan required funds to the entity. GCFA allocates interest earned on such short-term investments to the general agencies and related organizations. Interest income allocated to agencies and related organizations totaled $555,447 and $1,620,344 in 2022 and 2021, respectively, and has been reported as a reduction in investment return in the accompanying consolidated statements of activities.

The short-term pooled investments portfolio at December 31, 2022 and 2021 consists of the following:

| | 2022 | | 2021 | |
|---|---|---|---|---|
| | Fair Value | Cost | Fair Value | Cost |
| Texas Methodist Foundation Loan Fund | $ 9,387,475 | $ 9,387,475 | $ 15,768,015 | $ 15,788,748 |
| Mutual funds | 15,660,236 | 17,030,262 | 18,808,951 | 18,106,948 |
| Short-term collateralized loan fund | 162,230 | 162,230 | 160,337 | 160,337 |
| Fixed income | 7,079,018 | 7,262,499 | 8,601,637 | 8,165,448 |
| Corporate bonds | 36,972,287 | 38,884,946 | 37,222,184 | 35,447,743 |
| Cash | 10,500,036 | 10,500,036 | 10,531,140 | 10,531,140 |
| Total investments | $ 79,761,282 | $ 83,227,448 | $ 91,092,264 | $ 88,200,364 |

Cash reflected above represents cash held in investment accounts and is included in cash and cash equivalents on the consolidated statements of financial position. Cash held in the short-term investments portfolio does not include cash on deposit in other operating depository bank accounts.

When an agency has surplus funds, they are invested by GCFA in the short-term pooled investment fund. GCFA allocates interest earned to the agencies invested in the pool based upon their pro rata share of the pool on a monthly basis. The overall return for the short-term pooled investment fund for the years ended December 31, 2022 and 2021 was 1.09% and 2.73%, respectively. The overall rate of return for each agency may fluctuate due to fluctuating balances throughout the year and the timing of investment gains and losses. The allocation of funds in the short-term investment pool as of December 31:

| | 2022 | 2021 |
|---|---|---|
| Texas Methodist Foundation Loan Fund | 11.8% | 17.3% |
| Mutual funds | 19.6% | 20.6% |
| Short-term collateralized loan fund | 0.2% | 0.2% |
| Fixed income | 8.9% | 9.4% |
| Corporate bonds | 46.3% | 40.9% |
| Cash | 13.2% | 11.6% |
| | 100.0% | 100.0% |

## Note 4—Investments (continued)

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

| | 2022 | 2021 |
|---|---|---|
| Interest and dividends, net of interest paid to depositors | $ 1,231,905 | $ 1,255,591 |
| Realized and unrealized losses | (5,340,168) | (487,868) |
| Investment fees | (12,295) | (11,249) |
| | $ (4,120,558) | $ 756,474 |

| | 2022 | 2021 |
|---|---|---|
| Operating investment return | $ 602,215 | $ 1,703,812 |
| Unrealized losses on debt securities to be held to maturity | (4,722,773) | (947,338) |
| | $ (4,120,558) | $ 756,474 |

It is GCFAs policy to classify any unrealized gains or losses resulting from debt securities that are intended to be held to maturity as nonoperating gains or losses on the consolidated statements of activities.

*Long-Term Investments Portfolio* – Long-term investments represents amounts held by the Foundation on behalf of the participants invested with the Foundation as well as investments held in trust related to UMI and consist of the following as of December 31:

| | 2022 | | 2021 | |
|---|---|---|---|---|
| | Fair Value | Cost | Fair Value | Cost |
| Long-term investments portfolio | | | | |
| UMC Foundation: | | | | |
| Cash and cash equivalents | $ 13,029,189 | $ 13,032,576 | $ 3,250,984 | $ 3,250,984 |
| Mutual funds | 4,104,415 | 5,013,619 | 3,435,314 | 3,267,521 |
| Common stocks | 38,274,420 | 35,195,428 | 45,070,782 | 33,366,059 |
| Government securities | 9,619,206 | 10,163,897 | 8,433,168 | 8,232,902 |
| Corporate bonds | 5,241,019 | 5,694,009 | 6,400,221 | 6,412,535 |
| Alternative investments | 4,362,204 | 4,677,028 | 3,500,895 | 2,710,918 |
| Total UMC Foundation | 74,630,453 | 73,776,557 | 70,091,364 | 57,240,919 |
| Investments held in trust for UMI: | | | | |
| Domestic corporate bonds | 77,617 | 84,515 | 134,989 | 134,733 |
| Foreign corporate bonds | 26,459 | 28,377 | 32,736 | 32,672 |
| Domestic government securities | 342,344 | 361,151 | 324,251 | 322,564 |
| Total UMI | 446,420 | 474,043 | 491,976 | 489,969 |
| Total long-term investments portfolio | $ 75,076,873 | $ 74,250,600 | $ 70,583,340 | $ 57,730,888 |
| General Agency Benefit Trust assets: Multiple Asset Fund (held with Wespath) | $ 148,588,482 | $ 48,792,922 | $ 190,402,745 | $ 62,988,166 |

## Note 4—Investments (continued)

Investment return that was solely attributable to the Foundation and not to the participants consisted of the following for the years ended December 31:

| | 2022 | 2021 |
|---|---|---|
| Interest and dividends | $ 4,164 | $ 4,383 |
| Realized and unrealized (losses) gains | (19,985) | 55,062 |
| Investment fees | (853) | (918) |
| | $ (16,674) | $ 58,527 |

The Foundation offers a variety of common investment funds and specialized portfolios, each managed by one or more professional investment managers. The following is a summary of the primary funds in which participants may invest through the Foundation.

*Methodist Socially Principled 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 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.

*Methodist Socially Principled Plus Fund* – 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.

*Equity Fund* – The primary objective of the Equity Fund is growth of principal. Current income is low and of secondary importance. There is no guarantee that these objectives will be reached. The fund's targeted allocation is approximately 45% in domestic large capitalization stocks (both value and growth), 20% in domestic small/mid-capitalization stocks (both value and growth), and 35% in international stocks. 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.

## Note 4—Investments (continued)

The following is a summary of the primary funds in which participants may invest through the Foundation. (continued):

*Fixed Income Fund* – The Fixed Income Fund's objective is current income and preservation of nominal capital. No provision is made for protection against inflation. There is no guarantee that these objectives will be reached. The fund is primarily invested in government and corporate bonds, commercial paper, mortgage-backed securities, and collateralized mortgage securities. The fund is permitted to invest up to 10% in securities with "BB" or "B" ratings. The fund may invest up to 5% of portfolio market value in bank loans, interest-only or principal-only securities as conditions warrant. The fund is designed for investors whose main objective is current income.

*Short-Term Income Fund* – The Short-Term Income Fund's objective is liquidity and a reasonable rate of return. There is no guarantee that these objectives will be reached. This fund is designed for short-term investment of funds when the timing of the investor's liquidity needs is uncertain or variable.

*Money Market Fund* – The primary purpose of the Money Market fund is to provide a safe avenue for investing in secure and highly liquid, cash-equivalent, debt-based assets. The Money Market fund is characterized as a low-risk, low-return investment. The Adviser normally invests at least 99.5% of the fund's total assets in cash, U.S. Government securities and/or repurchase agreements that are collateralized fully (i.e., collateralized by cash or government securities).

*Preferred Deposit Fund* – The primary purpose of the Preferred Deposit Account is to provide a safe avenue for investing in secure and highly liquid, cash-equivalent, debt-based assets. The Preferred Deposit Account fund is characterized as a low-risk, low-return investment. Preferred Deposit is an FDIC-insured deposit account at Bank of America, N.A. offered through Merrill Lynch, Pierce, Fenner & Smith Incorporated.

The following table presents all of the investments of the Foundation by investment fund at December 31:

| | 2022 | | 2021 | |
|---|---|---|---|---|
| | **Fair Value** | **Cost** | **Fair Value** | **Cost** |
| Methodist Socially Principled Fund | $ 35,073,677 | $ 34,216,452 | $ 36,356,972 | $ 29,081,464 |
| Methodist Socially Principled Plus Fund | 22,773,881 | 22,811,773 | 26,760,607 | 22,379,381 |
| Preferred Deposit Fund | 5,451,954 | 5,435,690 | - | - |
| Equity Fund | 3,216,654 | 2,852,013 | 3,970,564 | 2,800,809 |
| Fixed Income Fund | 1,565,112 | 1,928,854 | 1,895,729 | 1,881,736 |
| Short-Term Income Fund | 1,115,626 | 1,100,575 | 1,107,492 | 1,097,529 |
| Money Market Fund | 5,433,549 | 5,431,200 | - | - |
| Total investments | $ 74,630,453 | $ 73,776,557 | $ 70,091,364 | $ 57,240,919 |

The following table summarizes the investment returns and expense ratios for certain funds managed by the Foundation. The yield information presented was taken from reports provided to the Foundation by its third party investment consultant and was not included in the scope of the Foundation's audit.

## Note 4—Investments (continued)

| | 2022 (Unaudited) | | | |
|---|---|---|---|---|
| | Methodist Socially Principled Fund | Methodist Socially Principled Plus Fund | Equity Fund | Fixed Income Fund |
| Investment return on the average participant's account, net of total expenses | -15.65% | -18.63% | -17.05% | -14.95% |
| Total expenses for the average participant's account | 0.75% | 0.70% | 0.83% | 0.91% |

| | 2021 (Unaudited) | | | |
|---|---|---|---|---|
| | Methodist Socially Principled Fund | Methodist Socially Principled Plus Fund | Equity Fund | Fixed Income Fund |
| Investment return on the average participant's account, net of total expenses | 17.15% | 6.37% | 0.01% | 5.00% |
| Total expenses for the average participant's account | 0.75% | 0.70% | 0.83% | 0.91% |

The expenses for the participant's account and the net investment return on the average participant's account above include the Foundation fees of 0.35% for all investors with $10 million or more under management and 0.40% for all other investors, which are assessed monthly.

Investment return attributable to investments held in trust for UMI consist of the following for the years ended December 31, 2022 and 2021:

| | 2022 | 2021 |
|---|---|---|
| Interest and dividends | $ 19,785 | $ 46,599 |
| Amortization expense | (1,757) | (2,085) |
| Realized and unrealized gains (losses) | (3,136) | 6,155 |
| Investment fees | (4,300) | (4,299) |
| | $ 10,592 | $ 46,370 |

## Note 5—Land and fixed assets, net

Property and equipment consist of the following as of December 31, 2022 and 2021:

| | 2022 | 2021 |
|---|---|---|
| Land | $ - | $ 1,752,408 |
| Building | - | 4,547,406 |
| Equipment | 1,017,593 | 3,026,514 |
| Software | 757,245 | 1,386,170 |
| Building improvements | - | 980,361 |
| Office furniture | 165,290 | 372,844 |
| Total land and fixed assets | 1,940,128 | 12,065,703 |
| Less accumulated depreciation and amortization | (1,163,138) | (6,398,675) |
| Land and fixed assets, net | $ 776,990 | $ 5,667,028 |

Depreciation expense totaled $39,626 and $189,606 for the years ended December 31, 2022 and 2021, respectively.

During the year ended December 31, 2020, management discovered that the deed to the Albright Chapel in Kleinfeltersville, Pennsylvania, was given to GCFA in 1976. This property is deemed a “Heritage Landmark” to The United Methodist Church, and the Book of Discipline at that time directed all such properties be held by GCFA. Management is currently determining the value, if any, that should be recorded for this asset.

In June 2022, the land and building owned by GCFA were sold for $13,150,000. The all-cash proceeds resulted in a gain of $7,766,130. As a result of the building sale, GCFA began leasing office space from The General Board of Discipleship/The Upper Room, a related party. The initial term of the lease is for twelve months ending on December 31, 2022 and allows for four extension periods of two years each.

## Note 6—Employee benefits

*Retirement Benefits* – Full-time laypersons and clergy employed by GCFA participate in the Retirement Plan for General Agencies. This defined contribution plan is administered by Wespath.

GCFA makes bi-weekly contributions to each eligible employee’s account held by Wespath based on 8% of annual employee compensation. Additionally, GCFA matches up to 2% of each employee’s contribution to their United Methodist Personal Investment Plan. Contributions made by GCFA for both components totaled $540,893 and $511,318 in 2022 and 2021, respectively.

*Health, Life, and Other Employee Benefits* – The General Agencies of The United Methodist Church Benefit Plan (the “Plan”), which qualifies for treatment as a multiemployer plan under ASC 715, *Compensation – Retirement Benefits,* provides medical, dental, life, and long- and short-term disability defined benefits to participants of the 11 general agencies, all Bishops covered by the Episcopal Fund, and employees of other United Methodist related organizations. Effective January 1, 2004, Plan amendments were made to change the retiree benefits offered and increase the related premiums paid by retirees.

GCFA provides health, dental, life, and other employee benefits for its active employees and health, dental, and life benefits to non-Medicare eligible retirees through the Plan. Retirees who are Medicare eligible, and who elect to enroll, are eligible for a Health Reimbursement Account up to $2,250 annually and $2,000 annually for their spouse, if applicable. Unused reimbursement funds continue to rollover to subsequent years until death of the retiree or their spouse, whichever is later.

## Note 6—Employee benefits (continued)

All of GCFA active employees are covered by the Plan. The cost of the benefits is recognized as an expense as premiums are paid. The total cost of benefits for active employees was $730,528 and $733,898 in 2022 and 2021, respectively, exclusive of reimbursement from the Benefit Trust.

The Plan's unfunded accumulated postretirement benefit obligation was approximately $25,007,000 and $41,922,000 and the Plan's unfunded expected postretirement benefit obligation was approximately $32,535,000 and $60,056,000 as of December 31, 2022 and 2021, respectively.

*General Agency Benefit Trust* – The Benefit Trust assets for which GCFA is the beneficiary are segregated and invested in the Multiple Asset Fund at Wespath maintained for the benefit of (1) the Plan participants and (2) with regard to any excess assets, for the benefit of GCFA and various general agencies of the Church. These net excess assets have been reflected on the books of GCFA with a corresponding, offsetting liability of approximately $148,588,000 and $190,403,000 as of December 31, 2022 and 2021, respectively. While no liability is explicit under the terms of the Benefit Trust, GCFA does not believe the assets inure solely to its benefit. GCFA serves as beneficiary on behalf of the participating general agencies of the Church.

Wespath has transferred certain excess pension assets to the Benefit Trust established by the 1996 General Conference. Annually, the Benefit Trust allows a stated percentage, not to exceed 6% of the fair market value of Benefit Trust assets at year-end for which GCFA is the beneficiary to be available for distributions in the subsequent year in order to reimburse the participating agencies, through GCFA, for their funding of active and retiree employee benefits. In December 2022, the Benefit Trust agreement was amended to increase the annual distribution rate to a percentage not to exceed 8% beginning with Benefit Trust distributions on or after January 2023. Subsequent to year-end, in May of 2023, the agreement was amended to change the fair value measurement date from December 31st of the prior year to June 30th of the previous year starting on June 1, 2023. The total amount available for reimbursement in 2022 and 2021 was $11,424,000 and $11,167,000, respectively of which GCFA's share was $1,358,041 and $1,286,380, respectively, and is reflected in the accompanying consolidated statements of activities as operating revenue of GCFA. In each period, the difference between the total amount distributed and the retained GCFA share is distributed by GCFA to the other participating agencies.

## Note 7—Scarritt-Bennett Center

In 1987, Scarritt Graduate School (the "School") transferred the Nashville, Tennessee property formerly occupied by the School to GCFA and United Methodist Women ("UMW"). The property currently is known as the Scarritt-Bennett Center (the "Center") and operates as a conference, retreat, and educational center. As UMW has continued to support the Center through capital expenditures, GCFAs ownership interest has decreased. GCFA has recorded no value for this property on the consolidated statements of financial position.

## Note 8—Sale of Nashville building

In December 2005, United Methodist Men ("UMMen") purchased land and a building from GCFA for $750,000, which was estimated to be approximately $130,000 below the appraised value. In conjunction with this land and building purchase, UMMen entered into a deferred consideration agreement with GCFA. Under the agreement, UMMen agreed to pay GCFA 15% of the greater of (1) the net sales price, (2) the fair market value, or (3) the appraised value of the property if the property is conveyed. No amount has been accrued under this agreement as the land and building were not held for sale as of December 31, 2022, however, the property was sold subsequent to year-end and GCFA anticipates a repayment subject to the terms of this agreement.

## Note 9—Permanent fund

The Permanent Fund was established in prior years from various gifts from third parties. Since their receipt, the funds have been held by GCFA for the benefit of the general church. Earnings from the investment of these funds are held in these accounts until periodically designated by General Conference to be used for particular purposes. In 2008, by action of General Conference, all of the remaining assets of the Methodist Corporation Fund were transferred to the Permanent Fund.

GCFA has adopted investment and distribution policies for restricted assets that attempt to provide a predictable stream of funding to programs supported by the assets while seeking to maintain the purchasing power of the assets. GCFAs distribution policies in 2022 and 2021 assumed that the long-term rate of return on the invested assets for the foreseeable future would average approximately 6.5% annually. Actual returns in any given year routinely vary from estimated amounts. To satisfy its long-term rate of return objectives, GCFA relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). GCFA targets a diversified asset allocation that places a greater emphasis on equity-based investments to achieve its long-term return objectives within prudent risk constraints.

During 2022 and 2021, GCFA had a policy of distributing an amount to the World Service Fund equal to 3.5% of the average balance of the invested assets for the 20 fiscal quarter-ends preceding the beginning of the distribution year. Periodically, if funds are available, other distributions may occur. This is consistent with GCFAs objective to maintain the purchasing power of the assets held in perpetuity or for a specified term, as well as to provide additional real growth through new gifts and investment return.

The activity of the Permanent Fund for the years ended December 31, 2022 and 2021 was as follows:

| | 2022 | 2021 |
|---|---|---|
| Contributions | $ 1,442 | $ 1,745 |
| Dividends and interest income | 328,515 | 389,313 |
| Unrealized investment (losses) gains | (2,885,376) | 2,010,314 |
| Gas royalties | 6,583 | 8,017 |
| Distributions to General Funds | (622,721) | (585,193) |
| Property taxes | (121) | (168) |
| Net (decrease) increase in Permanent Fund | $ (3,171,678) | $ 1,824,028 |

The Permanent Fund assets are included in the long-term investment portfolio on the consolidated statements of financial position. The net assets of the Permanent Fund are included in net assets with donor restrictions on the consolidated statements of financial position.

## Note 10—Board-designated net assets

Certain net assets without donor restrictions at December 31, 2022 and 2021 have been designated by the Board of Directors for the following purposes:

| | 2022 | 2021 |
|---|---|---|
| Annual Conference Administrative and Financial Support | $ 236,377 | $ 238,357 |

## Note 11—Net assets with donor restrictions

Net assets with donor restrictions at December 31, 2022 and 2021 have been restricted by the donors for the following purpose restrictions:

| | 2022 | 2021 |
|---|---|---|
| Subject to purpose restrictions: | | |
| The Professional Association of UMC Secretaries Scholarship Fund | $ 200 | $ 200 |
| The Professional Association of UMC Secretaries Adv Certification Program Fund | 2,352 | 2,352 |
| Data Services Study | 7,475 | 7,475 |
| UMC Foundation Summit Christian Stewardship | 9,383 | 9,383 |
| Total subject to purpose restrictions | 19,410 | 19,410 |
| Endowments: | | |
| The Professional Association of UMC Secretaries endowment | 50 | 50 |
| Permanent Fund endowment fund held in perpetuity | 5,511,693 | 5,510,251 |
| Accumulated earnings on Permanent Fund endowment fund | 7,634,899 | 10,808,019 |
| UMC Foundation endowment fund held in perpetuity | 80,184 | 79,872 |
| Accumulated earnings on UMC Foundation endowment fund | 67,456 | 77,526 |
| Total endowments | 13,294,282 | 16,475,718 |
| Total net assets with donor restrictions | $ 13,313,692 | $ 16,495,128 |

## Note 12—Endowment

The Foundation has established an endowment solely for the charitable purposes of the Church, with its principal objectives being the promotion and development of religious, charitable, and educational activities. In addition, the Permanent Fund held by GCFA, which is more fully described in Note 9, is a donor-restricted endowment fund established from various gifts from third parties for the benefit of the Church.

The Board of Directors of GCFA has interpreted the Uniform Prudent Management of Institutional Funds Act ("UPMIFA") as requiring the preservation of the fair value of the original gift date of the donor restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, GCFA classifies as donor-restricted net assets (a) the original value of gifts donated to the endowment, (b) the original value of subsequent gifts to the endowment, and (c) accumulations to the endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. Donor-restricted amounts not retained in perpetuity are subject to appropriation for expenditure by the Foundation in a manner consistent with the standard of prudence prescribed by UPMIFA.

### Note 12—Endowment (continued)

In accordance with applicable state laws, GCFA considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- The duration and preservation of the fund
- The purposes of the donor-restricted endowment fund
- General economic conditions
- The possible effect of inflation and deflation
- The expected total return from income and the appreciation of investments
- Other resources of GCFA
- The investment policies of GCFA

As of December 31, 2022 and 2021, GCFA had the following endowment net asset composition by type of fund:

| | 2022 | | |
|---|---|---|---|
| | Without Donor Restrictions | With Donor Restrictions | Total |
| Donor-restricted endowment funds: | | | |
| Original donor-restricted gift amount and amounts required to be maintained in perpetuity by donor | $ - | $ 5,591,927 | $ 5,591,927 |
| Accumulated investment gains | - | 7,702,355 | 7,702,355 |
| Endowment net assets, December 31, | $ - | $ 13,294,282 | $ 13,294,282 |

| | 2021 | | |
|---|---|---|---|
| | Without Donor Restrictions | With Donor Restrictions | Total |
| Donor-restricted endowment funds: | | | |
| Original donor-restricted gift amount and amounts required to be maintained in perpetuity by donor | $ - | $ 5,590,173 | $ 5,590,173 |
| Accumulated investment gains | - | 10,885,545 | 10,885,545 |
| Endowment net assets, December 31, | $ - | $ 16,475,718 | $ 16,475,718 |

From time to time, certain donor-restricted endowment funds may have fair values less than the amount required to be maintained by donors or by law (underwater endowments). GCFA has interpreted UPMIFA to permit spending from underwater endowments in accordance with prudent measures required under law. At December 31, 2022 and 2021, GCFA had no underwater endowments.

*Investment and Spending Policies* – GCFA may choose to make distributions of the income to any proper recipient. Distributions may only be made after the corpus of the endowment has reached $50,000 with the exception of special approval by the Board of Directors to distribute earnings prior to reaching $50,000. Distributions from the endowment will follow the distribution policy of the Church, which is based on a policy of total long-term return of 6.5%. The following percentages may be used to guide GCFAs distribution policy: 3.5% for Ministry distributions; 2.0% for inflation; and 1% for fees and expenses. To smooth the allowable annual distributions based on valuation of the underlying assets, GCFA uses a five-year moving average of quarterly portfolio values. The moving average is determined for the five-year period immediately preceding the fiscal year in which the funds are to be spent.

## Note 12—Endowment (continued)

*Return Objectives and Risk Parameters* – GCFA has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets. Endowment assets include those assets of donor-restricted funds that GCFA must hold in perpetuity or for a donor-specified period(s). Under this policy, as approved by the Board of Directors, the endowment assets are invested in a manner that is intended to produce results that provide for the preservation of capital and income for support of programs while assuming a moderate level of investment risk. GCFA expects its endowment funds, over time, to produce current income within the total return strategy. Actual returns may vary.

*Strategies Employed for Achieving Objectives* – To satisfy its long-term rate-of-return objectives, GCFA relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). GCFA targets a diversified asset allocation that places a greater emphasis on corporate bonds and equity-based investments to achieve its long-term return objectives within prudent risk constraints.

Changes in endowment net assets for the years ended December 31, 2022 and 2021 are as follows:

| | Without Donor Restrictions | With Donor Restrictions | Total |
|---|---|---|---|
| Endowment net assets, December 31, 2020 | $ - | $ 14,617,097 | $ 14,617,097 |
| Investment return, net | - | 2,441,961 | 2,441,961 |
| Contributions | - | 2,020 | 2,020 |
| Appropriation of endowment assets for expenditure pursuant to spending-rate policy | - | (585,360) | (585,360) |
| Endowment net assets, December 31, 2021 | - | 16,475,718 | 16,475,718 |
| Investment return, net | - | (2,560,347) | (2,560,347) |
| Contributions | - | 1,754 | 1,754 |
| Appropriation of endowment assets for expenditure pursuant to spending-rate policy | - | (622,843) | (622,843) |
| Endowment net assets, December 31, 2022 | $ - | $ 13,294,282 | $ 13,294,282 |

## Note 13—Fair value of financial instruments

Required disclosures concerning the estimated fair value of financial instruments are presented below. The estimated fair value amounts have been determined based on GCFAs assessment of available market information and appropriate valuation methodologies. The following table summarizes required fair value disclosures and measurements at December 31, 2022 and 2021 for assets measured at fair value on a recurring basis under ASC 820, *Fair Value Measurements and Disclosures*:

| December 31, 2022 | Total Assets Measured at Fair Value | Quoted Prices in Active Markets for Identical Assets (Level 1) | Significant Other Observable Inputs (Level 2) | Significant Unobservable Inputs (Level 3) |
|---|---|---|---|---|
| Investments: | | | | |
| Short-term investment portfolio: | | | | |
| Texas Methodist Foundation Loan Fund | $ 9,387,475 | $ - | $ - | $ 9,387,475 |
| Mutual funds | 15,660,236 | 15,660,236 | - | - |
| Short-term collateralized loan fund | 162,230 | 162,230 | - | - |
| Fixed income | 7,079,018 | 7,079,018 | - | - |
| Corporate bonds | 36,972,287 | - | 36,972,287 | - |
| Total short-term investment portfolio | 69,261,246 | 22,901,484 | 36,972,287 | 9,387,475 |
| Long-term investment portfolio: | | | | |
| Cash and cash equivalents | $ 13,029,189 | $ 13,029,189 | $ - | $ - |
| Mutual funds | 4,104,415 | 4,104,415 | - | - |
| Common stocks | 38,274,420 | 38,274,420 | - | - |
| Government securities | 9,961,551 | 9,961,551 | - | - |
| Corporate bonds | 5,345,095 | - | 5,345,095 | - |
| Alternative investments | 395,979 | - | - | 395,979 |
| | 71,110,649 | $ 65,369,575 | $ 5,345,095 | $ 395,979 |
| Alternative investments: | | | | |
| Summit Partners* | 362,419 | | | |
| Blackstone* | 744,828 | | | |
| Hawk Ridge* | 263,321 | | | |
| Ironwood Institutional* | 1,255,066 | | | |
| Mission Crest* | 600,000 | | | |
| Sculptor Access Ltd.* | 740,590 | | | |
| Total long-term investment portfolio | 75,076,873 | | | |
| Benefit Trust Assets - Multiple Asset Fund (Held with Wespath)* | 148,588,482 | | | |
| Total investments at fair value | $ 292,926,601 | | | |

* In accordance with ASC Subtopic 820-10, certain investments that are measured at fair value using the net asset value per share (or its equivalent) practical expedient have not been classified in the fair value hierarchy. The fair value amounts presented in this table are intended to permit reconciliation of the fair value hierarchy to the amounts presented in the consolidated statements of financial position.

## Note 13—Fair value of financial instruments (continued)

| December 31, 2021 | Total Assets Measured at Fair Value | Quoted Prices in Active Markets for Identical Assets (Level 1) | Significant Other Observable Inputs (Level 2) | Significant Unobservable Inputs (Level 3) |
|---|---|---|---|---|
| Investments: | | | | |
| Short-term investment portfolio: | | | | |
| Texas Methodist Foundation Loan Fund | $ 15,768,015 | $ - | $ - | $ 15,768,015 |
| Mutual funds | 18,808,951 | 18,808,951 | - | - |
| Short-term collateralized loan fund | 160,337 | 160,337 | - | - |
| Fixed income | 8,601,637 | 8,601,637 | - | - |
| Corporate bonds | 37,222,184 | - | 37,222,184 | - |
| Total short-term investment portfolio | 80,561,124 | $ 27,570,925 | $ 37,222,184 | $ 15,768,015 |
| Long-term investment portfolio: | | | | |
| Cash and cash equivalents | 3,250,984 | $ 3,250,984 | $ - | $ - |
| Mutual funds | 3,435,314 | 3,435,314 | - | - |
| Common stocks | 45,070,782 | 45,070,782 | - | - |
| Government securities | 8,757,419 | 8,757,419 | - | - |
| Corporate bonds | 6,567,946 | - | 6,567,946 | - |
| Alternative investments | 643,466 | - | - | 643,466 |
| | 67,725,911 | $ 60,514,499 | $ 6,567,946 | $ 643,466 |
| Alternative investments: | | | | |
| Renaissance Access* | 948,060 | | | |
| CQS ABS* | 602,146 | | | |
| Summit Partners* | 1,307,223 | | | |
| Total long-term investment portfolio | 70,583,340 | | | |
| Benefit Trust Assets - Multiple Asset Fund (Held with Wespath)* | 190,402,745 | | | |
| Total investments at fair value | $ 341,547,209 | | | |

* In accordance with ASC Subtopic 820-10, certain investments that are measured at fair value using the net asset value per share (or its equivalent) practical expedient have not been classified in the fair value hierarchy. The fair value amounts presented in this table are intended to permit reconciliation of the fair value hierarchy to the amounts presented in the consolidated statements of financial position.

## Note 13—Fair value of financial instruments (continued)

For alternative investments and entities that calculate net asset value per share (or its equivalent), the following table provides information about the probability of investments being sold at amounts different from the net asset value per share for the year ended December 31, 2022:

| | Fair Value | Unfunded Commitments | Redemption Frequency | Redemption Notice Period |
|---|---|---|---|---|
| Multiple Asset Fund (Wespath) [a] | $ 148,588,482 | none | daily | daily |
| Summit Partners [b] | 362,419 | none | monthly | 30 days |
| Blackstone [c] | 744,828 | none | quarterly tenders | 65 days |
| Hawk Ridge [d] | 263,321 | none | quarterly | 60 days |
| Ironwood Institutional [e] | 1,255,066 | none | quarterly | 30 - 120 days |
| Mission Crest [f] | 600,000 | none | quarterly | 60 days |
| Sculptor Access Ltd. [g] | 740,590 | none | quarterly | 45 days |

(a) The investments in Wespath's Multiple Asset Fund are a composite of U.S. equity funds (34.8%), fixed income funds (24.6%), international equity funds (30.3%), inflation protection funds (9.9%), and cash (0.4%).

(b) Summit Partners Sustainable Opportunities L/S Fund Limited is an alternative investment fund primarily invested in long and short investments in global equity securities and other equity-related instruments of public companies. The fund seeks to make investments based on individual themes and focus on companies that offer disruptive, market-driven solutions to global sustainability challenges. The primary investment objective is to achieve capital appreciation and deliver strong risk-adjusted returns over a market cycle.

(c) Blackstone Real Estate Income Trust ("BREIT") is a non-listed, perpetual life real estate investment trust. BREIT invests primarily in stabilized income-generating commercial real estate inside and outside the United States and real estate debt investments.

(d) Hawk Ridge Partners Offshore Ltd. is an exempted investment company that primarily invests a majority of its assets through a master-feeder structure in Hawk Ridge Master Fund (the "Master Fund"). The Master Fund focuses on acquiring long positions in undervalued companies with promising business features, while also taking short positions in companies with overly high values and weak business features.

(e) Ironwood Institutional Multi-Strategy Fund LLC is a fund with an investment objective of capital appreciation with limited variability of returns. The fund primarily invests in four hedge fund strategies: relative value, market neutral and hedged equity, event-driven, and distressed and credit securities.

(f) Mission Crest Macro Fund Limited is an open-ended investment company that serves as a feeder fund, investing a majority of its assets into Mission Crest Macro Master Fund Limited. The fund's objective is to maximize capital appreciation over the long term through employing a multi-portfolio manager strategy.

(g) Sculptor Access Ltd. is part of a group of private investment funds that invests all of its assets in a single underlying fund. The investment objective of the underlying fund is to achieve consistent, positive, absolute returns with low volatility by attempting to exploit pricing inefficiencies in equity and debt securities.

## Note 13—Fair value of financial instruments (continued)

The following is a reconciliation of activity for 2022 and 2021 for assets measured at fair value based on Level 3 significant unobservable information:

| | ACAP Strategic Fund | Texas Methodist Foundation Loan Fund |
|---|---|---|
| December 31, 2020 | $ 737,402 | $ 25,485,254 |
| Interest income | - | 526,908 |
| Unrealized losses | (93,936) | - |
| Withdrawals | - | (10,244,147) |
| December 31, 2021 | 643,466 | 15,768,015 |
| Interest income | - | 363,591 |
| Unrealized losses | (247,487) | - |
| Withdrawals | - | (6,744,131) |
| December 31, 2022 | $ 395,979 | $ 9,387,475 |

## Note 14—Insurance activity

Effective October 1, 2012, UMI provides, on a direct basis at varying limits, self-insured retentions, and deductibles, directors & officers ("D&O"), employment practices liability ("EPL"), property liability, general liability, sexual misconduct, equipment breakdown, umbrella, and terrorism coverage to members of GCFA. UMI reinsures all lines of coverage with various unaffiliated reinsurers subject to retentions.

Effective October 1, 2017, UMI began providing insured policyholders with access to cyber liability coverage with limits of $250,000 per occurrence and $20 million in the aggregate. Coverage is provided to insureds through a master agreement with GCFA and GCFA is 100% reinsured by third party reinsurance. UMI administers the cyber liability program on behalf of GCFA.

## Note 14—Insurance activity (continued)

The various coverages, percentage of reinsurance layer placed, and limits of reinsurance are as follows:

| Coverage | Years | Percentage of Coverage Placed and Reinsurance Limits |
|---|---|---|
| D&O and EPL | 10/1/12-3/31/17 | 100% of $1 million per occurrence, $25 million in aggregate |
| | 4/1/17-12/31/18 | 90% of $1 million per occurrence, $25 million in aggregate |
| | 1/1/19-12/31/19 | 100% of $1 million per occurrence |
| Property | 10/1/12-12/31/14 | 100% of $20 million per occurrence |
| | 1/1/15-12/31/17 | 95% of $5 million per occurrence, $30 million in aggregate |
| | | 100% of $10 million in excess of $5 million per occurrence |
| | | 100% of $15 million in excess of $15 million per occurrence and $30 million in aggregate |
| | 1/1/18-12/31/18 | 95% of $5 million per occurrence, $25 million in aggregate |
| | | 100% of $25 million in excess of $5 million per occurrence and $50 million in aggregate |
| | 1/1/19-12/31/19 | 100% of insured values |
| General liability (including casualty and sexual misconduct) | 10/1/12-12/31/14 | 100% of $1 million per occurrence, $3 million annually per church, $5 million annually in aggregate |
| | 1/1/15-12/31/18 | 95% of $3 million per occurrence |
| | 1/1/19-12/31/19 | 100% of $3 million per occurrence |
| Equipment breakdown | 10/1/12-10/1/19 | 100% of $100 million per occurrence and annually in aggregate |
| Umbrella | 10/1/12-12/31/13 | 100% of $500,000 to $1 million per occurrence, $3 million to $15 million annually in the aggregate, dependent on the underlying coverage |
| | 1/1/14-12/31/14 | 97.5% of first $1 million per occurrence, $3 million annually in aggregate |
| | | 100% of $4 million in excess of $1 million per occurrence and $8 million annually in aggregate |
| | 1/1/15-12/31/17 | 95% of $1 million per occurrence, up to a $4 million aggregate, dependent on the underlying coverage |
| | | 100% of $4 million in excess of $1 million per occurrence and $8 million annually in aggregate |
| | 1/1/18-12/31/18 | 95% of $5 million per occurrence |
| | 1/1/19-12/31/19 | 100% of $5 million per occurrence |
| Terrorism | 10/1/12-12/31/14 | 100% of $40 million per occurrence and annually in aggregate |
| | 1/1/15-12/31/18 | 100% of $55 million in excess of $25,000 per occurrence and $55 million annually in aggregate |
| | 1/1/19-12/31/19 | 100% of insured values plus liability limits |

### Note 14—Insurance activity (continued)

In May 2018, GCFA decided to change the direction of the property and casualty insurance program of the Church. As a consequence, effective January 1, 2019, UMI ceased providing new and renewal coverage with the intention of having UMI's operations consist solely of the run-off of its insurance business. Effective March 1, 2019, due to lower than projected renewal rates into UMIA third party insurer placements, UMI began writing on a direct basis at varying limits, self-insured retentions, and deductibles, D&O, EPL, property liability, general liability, sexual misconduct, equipment breakdown, umbrella, and terrorism coverage to members of GCFA. UMI reinsures 100% of all lines of coverage with an unaffiliated reinsurer.

Beginning January 1, 2020, UMI no longer writes direct coverage and has begun transitioning insurance placements for policyholders at policy renewal to third party insurers through UMIA and Suracy. Effective June 21, 2022, UMI transitions insurance placements for policyholders at policy renewal to third party insurers through UMIA and Sovereign.

Effective January 1, 2005, PACT entered into a reinsurance agreement with Zurich to assume the workers' compensation, general liability (including sexual misconduct), auto, property, and inland marine coverages of its members at various limits. Effective January 1, 2009, PACT discontinued its assumption of property coverage from Zurich. Effective October 1, 2010, PACT terminated its reinsurance agreement with Zurich and ceased assuming risk on all lines of business. UMI assumed all risk related to the policy years in run-off.

Effective July 13, 2014, per an agreement with Zurich, the letter of credit was canceled, and PACT's obligations were collateralized through an investment trust account held for the benefit of Zurich. The trust is comprised of a money market fund and fixed maturity securities. Total assets held in trust for the benefit of Zurich amounted to $447,891 and $515,155 as of December 31, 2022 and 2021, respectively.

The Zurich reinsurance agreement also requires UMI to provide a minimum loss fund to be held in a loss escrow account for the benefit of Zurich. The minimum loss fund can be increased up to the balance of outstanding case basis reserves for losses and loss adjustment expenses at the request of Zurich. The loss escrow fund totaled $50,000 as of December 31, 2022 and 2021.

Reinsurance transactions exclude claim handling fees which are retained by UMI.

No premiums were written or earned on a direct basis in 2022. Ceded return premiums of $59,651 were written and earned on a ceded basis in 2022. No premiums were written or earned on a direct or ceded basis in 2021.

## Note 14—Insurance activity (continued)

The components of the liability for losses and loss adjustment expenses and related reinsurance recoverable as of December 31, 2022 and 2021 are as follows:

| | 2022 | | 2021 | |
|---|---|---|---|---|
| | Gross Liability | Reinsurance Recoverable | Gross Liability | Reinsurance Recoverable |
| Case-basis reserves | $ 5,350,669 | $ 4,921,632 | $ 1,357,223 | $ 1,092,590 |
| IBNR reserves | 1,621,000 | 1,489,512 | 2,604,107 | 2,425,345 |
| Claim handling fees | 12,500 | - | 12,500 | - |
| Net | $ 6,984,169 | $ 6,411,144 | $ 3,973,830 | $ 3,517,935 |

Losses and loss adjustment expense activity for the years ended December 31, 2022 and 2021 are as follows:

| | 2022 | 2021 |
|---|---|---|
| Liabilities as of January 1, net of reinsurance recoverable of $3,517,935 and $5,508,281, respectively | $ 455,895 | $ 633,220 |
| Incurred related to: | | |
| Development of prior years | 316,700 | 154,787 |
| Claim handling fees | 18,145 | 20,495 |
| Total incurred during the year, net of reinsurance recoveries of $3,683,900 and $1,191,637, respectively | 334,845 | 175,282 |
| Paid related to: | | |
| Prior years | (199,570) | (321,912) |
| Claim handling fees | (18,145) | (30,695) |
| Total paid during the year, net of reinsurance recoveries of $(790,688) and $(3,181,983), respectively | (217,715) | (352,607) |
| Liability as of December 31, net of reinsurance recoverable of $6,411,144 and $3,517,935, respectively | $ 573,025 | $ 455,895 |

The unfavorable prior year development of $316,700 recorded in 2022 is predominantly attributable to development on the 2017 through 2020 property liability coverage and offset by generally favorable development on other lines of business.

The unfavorable prior year development of $154,787 recorded in 2021 is predominantly attributable to development on the 2018 and 2019 property liability coverage, 2017 to 2019 general liability coverage and the 2009 sexual misconduct coverage assumed from Zurich and offset by favorable development on the 2008 workers' compensation coverage.

### Note 14—Insurance activity (continued)

The reconciliation of the net incurred and paid losses development tables to the liability for losses and loss adjustment expenses on the consolidated statements of financial position as of December 31, 2022 and 2021 is as follows:

| | 2022 | 2021 |
|---|---|---|
| Net outstanding liabilities: | | |
| Property and Crime | $ 236,136 | $ 77,987 |
| General Liability | 22,355 | 28,893 |
| Sexual Misconduct | 101,190 | 101,190 |
| Other short-duration insurance lines | 200,844 | 235,325 |
| Liabilities for unpaid losses and loss adjustment expenses, net of reinsurance | 560,525 | 443,395 |
| Reinsurance recoverable: | | |
| Property and Crime | 4,802,382 | 1,784,209 |
| General Liability | 574,231 | 699,192 |
| Sexual Misconduct | 999,530 | 999,530 |
| Other short-duration insurance lines | 35,001 | 35,004 |
| Total reinsurance recoverable on unpaid losses and loss adjustment expenses | 6,411,144 | 3,517,935 |
| Unallocated loss adjustment expenses | 12,500 | 12,500 |
| Total gross liability for unpaid losses and loss adjustment expenses | $ 6,984,169 | $ 3,973,830 |

Other short-duration insurance lines above include liabilities for unpaid losses and loss adjustment expenses, net of reinsurance of $200,844 related to PACT workers' compensation coverage assumed from Zurich from 2006 to 2010. The workers' compensation coverage is not disclosed as a significant category due to the age of the respective coverage, which are older than the six years requiring disclosure, by ASU 2015-09, *Disclosures about Short-Duration Contracts*.

## Note 14—Insurance activity (continued)

The following is information about incurred and cumulative paid losses and loss adjustment expenses, net of reinsurance, and total IBNR liabilities plus expected development on reported claims, net of reinsurance and the cumulative number of reported claims as of December 31, 2022, by significant category for the years presented:

**Property and Crime**

| Accident Year | Net Incurred | Cumulative Net Paid | Net Total IBNR Plus Expected Development on Reported Claims | Cumulative Number of Reported Claims |
|---|---|---|---|---|
| 2013 | $ - | $ - | $ - | 76 |
| 2014 | - | - | - | 151 |
| 2015 | 284,979 | 284,979 | - | 233 |
| 2016 | 451,579 | 451,579 | - | 376 |
| 2017 | 831,931 | 831,931 | - | 449 |
| 2018 | 1,337,906 | 1,109,391 | 228,515 | 512 |
| 2019 | 255,000 | 247,379 | 7,621 | 339 |
| 2020 | - | - | - | 163 |
| 2021 | - | - | - | - |
| 2022 | - | - | - | - |
| Total | $ 3,161,395 | $ 2,925,259 | $ 236,136 | |

**General Liability**

| Accident Year | Net Incurred | Cumulative Net Paid | Net Total IBNR Plus Expected Development on Reported Claims | Cumulative Number of Reported Claims |
|---|---|---|---|---|
| 2013 | $ - | $ - | $ - | 26 |
| 2014 | - | - | - | 35 |
| 2015 | 11,619 | 11,619 | - | 34 |
| 2016 | 6,466 | 6,466 | - | 56 |
| 2017 | 72,757 | 53,349 | 19,408 | 74 |
| 2018 | 20,000 | 18,705 | 1,295 | 82 |
| 2019 | 24,075 | 22,423 | 1,652 | 53 |
| 2020 | - | - | - | 7 |
| 2021 | - | - | - | - |
| 2022 | - | - | - | - |
| Total | $ 134,917 | $ 112,562 | $ 22,355 | |

**Sexual Misconduct**

| Accident Year | Net Incurred | Cumulative Net Paid | Net Total IBNR Plus Expected Development on Reported Claims | Cumulative Number of Reported Claims |
|---|---|---|---|---|
| 2013 | $ - | $ - | $ - | 1 |
| 2014 | - | - | - | - |
| 2015 | 5,500 | 1,785 | 3,715 | 1 |
| 2016 | 7,000 | - | 7,000 | - |
| 2017 | 10,000 | 397 | 9,603 | 1 |
| 2018 | 13,500 | - | 13,500 | - |
| 2019 | 7,000 | - | 7,000 | - |
| 2020 | - | - | - | 1 |
| 2021 | - | - | - | - |
| 2022 | - | - | - | - |
| Total | $ 43,000 | $ 2,182 | $ 40,818 | |

UMI determines the number of reported claims by tracking the number of claims by occurrence and excluding claims closed that are without payment.

## Note 15—Related party transactions and service providers

During the years ended December 31, 2022 and 2021, certain expenses incurred related to the operations of UMI were paid by GCFA. Salaries and benefit expenses, travel, and various general and administrative fees were paid by GCFA on the behalf of UMI totaling $190,614 and $179,173 for the years ended December 31, 2022 and 2021, respectively, and are included as a component of insurance services on the consolidated statements of activities. UMI reimburses GCFA for expenses quarterly, and the payable amount as of December 31, 2022 and 2021 totaled $49,930 and $28,726, respectively, and are eliminated on the consolidated statements of financial position. This expense includes salaries, benefits, and related payroll expenses totaling $175,329 and $164,626 for 2022 and 2021, respectively, associated with UMI's president and CEO.

GCFA received administration fees of $12,625 during 2022 and 2021 based on a fixed fee arrangement agreed to by UMI and GCFA. This fee is eliminated in consolidation of UMI.

UMI entered into a line of credit with GCFA on January 1, 2016, to borrow up to $2,000,000 in order to fund the operating needs of UMI. On April 7, 2017, UMI received additional capital in the form of a $2,000,000 surplus note to GCFA. Concurrent with this transaction, the $2,000,000 line of credit agreement with GCFA was rescinded.

Artex provides accounting and regulatory compliance services for UMI, pursuant to an agreement administered by CIAC. Fees for services performed by Artex amounted to $114,750 for the years ended December 31, 2022 and 2021 and are included as a component of general and administrative expenses on the consolidated statements of activities. An employee of Artex is an officer of UMI.

In addition to transactions with UMI, GCFA had the following transactions with other agencies of the Church:

| | 2022 | 2021 |
|---|---|---|
| Consolidated Statements of Financial Position: | | |
| Due from annual conferences | $ 22,396,883 | $ 27,477,398 |
| Due from UMI | 49,930 | 28,726 |
| General Agency Benefit Trust assets | 148,588,482 | 190,402,745 |
| Due to related organizations: | | |
| General agencies - CBP | 29,438,955 | 42,906,334 |
| Other affiliated organizations | 421,471 | 234,157 |
| General advance specials | 12,368,677 | 15,743,804 |
| General Funds | 66,085,034 | 63,706,806 |
| General Agency Benefit Trust obligations | 148,588,482 | 190,402,745 |
| Consolidated Statements of Activities - Revenues: | | |
| Allocation from The General Funds | 5,871,329 | 5,934,262 |
| Distribution from Benefit Trust | 1,358,041 | 1,286,380 |
| Consolidated Statements of Activities - Expenses: | | |
| Group insurance expense | 730,528 | 733,898 |

## Note 16—Net assets – UMI

In accordance with laws of the state of Vermont, for the purpose of submitting its financial statements to the state for regulatory purposes, UMI is required to use U.S. GAAP with the exception of variances prescribed by Vermont laws and regulations or permitted by the Department. Pursuant to laws of the state of Vermont, UMI is required to maintain capital and surplus of $250,000, which meets the liquidity requirements of the Department. At December 31, 2022 and 2021, UMI's net assets without donor restrictions amounted to $1,088,173 and $1,877,495, respectively.

Effective December 18, 2013, UMI issued surplus notes with original principal totaling $2,395,700, payable to 18 former members of PACT in exchange for their ownership interest in PACT. The notes have a stated interest rate per annum of 0.5%, which compounds quarterly as of the date of issuance. The surplus notes can be re-paid at any time without penalty. Interest is due annually, in arrears, and is required to be paid annually until the notes have been fully paid. Upon approval from the Department, a surplus note totaling $8,700 was settled with one former member during 2014. Upon approval of the Department, surplus notes totaling $350,000 and $358,050 were repaid to former members during 2021 and 2019, respectively. Interest payments of $8,395 and $9,047 were made on the surplus notes in 2022 and 2021, respectively, upon approval from the Department. Interest payable totaling $299 was accrued at December 31, 2022 and 2021. Interest payable is included as a component of accounts payable and accrued expenses on the consolidated statements of financial position.

Effective April 7, 2017, UMI issued a $2,000,000 surplus note to GCFA in return for a capital contribution of $2,000,000. The note has a stated interest rate per annum of 5%, payable quarterly. Principal is due in five years, with no prepayment penalty subject to approval from the Department. Interest payments of $10,000 and $100,000 were made on the surplus note in 2022 and 2021, respectively upon approval from the Department. Interest payable of $-0- was due and accrued on the surplus note at December 31, 2022 and 2021. Interest payable is included as a component of accounts payable and accrued expenses on the consolidated statements of financial position. This surplus note and related interest have been eliminated in these consolidated financial statements.

All principal and interest payments are subject to approval by the Department. Interest expense totaled $18,395 and $108,984 in 2022 and 2021, respectively, and is included as a component of general and administrative expenses on the consolidated statements of activities. For regulatory purposes, the note is considered contributed capital in accordance with accounting practices prescribed by the Department. However, such inclusion in net assets without donor restrictions is not in accordance with U.S. GAAP, which requires the surplus notes to be carried as a liability. As such, the surplus notes have been presented as a liability in the consolidated statements of financial position as of December 31, 2022 and 2021.

## Note 17—Commitments and contingencies

Various lawsuits, claims, and other contingent liabilities arise in the course of GCFAs religious, education, insurance, and ministry activities. While the ultimate disposition of these contingencies is not determinable at this time, management believes that any resulting liability will not materially affect the consolidated financial position, changes in net assets, and cash flows of GCFA.

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 GCFA is unknown at this time.

## Note 18—Leases

GCFA leases certain office space and office equipment. GCFA determines whether a contract contains a lease at inception by determining if the contract conveys the right to control the use of identified property, plant, or equipment for a period of time in exchange for consideration. GCFA has lease agreements with lease and non-lease components, which are generally accounted for separately with amounts allocated to the lease and non-lease components based on stand-alone prices.

ROU assets and lease liabilities are recognized at the commencement date based on the present value of the future minimum lease payments over the lease term. Renewal and termination clauses are factored into the determination of the lease term if it is reasonably certain that these options would be exercised. Lease assets are amortized over the lease term unless there is a transfer of title or purchase option reasonably certain of exercise, in which case the asset life is used. In order to determine the present value of lease payments, GCFA uses the risk-free discount rate to determine the present value of lease payments.

Future minimum lease payments as of December 31, 2022:

| **Years Ending December 31,** | **Operating** | **Finance** |
|---|---|---|
| 2023 | $ 113,447 | $ 6,780 |
| 2024 | 113,447 | 6,780 |
| 2025 | 117,723 | 6,780 |
| 2026 | 117,723 | 1,130 |
| 2027 | 122,171 | - |
| Thereafter | 382,304 | - |
| Total undiscounted cash flows | 966,815 | 21,470 |
| Less present value discount | (61,526) | (446) |
| Total lease liabilities | $ 905,289 | $ 21,024 |

Required supplemental information for the year ended December 31, 2022 is as follows:

| | |
|---|---|
| Cash paid for amounts included in the measurement of lease liabilities | |
| Operating cash flows from finance leases (i.e. interest) | 304 |
| Financing cash flows from finance leases (i.e. principal portion) | 6,476 |
| Operating cash flows from operating leases | 109,332 |
| ROU assets obtained in exchange for new finance lease liabilities | 27,477 |
| ROU assets obtained in exchange for new operating lease liabilities | 999,182 |
| Weighted-average remaining lease term in years for finance leases | 3.17 |
| Weighted-average remaining lease term in years for operating leases | 9.00 |
| Weighted-average discount rate for finance leases | 1.37% |
| Weighted-average discount rate for operating leases | 1.63% |

## Note 19—Paycheck Protection Program

GCFA received a Paycheck Protection Program ("PPP") loan in the amount of $1,212,000 in April 2020. The PPP loan is granted by the Small Business Administration under the Coronavirus Aid, Relief, and Economic Security Act (the ''CARES Act''). PPP loans are considered conditional contributions under ASC 958-605, *Not-for-Profit Entities – Revenue Recognition.* The loan must be repaid if GCFA does not overcome certain barriers within the CARES Act. The barriers under the program include the requirement to maintain employee headcount, spend up to 60% of the loan proceeds on certain payroll and employee benefits, and restricts other loan proceeds to be used for other qualifying expenses such as mortgage interest, rent, and utilities. GCFA received full forgiveness of this $1,212,000 loan during 2021 and, therefore, has recorded the funds received as grant income on the consolidated statement of activities for the year ended December 31, 2021.

## Note 20—Subsequent events

Management has evaluated subsequent events through September 7. 2023, the date the consolidated financial statements were available for issuance and has determined that there are no subsequent events requiring disclosure other than those included below.

In June 2023, UMMen sold its building and as set forth under the agreement in Note 8, UMMen will pay GCFA $714,000.

# SUPPLEMENTARY INFORMATION

# GENERAL COUNCIL ON FINANCE AND ADMINISTRATION OF THE UNITED METHODIST CHURCH AND AFFILIATES

CONSOLIDATING STATEMENT OF FINANCIAL POSITION

*DECEMBER 31, 2022 (WITH COMPARATIVE TOTALS FOR 2021)*

| | 2022 | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | GCFA | UMC Foundation | UMI | Permanent Fund | Benefit Trust | Eliminations | TOTAL | 2021 TOTAL |
| **ASSETS** | | | | | | | | |
| Cash and cash equivalents | $ 23,200,679 | $ - | $ 1,276,016 | $ - | $ - | $ - | $ 24,476,695 | $ 26,864,725 |
| Short-term investment portfolio | 69,261,246 | - | - | - | - | - | 69,261,246 | 80,561,124 |
| Accrued interest and dividends receivable | 548,238 | 19,422 | - | - | - | - | 567,660 | 508,881 |
| Due from annual conferences | 22,396,883 | - | - | - | - | - | 22,396,883 | 27,477,398 |
| Accounts receivable | 958,314 | - | 165,264 | - | - | - | 1,123,578 | 845,285 |
| Prepaid expenses and other assets | 234,959 | - | 43,863 | - | - | - | 278,822 | 284,754 |
| Long-term investment portfolio | 15,571,403 | 74,630,452 | 446,420 | 13,392,653 | - | (28,964,055) | 75,076,873 | 70,583,340 |
| Notes receivable | 2,000,000 | - | - | - | - | (2,000,000) | - | - |
| General Agency Benefit Trust assets | - | - | - | - | 148,588,482 | - | 148,588,482 | 190,402,745 |
| Operating right-of-use asets | 927,888 | 60,360 | - | - | - | (60,360) | 927,888 | - |
| Land and fixed assets, net | 776,990 | - | - | - | - | - | 776,990 | 5,667,028 |
| Investment in subsidiary | 3,664,690 | - | - | - | - | (3,664,690) | - | - |
| Premiums receivable, net of allowance for doubtful accounts | - | - | - | - | - | - | - | 248,228 |
| Reinsurance recoverable - paid losses | - | - | - | - | - | - | - | 319,013 |
| Reinsurance recoverable - unpaid losses | - | - | 6,411,144 | - | - | - | 6,411,144 | 3,517,935 |
| Reinsurance premiums receivable | - | - | - | - | - | - | - | 64,526 |
| Loss escrow | - | - | 125,000 | - | - | - | 125,000 | 149,985 |
| **Total Assets** | $ 139,541,290 | $ 74,710,234 | $ 8,467,707 | $ 13,392,653 | $ 148,588,482 | $ (34,689,105) | $ 350,011,261 | $ 407,494,967 |

# GENERAL COUNCIL ON FINANCE AND ADMINISTRATION OF THE UNITED METHODIST CHURCH AND AFFILIATES
## CONSOLIDATING STATEMENT OF FINANCIAL POSITION (CONTINUED)

*DECEMBER 31, 2022 (WITH COMPARATIVE TOTALS FOR 2021)*

| | 2022 | | | | | | | 2021 |
|---|---|---|---|---|---|---|---|---|
| | GCFA | UMC Foundation | UMI | Permanent Fund | Benefit Trust | Eliminations | TOTAL | TOTAL |
| **LIABILITIES AND NET ASSETS** | | | | | | | | |
| Liabilities: | | | | | | | | |
| Accounts payable and accrued expenses | $ 1,818,531 | $ 15,672 | $ 216,241 | $ 3,905 | $ - | $ - | $ 2,054,349 | $ 2,664,496 |
| Due to Related Organizations: | | | | | | | | |
| General agencies | 29,438,955 | - | - | - | - | - | 29,438,955 | 42,906,334 |
| Other affiliated organizations | 257,257 | (77,942) | - | 242,156 | - | - | 421,471 | 234,157 |
| General advance specials | 12,368,677 | - | - | - | - | - | 12,368,677 | 15,743,804 |
| General Funds | 66,085,034 | - | - | - | - | - | 66,085,034 | 63,706,806 |
| Lease liability | 926,313 | 61,571 | - | - | - | (61,571) | 926,313 | - |
| General Agency Benefit Trust obligations | - | - | - | - | 148,588,482 | - | 148,588,482 | 190,402,745 |
| Funds held for investors in the UMC Foundation | - | 74,415,448 | - | - | - | (28,964,054) | 45,451,394 | 50,126,948 |
| Liability for losses and loss adjustment expenses | - | - | 6,984,169 | - | - | - | 6,984,169 | 3,973,830 |
| Losses payable | - | - | 31,690 | - | - | - | 31,690 | 203,097 |
| Commission payable | - | - | - | - | - | - | - | 9,256 |
| Deferred agency revenue | - | - | 147,434 | - | - | - | 147,434 | 200,236 |
| Surplus notes | - | - | 3,678,950 | - | - | (2,000,000) | 1,678,950 | 1,678,950 |
| Total Liabilities | 110,894,767 | 74,414,749 | 11,058,484 | 246,061 | 148,588,482 | (31,025,625) | 314,176,918 | 371,850,659 |
| Net Assets: | | | | | | | | |
| Without Donor Restrictions: | | | | | | | | |
| Invested in property and equipment | 776,990 | - | - | - | - | - | 776,990 | 5,667,028 |
| Board-designated | 3,901,067 | - | - | - | - | (3,664,690) | 236,377 | 238,357 |
| Undesignated | 23,958,389 | 138,462 | (2,590,777) | - | - | 1,210 | 21,507,284 | 13,243,795 |
| Total Without Donor Restrictions | 28,636,446 | 138,462 | (2,590,777) | - | - | (3,663,480) | 22,520,651 | 19,149,180 |
| With Donor Restrictions: | | | | | | | | |
| Subject to purpose restrictions | 10,027 | 9,383 | - | - | - | - | 19,410 | 19,410 |
| Endowment | 50 | 147,640 | - | 13,146,592 | - | - | 13,294,282 | 16,475,718 |
| Total With Donor Restrictions | 10,077 | 157,023 | - | 13,146,592 | - | - | 13,313,692 | 16,495,128 |
| Total Net Assets | 28,646,523 | 295,485 | (2,590,777) | 13,146,592 | - | (3,663,480) | 35,834,343 | 35,644,308 |
| **Total Liabilities and Net Assets** | $ 139,541,290 | $ 74,710,234 | $ 8,467,707 | $ 13,392,653 | $ 148,588,482 | $ (34,689,105) | $ 350,011,261 | $ 407,494,967 |

**GENERAL COUNCIL ON FINANCE AND ADMINISTRATION OF THE UNITED METHODIST CHURCH AND AFFILIATES**
CONSOLIDATING STATEMENT OF ACTIVITIES BY NET ASSET CATEGORY

*YEAR ENDED DECEMBER 31, 2022 (WITH COMPARATIVE TOTALS FOR 2021)*

| | 2022 | | | | | |
|---|---|---|---|---|---|---|
| | Without Donor Restrictions | | | | | |
| | GCFA | UMC Foundation | UMI | Board Designated | Intercompany Eliminations | Total Without Donor Restrictions |
| Operating Revenue and Support: | | | | | | |
| Allocation from UMC: | | | | | | |
| Allocation from the General Funds: | | | | | | |
| World Service Fund | $ 2,009,948 | $ - | $ - | $ - | $ - | $ 2,009,948 |
| Episcopal | 474,996 | - | - | - | - | 474,996 |
| General Administration | 3,247,025 | - | - | - | - | 3,247,025 |
| Interdenominational Cooperation | 28,772 | - | - | - | - | 28,772 |
| Human Relations Day | 9,639 | - | - | - | - | 9,639 |
| One Great Hour of Sharing | 65,222 | - | - | - | - | 65,222 |
| Student Day | 7,642 | - | - | - | - | 7,642 |
| World Communion Day | 15,633 | - | - | - | - | 15,633 |
| Peace with Justice Sunday | 5,171 | - | - | - | - | 5,171 |
| Native American Ministries Sunday | 7,281 | - | - | - | - | 7,281 |
| Total all General Funds | 5,871,329 | - | - | - | - | 5,871,329 |
| Other Operating Income: | | | | | | |
| Investment Return: | | | | | | |
| Interest and dividends, net of fees and interest paid to depositors | 1,215,708 | 1,672 | 10,592 | - | (10,000) | 1,217,972 |
| Realized gains (losses)on investments | (617,293) | (42) | - | - | - | (617,335) |
| Investment Return, Net | 598,415 | 1,630 | 10,592 | - | (10,000) | 600,637 |
| Distribution from Benefit Trust | 1,358,041 | - | - | - | - | 1,358,041 |
| Contribution and other | 600,677 | 49 | - | - | (6,035) | 594,691 |
| Grant income | - | - | - | - | - | - |
| Premiums earned, net of reinsurance | - | - | 59,651 | - | - | 59,651 |
| Other service fee income | 1,579,389 | 223,447 | 169,378 | - | (38,394) | 1,933,820 |
| Net assets released from restriction | 14,770 | - | - | - | - | 14,770 |
| Total Other Operating Income | 4,151,292 | 225,126 | 239,621 | - | (54,429) | 4,561,610 |
| Total Operating Revenue and Support | 10,022,621 | 225,126 | 239,621 | - | (54,429) | 10,432,939 |
| Operating Expenses: | | | | | | |
| Program Services: | | | | | | |
| Administration | 4,795,617 | - | - | 1,982 | - | 4,797,599 |
| Financial services | 1,303,490 | - | - | - | 60,447 | 1,363,937 |
| Management information systems | 2,203,417 | - | - | - | - | 2,203,417 |
| Statistics and records | 595,975 | - | - | - | - | 595,975 |
| Total Program Services | 8,898,499 | - | - | 1,982 | 60,447 | 8,960,928 |
| United Methodist Church Foundation: | | | | | | |
| Funds management | - | 218,418 | - | - | (73,773) | 144,645 |
| Management and general | - | 24,269 | - | - | (8,196) | 16,073 |
| United Methodist Insurance Company: | | | | | | |
| Insurance services | - | - | 999,315 | - | (34,117) | 965,198 |
| Total Operating Expenses | 8,898,499 | 242,687 | 999,315 | 1,982 | (55,639) | 10,086,844 |
| Excess (deficiency) of operating revenue over operating expenses | 1,124,122 | (17,561) | (759,694) | (1,982) | 1,210 | 346,095 |
| Nonoperating Revenues (Expenses): | | | | | | |
| Net increase (decrease) in Permanent Fund | - | - | - | - | - | - |
| Unrealized (losses) gains on debt securities to be held to maturity | (4,702,890) | (8,235) | - | - | - | (4,711,125) |
| Gain on sale of fixed assets | 7,766,130 | - | - | - | - | 7,766,130 |
| Other comprehensive gain (loss) | - | - | (29,629) | - | - | (29,629) |
| Total Nonoperating Revenues (Expenses) | 3,063,240 | (8,235) | (29,629) | - | - | 3,025,376 |
| Change in net assets | 4,187,362 | (25,796) | (789,323) | (1,982) | 1,210 | 3,371,471 |
| Net assets, beginning of year | 24,212,707 | 164,258 | (1,801,454) | 238,359 | (3,664,690) | 19,149,180 |
| Net assets, end of year | $ 28,400,069 | $ 138,462 | $ (2,590,777) | $ 236,377 | $ (3,663,480) | $ 22,520,651 |

## GENERAL COUNCIL ON FINANCE AND ADMINISTRATION OF THE UNITED METHODIST CHURCH AND AFFILIATES

CONSOLIDATING STATEMENT OF ACTIVITIES BY NET ASSET CATEGORY (CONTINUED)

*YEAR ENDED DECEMBER 31, 2022 (WITH COMPARATIVE TOTALS FOR 2021)*

| | 2022 | | | | | |
|---|---|---|---|---|---|---|
| | With Donor Restrictions | | | | | |
| | UMC Foundation | Other | Permanent Fund | Total With Donor Restrictions | 2022 Total Consolidated | 2021 Total Consolidated |
| Operating Revenue and Support: | | | | | | |
| Allocation from UMC: | | | | | | |
| Allocation from the General Funds: | | | | | | |
| World Service Fund | $ - | $ - | $ - | $ - | $ 2,009,948 | $ 2,004,624 |
| Episcopal | - | - | - | - | 474,996 | 549,996 |
| General Administration | - | - | - | - | 3,247,025 | 3,235,403 |
| Interdenominational Cooperation | - | - | - | - | 28,772 | 29,763 |
| Human Relations Day | - | - | - | - | 9,639 | 9,138 |
| One Great Hour of Sharing | - | - | - | - | 65,222 | 66,182 |
| Student Day | - | - | - | - | 7,642 | 9,373 |
| World Communion Day | - | - | - | - | 15,633 | 16,324 |
| Peace with Justice Sunday | - | - | - | - | 5,171 | 5,656 |
| Native American Ministries Sunday | - | - | - | - | 7,281 | 7,803 |
| Total all General Funds | - | - | - | - | 5,871,329 | 5,934,262 |
| Other Operating Income: | | | | | | |
| Investment Return: | | | | | | |
| Interest and dividends, net of fees and interest paid to depositors | 1,638 | - | - | 1,638 | 1,219,610 | 1,244,342 |
| Realized gains (losses)on investments | (60) | - | - | (60) | (617,395) | 459,470 |
| Investment Return, Net | 1,578 | - | - | 1,578 | 602,215 | 1,703,812 |
| Distribution from Benefit Trust | - | - | - | - | 1,358,041 | 1,286,380 |
| Contribution and other | 312 | - | - | 312 | 595,003 | 688,355 |
| Grant income | - | 14,770 | - | 14,770 | 14,770 | 1,536,107 |
| Premiums earned, net of reinsurance | - | - | - | - | 59,651 | - |
| Other service fee income | - | - | - | - | 1,933,820 | 2,119,030 |
| Net assets released from restriction | - | (14,770) | - | (14,770) | - | - |
| Total Other Operating Income | 1,890 | - | - | 1,890 | 4,563,500 | 7,333,684 |
| Total Operating Revenue and Support | 1,890 | - | - | 1,890 | 10,434,829 | 13,267,946 |
| Operating Expenses: | | | | | | |
| Program Services: | | | | | | |
| Administration | - | - | - | - | 4,797,599 | 4,143,463 |
| Financial services | - | - | - | - | 1,363,937 | 1,304,840 |
| Management information systems | - | - | - | - | 2,203,417 | 2,188,235 |
| Statistics and records | - | - | - | - | 595,975 | 456,588 |
| Total Program Services | - | - | - | - | 8,960,928 | 8,093,126 |
| United Methodist Church Foundation: | | | | | | |
| Funds management | - | - | - | - | 144,645 | 132,236 |
| Management and general | - | - | - | - | 16,073 | 14,694 |
| United Methodist Insurance Company: | | | | | | |
| Insurance services | - | - | - | - | 965,198 | 611,228 |
| Total Operating Expenses | - | - | - | - | 10,086,844 | 8,851,284 |
| Excess (deficiency) of operating revenue over operating expenses | 1,890 | - | - | 1,890 | 347,985 | 4,416,662 |
| Nonoperating Revenues (Expenses): | | | | | | |
| Net (decrease) increase in Permanent Fund | - | - | (3,171,678) | (3,171,678) | (3,171,678) | 1,824,028 |
| Unrealized (losses) gains on debt securities to be held to maturity | (11,648) | - | - | (11,648) | (4,722,773) | (947,338) |
| Gain (loss) on sale of fixed assets | - | - | - | - | 7,766,130 | (1,342) |
| Other comprehensive gain (loss) | - | - | - | - | (29,629) | (21,513) |
| Total Nonoperating Revenues (Expenses) | (11,648) | - | (3,171,678) | (3,183,326) | (157,950) | 853,835 |
| Change in net assets | (9,758) | - | (3,171,678) | (3,181,436) | 190,035 | 5,270,497 |
| Net assets, beginning of year | 166,781 | 10,077 | 16,318,270 | 16,495,128 | 35,644,308 | 30,373,811 |
| Net assets, end of year | $ 157,023 | $ 10,077 | $ 13,146,592 | $ 13,313,692 | $ 35,834,343 | $ 35,644,308 |

**GENERAL COUNCIL ON FINANCE AND ADMINISTRATION OF THE UNITED METHODIST CHURCH**

STATEMENT OF FUNCTIONAL EXPENSES FOR GCFA (NON-CONSOLIDATED) AND COMPARISON TO BUDGET (UNAUDITED)

*YEAR ENDED DECEMBER 31, 2022*

| | Administration | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | General Secretary's Office | Building and Support Services | Episcopal Services | Legal Services | Audit | Staff Benefits/ Recruitment | Shared Services | Association Training And Other | Meetings | Total | Budget (Unaudited) |
| Salaries | $ 668,746 | $ 614,535 | $ 229,715 | $ 370,899 | $ - | $ 709,054 | $ 358,784 | $ - | $ - | $ 2,951,733 | $ 2,611,848 |
| Employee benefits | 205,909 | 222,499 | 79,253 | 111,484 | - | 219,827 | 67,020 | - | - | 905,992 | 821,505 |
| Continuing education | 730 | - | - | 2,118 | - | 8,911 | 1,489 | - | - | 13,248 | 41,290 |
| Retiree benefits | - | - | - | - | - | 85,266 | - | - | - | 85,266 | 108,698 |
| Grants | - | - | - | - | - | - | - | - | 4,770 | 4,770 | - |
| Telephone | 3,102 | 1,826 | 1,780 | 1,200 | - | 2,400 | 2,618 | - | - | 12,926 | 15,784 |
| Postage and freight | 63 | 4,402 | 56 | 25 | - | 53 | 135 | - | - | 4,734 | 8,391 |
| Printing | 744 | - | - | 180 | - | 80 | 656 | - | - | 1,660 | 3,550 |
| Office supplies | 1,138 | 2,447 | - | - | - | 616 | 414 | - | 33 | 4,648 | 3,760 |
| Rent | - | 99,199 | - | - | - | - | - | - | - | 99,199 | 6,123 |
| Moving expense | - | 16,862 | - | - | - | - | - | - | - | 16,862 | - |
| Subscriptions and memberships | 6,169 | 538 | - | 1,316 | - | 3,110 | 6,212 | - | - | 17,345 | 20,556 |
| Equipment replacement/maintenance | - | 287,556 | - | - | - | 17 | - | - | - | 287,573 | - |
| Software support and maintenance | - | 63,500 | - | 37,470 | - | 680 | - | - | - | 101,650 | 64,448 |
| Building repair and maintenance | - | 55,258 | - | - | - | - | - | - | - | 55,258 | 138,988 |
| Promotional materials/other office expense | - | - | - | - | - | - | 1,401 | - | - | 1,401 | 950 |
| Depreciation | - | 4,804 | - | - | - | - | - | - | - | 4,804 | 135,418 |
| Amortization of right of use assets | - | 4,901 | - | - | - | - | - | - | - | 4,901 | - |
| Professional fees | 593 | - | - | 126,604 | 682,869 | 4,477 | - | - | 12,839 | 827,382 | 761,135 |
| Meeting | - | 43 | - | - | - | 29 | 2,351 | 5,888 | 66,427 | 74,738 | 179,965 |
| Staff travel | 12,421 | 302 | 100 | 3,330 | - | 3,787 | 33,920 | 6,379 | 49,307 | 109,546 | 290,055 |
| Insurance | - | - | - | 81,616 | - | - | - | - | - | 81,616 | 144,657 |
| Bank/financing charges | - | 328 | - | - | - | - | - | - | - | 328 | - |
| Bad debt expense | - | - | - | - | - | - | - | - | - | - | - |
| Overhead allocation | - | (241,687) | - | (13,092) | - | (615,854) | - | - | - | (870,633) | (651,271) |
| Other | - | - | - | 152 | - | - | - | - | 500 | 652 | - |
| Total Expenses for Operations | $ 899,615 | $ 1,137,313 | $ 310,904 | $ 723,302 | $ 682,869 | $ 422,453 | $ 475,000 | $ 12,267 | $ 133,876 | $ 4,797,599 | $ 4,705,850 |

## GENERAL COUNCIL ON FINANCE AND ADMINISTRATION OF THE UNITED METHODIST CHURCH
STATEMENT OF FUNCTIONAL EXPENSES FOR GCFA (NON-CONSOLIDATED) AND COMPARISON TO BUDGET (UNAUDITED) (CONTINUED)

*YEAR ENDED DECEMBER 31, 2022*

| | Operations | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | Financial Services | Budget (Unaudited) | Management Information Systems | Budget (Unaudited) | Statistics and Records | Budget (Unaudited) | Total | Budget (Unaudited) |
| Salaries | $ 1,043,957 | $ 1,006,338 | $ 1,021,701 | $ 1,147,527 | $ 255,833 | $ 253,158 | $ 5,273,224 | $ 5,018,871 |
| Employee benefits | 325,236 | 337,324 | 318,548 | 367,706 | 88,243 | 85,482 | 1,638,019 | 1,612,017 |
| Continuing education | 1,159 | 2,295 | 1,198 | 1,198 | - | 800 | 15,605 | 45,583 |
| Retiree benefits | - | - | - | - | - | - | 85,266 | 108,698 |
| Grants | - | - | - | - | - | - | 4,770 | - |
| Telephone | 3,124 | 1,260 | 171,658 | 110,112 | 600 | 600 | 188,308 | 127,756 |
| Postage and freight | 324 | 900 | 5,144 | 1,800 | 23 | - | 10,225 | 11,091 |
| Printing | - | - | - | - | - | - | 1,660 | 3,550 |
| Office supplies | 642 | 2,400 | 723 | 200 | - | 500 | 6,013 | 6,860 |
| Rent | - | - | - | - | - | - | 99,199 | 6,123 |
| Moving expense | - | - | - | - | - | - | 16,862 | - |
| Subscriptions and memberships | 1,975 | 1,424 | 39,461 | 227 | - | 315 | 58,781 | 22,522 |
| Equipment replacement/maintenance | 446 | - | 116,857 | 51,343 | - | - | 404,876 | 51,343 |
| Software support and maintenance | 7,001 | 10,215 | 446,771 | 486,796 | 247,072 | 188,400 | 802,494 | 749,859 |
| Building repair and maintenance | - | - | - | - | - | - | 55,258 | 138,988 |
| Promotional materials/other office expense | - | - | - | - | - | - | 1,401 | 950 |
| Depreciation | - | - | 34,822 | 208,524 | - | - | 39,626 | 343,942 |
| Amortization of right of use assets | - | - | - | - | - | - | 4,901 | - |
| Professional fees | - | - | 35,050 | 24,575 | - | 2,250 | 862,432 | 787,960 |
| Meeting | - | - | - | - | - | - | 74,738 | 179,965 |
| Staff travel | 189 | 600 | 11,484 | 47,100 | 4,204 | 3,390 | 125,423 | 341,145 |
| Insurance | - | - | - | - | - | - | 81,616 | 144,657 |
| Bank/financing charges | 21,996 | - | - | - | - | - | 22,324 | - |
| Bad debt expense | (5,000) | - | - | - | - | - | (5,000) | - |
| Overhead allocation | (97,915) | (91,278) | - | - | - | - | (968,548) | (742,549) |
| Other | 356 | - | - | - | - | - | 1,008 | - |
| Total Expenses for Operations | $ 1,303,490 | $ 1,271,478 | $ 2,203,417 | $ 2,447,108 | $ 595,975 | $ 534,895 | $ 8,900,481 | $ 8,959,331 |

**GENERAL COUNCIL ON FINANCE AND ADMINISTRATION OF THE UNITED METHODIST CHURCH**
INCURRED AND CUMULATIVE PAID LOSSES AND ALLOCATED LOSS ADJUSTMENT EXPENSES, NET OF REINSURANCE (UNAUDITED)

*YEAR ENDED DECEMBER 31, 2022*

---

The following is information about incurred and paid claims development, net of reinsurance and by significant category for years ended December 31:

**Property and Crime**

**Incurred Losses and Allocated Loss Adjustment Expenses, Net of Reinsurance**

| Accident Year | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 | 2022 |
|---|---|---|---|---|---|---|---|---|---|---|
| 2013 | $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ - |
| 2014 | - | - | - | - | - | - | - | - | - | - |
| 2015 | - | - | 275,000 | 293,000 | 284,928 | 284,928 | 284,928 | 284,960 | 284,960 | 284,979 |
| 2016 | - | - | - | 410,000 | 480,000 | 455,000 | 455,000 | 451,542 | 451,579 | 451,579 |
| 2017 | - | - | - | - | 740,000 | 715,000 | 720,000 | 720,000 | 720,000 | 831,931 |
| 2018 | - | - | - | - | - | 990,000 | 1,110,000 | 1,050,000 | 1,145,000 | 1,337,906 |
| 2019 | - | - | - | - | - | - | 345,000 | 230,000 | 255,000 | 255,000 |
| 2020 | - | - | - | - | - | - | - | - | - | - |
| 2021 | - | - | - | - | - | - | - | - | - | - |
| 2022 | - | - | - | - | - | - | - | - | - | - |
| Total | | | | | | | | | | 3,161,395 |

**Cumulative Paid Losses and Allocated Loss Adjustment Expenses, Net of Reinsurance**

| Accident Year | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 | 2022 |
|---|---|---|---|---|---|---|---|---|---|---|
| 2013 | $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ - |
| 2014 | - | - | - | - | - | - | - | - | - | - |
| 2015 | - | - | 138,969 | 281,051 | 284,928 | 284,928 | 284,928 | 284,960 | 284,960 | 284,979 |
| 2016 | - | - | - | 169,600 | 284,050 | 430,269 | 434,507 | 451,542 | 451,579 | 451,579 |
| 2017 | - | - | - | - | 286,677 | 675,450 | 707,021 | 711,945 | 715,085 | 831,931 |
| 2018 | - | - | - | - | - | 397,445 | 978,779 | 1,025,691 | 1,080,828 | 1,109,391 |
| 2019 | - | - | - | - | - | - | 159,175 | 202,535 | 246,100 | 247,379 |
| 2020 | - | - | - | - | - | - | - | - | - | - |
| 2021 | - | - | - | - | - | - | - | - | - | - |
| 2022 | - | - | - | - | - | - | - | - | - | - |
| Total | | | | | | | | | | 2,925,259 |
| All outstanding liabilities before 2013, net of reinsurance | | | | | | | | | | - |
| Liabilities for losses and loss adjustment expenses, net of reinsurance | | | | | | | | | | $ 236,136 |

**GENERAL COUNCIL ON FINANCE AND ADMINISTRATION OF THE UNITED METHODIST CHURCH**
INCURRED AND CUMULATIVE PAID LOSSES AND ALLOCATED LOSS ADJUSTMENT EXPENSES, NET OF REINSURANCE (UNAUDITED) (CONTINUED)

*YEAR ENDED DECEMBER 31, 2022*

**General Liability**

**Incurred Losses and Allocated Loss Adjustment Expenses, Net of Reinsurance**

| Accident Year | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 | 2022 |
|---|---|---|---|---|---|---|---|---|---|---|
| 2013 | $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ - |
| 2014 | - | - | - | - | - | - | - | - | - | - |
| 2015 | - | - | 35,000 | 10,000 | 7,135 | 12,500 | 11,619 | 11,619 | 11,619 | 11,619 |
| 2016 | - | - | - | 23,000 | 8,500 | 7,500 | 6,466 | 6,466 | 6,466 | 6,466 |
| 2017 | - | - | - | - | 24,000 | 36,500 | 47,500 | 42,000 | 62,500 | 72,757 |
| 2018 | - | - | - | - | - | 30,000 | 16,500 | 16,000 | 20,000 | 20,000 |
| 2019 | - | - | - | - | - | - | 14,500 | 15,000 | 22,500 | 24,075 |
| 2020 | - | - | - | - | - | - | - | - | - | - |
| 2021 | - | - | - | - | - | - | - | - | - | - |
| 2022 | - | - | - | - | - | - | - | - | - | - |
| Total | | | | | | | | | | 134,917 |

**Cumulative Paid Losses and Allocated Loss Adjustment Expenses, Net of Reinsurance**

| Accident Year | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 | 2022 |
|---|---|---|---|---|---|---|---|---|---|---|
| 2013 | $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ - |
| 2014 | - | - | - | - | - | - | - | - | - | - |
| 2015 | - | - | 4,642 | 5,499 | 7,135 | 7,135 | 11,619 | 11,619 | 11,619 | 11,619 |
| 2016 | - | - | - | 3,370 | 5,414 | 6,466 | 6,466 | 6,466 | 6,466 | 6,466 |
| 2017 | - | - | - | - | 3,840 | 7,274 | 14,015 | 36,158 | 49,284 | 53,349 |
| 2018 | - | - | - | - | - | 3,506 | 5,986 | 8,134 | 10,884 | 18,705 |
| 2019 | - | - | - | - | - | - | 4,374 | 6,131 | 15,939 | 22,423 |
| 2020 | - | - | - | - | - | - | - | - | - | - |
| 2021 | - | - | - | - | - | - | - | - | - | - |
| 2022 | - | - | - | - | - | - | - | - | - | - |
| Total | | | | | | | | | | 112,562 |
| All outstanding liabilities before 2013, net of reinsurance | | | | | | | | | | - |
| Liabilities for losses and loss adjustment expenses, net of reinsurance | | | | | | | | | | $ 22,355 |

**GENERAL COUNCIL ON FINANCE AND ADMINISTRATION OF THE UNITED METHODIST CHURCH**

INCURRED AND CUMULATIVE PAID LOSSES AND ALLOCATED LOSS ADJUSTMENT EXPENSES, NET OF REINSURANCE (UNAUDITED) (CONTINUED)

*YEAR ENDED DECEMBER 31, 2022*

**Sexual Misconduct**

**Incurred Losses and Allocated Loss Adjustment Expenses, Net of Reinsurance**

| Accident Year | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 | 2022 |
|---|---|---|---|---|---|---|---|---|---|---|
| 2013 | $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ - |
| 2014 | - | - | - | - | - | - | - | - | - | - |
| 2015 | - | - | 14,000 | 13,500 | 9,500 | 7,500 | 7,000 | 6,000 | 5,500 | 5,500 |
| 2016 | - | - | - | 20,500 | 19,000 | 11,500 | 10,000 | 8,000 | 7,000 | 7,000 |
| 2017 | - | - | - | - | 24,000 | 19,500 | 15,500 | 12,000 | 10,000 | 10,000 |
| 2018 | - | - | - | - | - | 26,000 | 16,000 | 16,000 | 13,500 | 13,500 |
| 2019 | - | - | - | - | - | - | 10,000 | 8,500 | 7,000 | 7,000 |
| 2020 | - | - | - | - | - | - | - | - | - | - |
| 2021 | - | - | - | - | - | - | - | - | - | - |
| 2022 | - | - | - | - | - | - | - | - | - | - |
| Total | | | | | | | | | | 43,000 |

**Cumulative Paid Losses and Allocated Loss Adjustment Expenses, Net of Reinsurance**

| Accident Year | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 | 2022 |
|---|---|---|---|---|---|---|---|---|---|---|
| 2013 | $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ - |
| 2014 | - | - | - | - | - | - | - | - | - | - |
| 2015 | - | - | - | - | - | 1,785 | 1,785 | 1,785 | 1,785 | 1,785 |
| 2016 | - | - | - | - | - | - | - | - | - | - |
| 2017 | - | - | - | - | - | 397 | 397 | 397 | 397 | 397 |
| 2018 | - | - | - | - | - | - | - | - | - | - |
| 2019 | - | - | - | - | - | - | - | - | - | - |
| 2020 | - | - | - | - | - | - | - | - | - | - |
| 2021 | - | - | - | - | - | - | - | - | - | - |
| 2022 | - | - | - | - | - | - | - | - | - | - |
| Total | | | | | | | | | | 2,182 |
| All outstanding liabilities before 2013, net of reinsurance | | | | | | | | | | 60,372 |
| Liabilities for losses and loss adjustment expenses, net of reinsurance | | | | | | | | | | $ 101,190 |

**GENERAL COUNCIL ON FINANCE AND ADMINISTRATION OF THE UNITED METHODIST CHURCH**
AVERAGE ANNUAL PERCENTAGE PAYOUT OF INCURRED LOSSES BY AGE (UNAUDITED)

*YEAR ENDED DECEMBER 31, 2022*

---

The following is the average annual percentage payout of incurred claims, by age, net of reinsurance as of December 31, 2022 by significant category:

| | Average Annual Percentage Payout of Incurred Claims by Age | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| **Years** | **1** | **2** | **3** | **4** | **5** | **6** | **7** | **8** | **9** |
| Type of Insurance: | | | | | | | | | |
| Property and Crime | 44.2% | 42.8% | 7.4% | 1.4% | 1.7% | 4.7% | 0.0% | 0.0% | 0.0% |
| General Liability | 27.5% | 13.3% | 19.6% | 17.0% | 26.3% | 2.5% | 0.0% | 0.0% | 0.0% |
| Sexual Misconduct | 0.0% | 0.8% | 0.0% | 8.1% | 0.0% | 0.0% | 0.0% | 0.0% | 0.0% |