

**GENERAL BOARD OF  
CHURCH AND SOCIETY OF  
THE UNITED METHODIST CHURCH**

**FINANCIAL STATEMENTS**

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

*And Report of Independent Auditor*

**GENERAL BOARD OF CHURCH AND SOCIETY OF  
THE UNITED METHODIST CHURCH  
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## Report of Independent Auditor

To the Board of Trustees  
The General Board of Church and Society of  
The United Methodist Church

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 financial statements of the General Board of Church and Society of The United Methodist Church (a non-profit organization), which comprise the statements of financial position as of December 31, 2022 and 2021, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the General Board of Church and Society of The United Methodist Church as of December 31, 2022 and 2021, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

### Basis for Opinion

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

### Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and, therefore, is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the General Board of Church and Society of The United Methodist Church's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the General Board of Church and Society of The United Methodist Church's ability to continue as a going concern for a reasonable period of time.

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

*Cherry Bekaert LLP*

Charlotte, North Carolina  
September 5, 2023

**GENERAL BOARD OF CHURCH AND SOCIETY OF  
THE UNITED METHODIST CHURCH  
STATEMENTS OF FINANCIAL POSITION**

DECEMBER 31, 2022 AND 2021

	<u>2022</u>	<u>2021</u>
<b>ASSETS</b>		
Cash and cash equivalents	\$ 66	\$ 154
Due from General Council on Finance and Administration ("GCFA") Cash Balance Pool ("CBP")	1,810,164	1,570,134
Accrued World Service Fund allocation	642,047	689,649
Accounts receivable, net	797,297	733,759
Prepaid expenses and other assets	182,754	217,757
Investments	17,830,953	22,031,837
Social Justice Ministries Endowment Fund at The United Methodist Church Foundation	419,878	511,116
Property and equipment, net	7,235,044	7,448,047
Right-of-use asset - operating	92,204	-
<b>Total Assets</b>	<u><u>\$ 29,010,407</u></u>	<u><u>\$ 33,202,453</u></u>
<b>LIABILITIES AND NET ASSETS</b>		
Liabilities:		
Accounts payable and accrued expenses	\$ 577,490	\$ 233,481
Lease liability - operating	95,156	-
Lease liability - financing	18,757	-
Other liabilities	281,406	258,642
<b>Total Liabilities</b>	<u>972,809</u>	<u>492,123</u>
Net Assets:		
Without Donor Restrictions:		
Invested in property and equipment (excluding real property endowment)	6,099,870	6,331,631
Board-designated for endowment	9,512,228	12,723,095
Board-designated for building maintenance	2,578,791	2,346,333
Board-designated for programs	352,109	352,109
Undesignated	3,244,652	2,816,265
<b>Total Without Donor Restrictions</b>	<u>21,787,650</u>	<u>24,569,433</u>
With Donor Restrictions:		
Subject to purpose restrictions	1,295,064	1,773,168
Endowments	3,838,467	5,251,312
Endowment - real property	1,116,417	1,116,417
<b>Total With Donor Restrictions</b>	<u>6,249,948</u>	<u>8,140,897</u>
<b>Total Net Assets</b>	<u>28,037,598</u>	<u>32,710,330</u>
<b>Total Liabilities and Net Assets</b>	<u><u>\$ 29,010,407</u></u>	<u><u>\$ 33,202,453</u></u>

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

**GENERAL BOARD OF CHURCH AND SOCIETY OF  
THE UNITED METHODIST CHURCH  
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
Revenues:						
World Service Fund allocation	\$ 2,054,696	\$ -	\$ 2,054,696	\$ 2,032,654	\$ -	\$ 2,032,654
Special Sunday offerings	-	121,156	121,156	-	131,990	131,990
Program revenue	800	-	800	-	-	-
Distribution from Benefit Trust	314,475	-	314,475	305,889	-	305,889
Contributions	153,106	2,108	155,214	115,721	1,261	116,982
Services received from GCFA	28,822	-	28,822	23,314	-	23,314
Rental income	-	2,405,515	2,405,515	-	2,335,732	2,335,732
Investment return, net	(2,632,743)	(997,157)	(3,629,900)	1,653,010	639,738	2,292,748
Grant revenue	-	-	-	582,521	-	582,521
Other revenues	39,284	-	39,284	49,872	-	49,872
Net assets released from restrictions	3,422,571	(3,422,571)	-	2,078,738	(2,078,738)	-
Total Revenues	3,381,011	(1,890,949)	1,490,062	6,841,719	1,029,983	7,871,702
Expenses:						
Program Services:						
Core programs	2,003,156	-	2,003,156	1,813,362	-	1,813,362
Board-designated programs	5,000	-	5,000	14,000	-	14,000
Purpose restricted programs	368,840	-	368,840	180,726	-	180,726
Total Program Services	2,376,996	-	2,376,996	2,008,088	-	2,008,088
Supporting Services:						
Management and general	1,604,842	-	1,604,842	804,439	-	804,439
Leasing and property management	2,013,236	-	2,013,236	1,786,839	-	1,786,839
Fundraising	167,720	-	167,720	126,390	-	126,390
Total Supporting Services	3,785,798	-	3,785,798	2,717,668	-	2,717,668
Total Expenses	6,162,794	-	6,162,794	4,725,756	-	4,725,756
Change in net assets	(2,781,783)	(1,890,949)	(4,672,732)	2,115,963	1,029,983	3,145,946
Net assets, beginning of year	24,569,433	8,140,897	32,710,330	22,453,470	7,110,914	29,564,384
Net assets, end of year	\$ 21,787,650	\$ 6,249,948	\$ 28,037,598	\$ 24,569,433	\$ 8,140,897	\$ 32,710,330

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

**GENERAL BOARD OF CHURCH AND SOCIETY OF  
THE UNITED METHODIST CHURCH  
STATEMENT OF FUNCTIONAL EXPENSES**

YEAR ENDED DECEMBER 31, 2022

	Program Services			Supporting Services			2022 Total	
	Core Programs	Board- Designated Programs	Purpose Restricted Programs	Total Program Services	Management and General	Leasing and Property Management		Fundraising
Salaries and payroll taxes	\$ 1,431,908	\$ -	\$ 187,969	\$ 1,619,877	\$ 221,149	\$ 197,055	\$ 62,039	\$ 2,100,120
Program development	29,618	-	2,576	32,194	-	-	-	32,194
Employee benefits	221,924	-	27,726	249,650	117,304	3,657	9,940	380,551
Administration provided by GCFA	-	-	-	-	28,822	-	-	28,822
Travel and meetings	78,466	-	6,803	85,269	7,384	-	3,980	96,633
Contributions and grants to others	8,296	5,000	106,565	119,861	-	-	-	119,861
Professional fees	143,009	-	10,300	153,309	58,075	149,857	70,339	431,580
Legal fees	-	-	-	-	723,592	-	-	723,592
Rent and occupancy	216,529	-	23,370	239,899	28,909	(204,244)	7,258	71,822
Supplies	6,951	-	944	7,895	1,356	-	3,920	13,171
Telephone and web service	26,739	-	2,202	28,941	28,210	16,924	1,079	75,154
Postage, shipping, and freight	8,867	-	183	9,050	2,098	-	5,632	16,780
Utilities	-	-	-	-	-	236,451	-	236,451
Repairs and maintenance	-	-	-	-	11,531	660,078	-	671,609
Insurance	-	-	-	-	67,252	77,899	-	145,151
Depreciation and amortization	-	-	-	-	18,237	841,942	-	860,179
Promotional and informational materials	36,859	-	-	36,859	-	-	-	36,859
Miscellaneous	29,162	-	202	29,364	55,751	33,617	3,533	122,265
Allocation of General Secretary's Office to General Administration	(235,172)	-	-	(235,172)	235,172	-	-	-
<b>Total Expenses</b>	<b>\$ 2,003,156</b>	<b>\$ 5,000</b>	<b>\$ 368,840</b>	<b>\$ 2,376,996</b>	<b>\$ 1,604,842</b>	<b>\$ 2,013,236</b>	<b>\$ 167,720</b>	<b>\$ 6,162,794</b>

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

**GENERAL BOARD OF CHURCH AND SOCIETY OF  
THE UNITED METHODIST CHURCH  
STATEMENT OF FUNCTIONAL EXPENSES**

*YEAR ENDED DECEMBER 31, 2021*

	Program Services			Supporting Services			2021 Total	
	Core Programs	Board- Designated Programs	Purpose Restricted Programs	Total Program Services	Management and General	Leasing and Property Management		Fundraising
Salaries and payroll taxes	\$ 1,220,738	\$ -	\$ 142,163	\$ 1,362,901	\$ 211,259	\$ 180,170	\$ 35,812	\$ 1,790,142
Program development	21,571	-	3,150	24,721	-	-	-	24,721
Employee benefits	239,828	-	24,153	263,981	99,461	-	8,491	371,933
Administration provided by GCFA	-	-	-	-	23,314	-	-	23,314
Travel and meetings	27,707	-	575	28,282	2,935	-	260	31,477
Contributions and grants to others	6,550	14,000	5,200	25,750	-	-	-	25,750
Professional fees	210,943	-	-	210,943	70,057	102,327	71,947	455,274
Rent and occupancy	206,348	-	18,592	224,940	27,688	(188,440)	4,681	68,869
Supplies	1,550	-	122	1,672	833	168	1,048	3,721
Telephone and web service	27,599	-	1,866	29,465	33,249	16,054	750	79,518
Postage, shipping, and freight	786	-	-	786	346	-	2,384	3,516
Utilities	-	-	-	-	-	188,614	-	188,614
Repairs and maintenance	-	-	-	-	9,760	600,128	-	609,888
Insurance	-	-	-	-	43,916	75,841	-	119,757
Depreciation and amortization	-	-	-	-	18,470	773,530	-	792,000
Promotional and informational materials	36,274	-	-	36,274	-	-	-	36,274
Miscellaneous	36,026	-	(15,095)	20,931	40,593	38,447	1,017	100,988
Allocation of General Secretary's Office to General Administration	(222,558)	-	-	(222,558)	222,558	-	-	-
<b>Total Expenses</b>	<b>\$ 1,813,362</b>	<b>\$ 14,000</b>	<b>\$ 180,726</b>	<b>\$ 2,008,088</b>	<b>\$ 804,439</b>	<b>\$ 1,786,839</b>	<b>\$ 126,390</b>	<b>\$ 4,725,756</b>

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



**GENERAL BOARD OF CHURCH AND SOCIETY OF  
THE UNITED METHODIST CHURCH  
STATEMENTS OF CASH FLOWS**

YEARS ENDED DECEMBER 31, 2022 AND 2021

	<u>2022</u>	<u>2021</u>
<b>Cash flows from operating activities:</b>		
Change in net assets	\$ (4,672,732)	\$ 3,145,946
Adjustments to reconcile change in net assets to net cash flows from operating activities:		
Depreciation and amortization	860,179	792,000
Net loss on fixed asset disposal	-	41,116
Net realized and unrealized losses (gains) on investments, Social Justice Ministries Endowment Fund at UMC Foundation and Ethnic Local Church Endowment	3,925,756	(1,985,522)
Contributions restricted for long-term purposes	(2,108)	-
Noncash lease expense	5,984	-
Changes in operating assets and liabilities:		
Due from GCFA CBP	(240,030)	(349,380)
Accrued World Service Fund allocation	47,602	90,796
Accounts receivable, net	(63,538)	(81,368)
Prepaid expenses and other assets	(36,193)	(38,242)
Accounts payable and accrued expenses	344,009	(27,098)
Paycheck Protection Program deferred grant revenue	-	(486,638)
Other liabilities	22,764	22,963
Net cash flows from operating activities	<u>191,693</u>	<u>1,124,573</u>
<b>Cash flows from investing activities:</b>		
Acquisition of property and equipment	(556,526)	(756,136)
Purchases of investments	(415,302)	(1,259,456)
Sales of investments	781,666	897,799
Net cash flows from investing activities	<u>(190,162)</u>	<u>(1,117,793)</u>
<b>Cash flows from financing activities:</b>		
Proceeds from contributions restricted for long-term purposes	2,108	-
Principal payments on finance lease obligation	(3,727)	(6,780)
Net cash flows from financing activities	<u>(1,619)</u>	<u>(6,780)</u>
Net change in cash and cash equivalents	(88)	-
Cash and cash equivalents, beginning of year	154	154
Cash and cash equivalents, end of year	<u>\$ 66</u>	<u>\$ 154</u>
<b>Supplemental disclosure of cash flow information:</b>		
Right-of-use assets obtained in exchange for new lease liabilities	<u>\$ 179,143</u>	<u>\$ -</u>

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

**GENERAL BOARD OF CHURCH AND SOCIETY OF  
THE UNITED METHODIST CHURCH**  
NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2022 AND 2021

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**Note 1—Nature of the organization**

The General Board of Church and Society (the “Board”) is a general agency of The United Methodist Church (the “Church”) and is a not-for-profit organization incorporated in the District of Columbia. The primary objective of the Board is to establish programs to analyze social concerns and to develop Christian lines of action in relation thereto in keeping with the objectives of the Church.

Funding for the Board’s projects is principally provided by allocations received from the General Funds of the Church based on a four-year budget developed from projections of expected programs costs. The allocation accounts for 42% and 39% of the Board’s total operating revenue, excluding investment returns, during the years ended December 31, 2022 and 2021, respectively. In addition, rental income and investment earnings from the Board’s assets provide significant resources to enable the Board to carry out its mission. The Board’s continued existence is partially dependent upon the Church’s future financial support. The Church’s financial support of the Board is dependent upon contributions from the congregations (i.e., congregational participation in the apportionment covenant).

Assets of the Board include the United Methodist Building, located in the District of Columbia. Tenants of the United Methodist Building include the Board, various other not-for-profit organizations which lease office space, and individuals who lease apartment units.

**Note 2—Summary of significant accounting policies**

The financial statements of the Board have been prepared on the accrual basis of accounting. The Board’s significant accounting policies are described below.

*Basis of Presentation* – The Board maintains its accounts internally 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 the Board. Separate accounts are maintained for each fund.

For reporting purposes, the Board’s financial statements have been prepared to focus on the organization as a whole. Resources are classified into two net asset categories based on the existence or absence of donor-imposed restrictions. Accordingly, the net assets of the Board and changes therein are classified and reported as follows:

*Net Assets Without Donor Restrictions* – Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the Board. These net assets may be used at the discretion of the Board’s management and the Board of Directors. The Board has chosen to provide further classification information about net assets without donor restrictions on the statements of financial position. The sub classifications are as follows:

*Invested in Property and Equipment (Excluding Real Property Endowment)* – Represents net assets invested in property and equipment, net of accumulated depreciation and endowed real property.

*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.

**GENERAL BOARD OF CHURCH AND SOCIETY OF  
THE UNITED METHODIST CHURCH  
NOTES TO THE FINANCIAL STATEMENTS**

*DECEMBER 31, 2022 AND 2021*

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

*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 the Board or by passage of time. Other donor restrictions are perpetual in nature, whereby the donor has stipulated the funds be maintained in perpetuity.

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 restrictions. 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.

*Allocation from World Service Fund* – The World Service Fund (the “Fund”) is the basic benevolence fund of the Church. The Fund makes annual allocations to support the activities of the various organizations of the Church. Such amounts are recognized as revenue in the accompanying financial statements in the period for which the allocation is made. Certain World Service Funds are reported as with donor restrictions, if the restrictions placed on them by General Conference are more specific than the Broad limits of its mission as described in the Book of Discipline. The Accrued World Service Fund Allocation represents the apportionment income recorded as income for December that will be credited to the Board’s portion of the General Council on Finance and Administration (“GCFA”) Cash Balance Pool (“CBP”) the following month.

*Cash and Cash Equivalents* – For the purpose of reporting cash flows, the Board considers all highly liquid debt instruments purchased with a maturity of three months or less to be cash equivalents.

The Board places its cash and cash equivalents on deposit with financial institutions in the United States. The Federal Deposit Insurance Corporation covers \$250,000 for substantially all depository accounts. The Board from time to time may have amounts on deposit in excess of insured limits. As of December 31, 2022 and 2021, the Board did not exceed this amount.

*Due from GCFA CBP* – The amounts presented as due from GCFA CBP in the accompanying financial statements represent the Board’s portion of the CBP portfolio managed by GCFA on behalf of certain agencies and related organizations of The United Methodist Church. The amount due from this pool effectively represents the amount of cash deposits that are available to the Board to be disbursed out of GCFA’s centralized cash management system. Since these deposits are legally invested in GCFA’s name and not in a separate demand account in the Board’s name, they are not classified as cash and cash equivalents but rather are considered an amount due from GCFA. The CBP includes funds invested in demand deposits, corporate bonds, taxable municipal bonds, mutual funds, and notes from other United Methodist related organizations.

**GENERAL BOARD OF CHURCH AND SOCIETY OF  
THE UNITED METHODIST CHURCH  
NOTES TO THE FINANCIAL STATEMENTS**

DECEMBER 31, 2022 AND 2021

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

Distributions of the investment return on the CBP are characterized as interest income and 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 U.S. 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.
2. The net pool return will be earned on all monies deposited up to the individual agency limit of 1.5 times the average CBP balance for the previous two years. Above this limit, the agency will earn a net portfolio return of 1-month U.S. Treasury Bill Rate minus 15 basis points.

GCFA allocates interest earned to the agencies invested monthly. For the years ended December 31, 2022 and 2021, GCFA allocated \$17,806 and \$39,460 of interest income, respectively. The overall return for the CBP for the years ended December 31, 2022 and 2021 was 1.09% and 2.73%, respectively. The overall rate of return for each agency will fluctuate based on balances throughout the year and the prevailing U.S. Treasury Bill Rates over time.

While interest income can be earned based on the performance of the pooled investment funds, the Board believes there is little to no risk exposure to losses due to the relationship with GCFA and policy under which the pooled funds are invested. GCFA is the owner of the residual risk of the investment portfolio. The operating cash requirements of the general agencies are centrally managed by GCFA.

The current policy as described above became effective on January 1, 2022. Prior to this, the pool was previously referred to as the GCFA Short-Term Pooled Investment Fund and the investment return of the pool was allocated to the participating agencies based on their pro rata share of the pool on a monthly basis.

The allocation of funds in the CBP as of December 31, 2022 and 2021 is as follows:

	<u>2022</u>	<u>2021</u>
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%
	<u>100.0%</u>	<u>100.0%</u>

*Accounts Receivable* – Accounts receivable primarily consists of amounts due relating to rent that had not yet been collected and are reported at the amount management expects to collect from balances outstanding. Differences between the balances outstanding and the amounts management expects to collect are reported as a reduction of net assets in the year in which those differences are determined, with an offsetting entry to the allowance for doubtful accounts. Balances that are still outstanding after management has used reasonable collection efforts are written off through bad debt expense.

**GENERAL BOARD OF CHURCH AND SOCIETY OF  
THE UNITED METHODIST CHURCH  
NOTES TO THE FINANCIAL STATEMENTS**

*DECEMBER 31, 2022 AND 2021*

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

*Investments and Investment Earnings* – Investments in debt and equity securities with a readily determinable market value are reported at fair value with gains and losses included in the statements of activities based on quotations obtained from national securities exchanges. Cash equivalent funds held by the investment manager are not considered cash equivalents for purposes of the statements of cash flows.

The Board's investment portfolios were established for the purposes of supporting the programs of the Board to carry out the missions as defined in the Book of Discipline and to maintain the physical plant of the Board. Consistent with that purpose, the goal of investing the portfolios assets is to provide current funding to the Board defined by the spending policy, while preserving the purchasing power of the funds held for future expenditure. The Board has adopted the total return concept in allocating investment income. The Board has designated the income from a portion of its investment portfolio that represent funds without donor restrictions to support operations. In accordance with the Board's total return objective, an amount equal to 5% of a three-year rolling average of total fair market value of this portion is in the form of an investment payout. If investment income received (i.e., interest and dividends) is not sufficient to support the total return objective, the balance is provided from realized gains. If investment income is received in excess of the objective, the excess is reinvested.

*Property and Equipment* – Property and equipment assets are carried at original cost or estimated fair value at date of donation, if donated. Depreciation is computed on a straight-line basis over estimated useful lives of 37.5 years for major building renovations and 10 to 20 years for minor building improvements, furniture, and equipment. Tenant improvements are amortized over the term of the related lease.

*Financial Instruments* – Assets recorded at fair value in the statements of financial position are categorized based on the level of judgment associated with the inputs used to measure their fair value. Level inputs, as defined by Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC") 820, *Fair Value Measurements and Disclosures* are as follows:

*Level 1* – Values are unadjusted quoted prices for identical assets in active markets accessible at the measurement date.

*Level 2* – Inputs include quoted prices for similar assets in active markets, quoted prices from those willing to trade in markets that are not active, or other inputs that are observable or can be corroborated by market data for the term of the instrument. Such inputs include market interest rates and volatilities, spreads, and yield curves.

*Level 3* – Certain inputs are unobservable (supported by little or no market activity) and significant to the fair value measurement. Unobservable inputs reflect the Board's best estimate of what hypothetical market participants would use to determine a transaction price for the asset or liability at the reporting date.

*Contributions* – Contributions are recognized when cash, other assets, or an unconditional promise to give is received. Conditional promise to give, that is, those with a measurable performance or other barrier and a right of return of 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.

*Program Services* – The Board completes a programmatic evaluation each quadrennium. The Board's Board of Directors determine the direction for programming based on assignments by General Conference, constituent surveys, and assessed needs. These "prioritized" programs change over time and each quadrennium, the Board's Board of Directors determine what those changes are.

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

*Services Received from Personnel of an Affiliate* – Services received from personnel of an affiliate for which the affiliate does not charge the Board have been measured at the cost recognized by the affiliate in providing those services. The revenue and expense relating to those services received are presented in Note 14 and totaled \$28,822 and \$23,314 for the years ended December 31, 2022 and 2021, respectively.

*Functional Expenses* – The costs of providing program and other activities have been summarized on a functional basis in the statements of activities and functional expenses. The statement of functional expenses presents the natural classification detail of expense by function. 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:

<u>Expense</u>	<u>Method of Allocation</u>
Rent and occupancy	Department’s percentage of total annual payroll

*Leases* – The Board leases office space and equipment. The determination of whether an arrangement is a lease is made at the lease’s inception. For contracts entered into on or after the effective date or at the inception of a contract, the Board assessed whether the contract is, or contains, a lease. The assessment is based on: (1) whether the contract involves the use of a distinct identified asset, (2) whether the Board obtains the right to substantially all the economic benefit from the use of the asset throughout the period, and (3) whether the Board has the right to direct the use of the asset.

Right-of-use (“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 by the Board. 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. Certain of the Board’s lease agreements include variable payments. Variable lease payments not dependent on an index or rate primarily consist of common area maintenance, property tax, and property insurance charges and are not included in the calculation of the ROU asset and lease liability and are expensed as incurred. To determine the present value of lease payments, the Board uses the implicit rate when it is readily determinable. As most of the Board’s leases do not provide an implicit rate, the Board has elected to utilize the risk-free rate to calculate lease assets and liabilities.

The Board’s lease agreements do not contain any material residual value guarantees or material restrictive covenants. The Board does not have leases where it is involved with the construction or design of an underlying asset. The Board has no material obligation for leases signed but not yet commenced as of December 31, 2022.

*Income Taxes* – The Board is covered under GCFA’s group determination letter from the Internal Revenue Service indicating that it is a nonprofit corporation and, except for taxes pertaining to unrelated business income, is exempt from federal and state income taxes under Section 501(c)(3) of the Internal Revenue Code. The Board had no significant unrelated business income during the years ended December 31, 2022 and 2021.

The Board 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.

**GENERAL BOARD OF CHURCH AND SOCIETY OF  
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*DECEMBER 31, 2022 AND 2021*

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

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

*Use of Estimates* – The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and judgments that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expense during the reporting period. Actual results could differ from those estimates.

*Change in Accounting Principles* – On January 1, 2022, the Board adopted FASB Accounting Standards Update (“ASU”) 2016-02, *Leases* (Topic 842), which supersedes existing guidance for accounting for leases under Topic 840, *Leases*. The most significant change in the new leasing guidance is the requirement to recognize ROU assets and lease liabilities for operating and financing leases on the statement of financial position. The Board adopted this standard using the modified retrospective approach and recorded ROU assets and lease liabilities of \$179,143 on the date of adoption.

On January 1, 2022, the Board also adopted ASU 2020-07, *Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*. The standard requires presentation of contributed nonfinancial assets as a separate line item in the statement of activities, apart from contributions of cash and other financial assets. It also requires a disclosure of disaggregated contributions of nonfinancial assets by category that depicts the type of contributed nonfinancial assets. There was no impact on the Board’s financial statements upon adoption of this standard.

*Recently Issued Accounting Pronouncements Not Yet Adopted* – ASU 2016-13, *Financial Instruments - Credit Losses* (Topic 326) will be effective for fiscal years beginning after December 15, 2022. This guidance replaces the existing incurred loss impairment guidance and establishes a single allowance framework for financial assets carried at amortized cost based on expected credit losses. The estimate of expected credit losses requires the incorporation of historical information, current conditions, and reasonable and supportable forecasts. The Board is currently in the process of evaluating the impact of adoption of this ASU on the financial statements.

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**Note 3—Liquidity and availability of resources**

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

	<u>2022</u>	<u>2021</u>
Financial assets at year-end:		
Cash and cash equivalents	\$ 66	\$ 154
Due from GCFA CBP	1,810,164	1,570,134
Accrued World Service Fund allocation	642,047	689,649
Accounts receivable, net	797,297	733,759
Investments	17,830,953	22,031,837
Social Justice Ministries Endowment Fund at UMC Foundation	419,878	511,116
Total financial assets	<u>21,500,405</u>	<u>25,536,649</u>
Less amounts not available to be used for general expenditures within one year:		
Board-designated funds	12,443,128	15,421,537
Subject to donor purpose restrictions	1,295,064	1,773,168
Endowments (excluding real property endowment)	<u>3,838,467</u>	<u>5,251,312</u>
Financial assets not available to be used within one year	<u>17,576,659</u>	<u>22,446,017</u>
Financial assets available to meet general expenditures within one year	<u>\$ 3,923,746</u>	<u>\$ 3,090,632</u>

The Board considers general expenditures to include program expenses, supporting services, and any commitments or liabilities to be paid in the subsequent year. The Board has certain assets limited to use for donor-restricted purposes. Additionally, board-designated assets are designated for future operating and capital expenditures. These assets limited to use, which are more fully described in Notes 9 and 10 are not available for general expenditure within the next year. However, the board-designated amounts could be made available, if necessary.

As part of the Boards liquidity management plan, cash in excess of daily requirements are invested in GCFA's CBP and the Board's general investment pool held by a financial institution.

**Note 4—Accounts receivable**

Accounts receivable at December 31, 2022 and 2021 are as follows:

	<u>2022</u>	<u>2021</u>
Rent receivables	\$ 814,365	\$ 750,827
Allowance for doubtful accounts	(17,068)	(17,068)
	<u>\$ 797,297</u>	<u>\$ 733,759</u>



**GENERAL BOARD OF CHURCH AND SOCIETY OF  
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**Note 5—Investments**

Investments at December 31, 2022 and 2021 consist of the following:

	2022		2021	
	Fair Value	Cost	Fair Value	Cost
Cash and cash equivalents	\$ 444,967	\$ 444,974	\$ 1,245,529	\$ 1,245,678
Mutual funds	2,124,393	2,468,443	2,464,941	2,350,253
U.S. government securities	1,033,955	1,175,484	954,137	950,172
Bonds	1,483,220	1,661,091	1,880,630	1,845,305
Common stocks	7,262,767	6,318,481	8,885,967	6,094,961
International equity securities	5,481,651	5,559,431	6,600,633	5,682,185
Total investments	<u>\$ 17,830,953</u>	<u>\$ 17,627,904</u>	<u>\$ 22,031,837</u>	<u>\$ 18,168,554</u>

The Social Justice Ministries Endowment Fund, which is invested with The United Methodist Church Foundation (the "UMC Foundation") as of December 31, 2022 and 2021 consist of the following:

	2022		2021	
	Fair Value	Cost	Fair Value	Cost
The UMC Foundation	<u>\$ 419,878</u>	<u>\$ 488,239</u>	<u>\$ 511,116</u>	<u>\$ 497,793</u>

Investment return and interest income earned on the GCFA CBP for the years ended December 31, 2022 and 2021 consist of the following:

	2022	2021
Interest and dividends	\$ 449,711	\$ 456,873
Realized (losses) gains on sales of investments	(199,366)	1,958,854
Unrealized (losses) gains on investments	(3,726,390)	26,668
Investment management fees	<u>(153,855)</u>	<u>(149,647)</u>
Investment return, net	<u>\$ (3,629,900)</u>	<u>\$ 2,292,748</u>

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**Note 6—Fair value measurement**

Required disclosures concerning the estimated fair value of financial instruments are presented below. The estimated fair value amounts have been determined based on the Board's assessment of available market information and appropriate valuation methodologies. The following tables summarize 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*:

<b>Fair Value Measurements at December 31, 2022</b>				
	<b>Total Assets Measured at Fair Value</b>	<b>Quoted Prices in Active Markets for Identical Assets (Level 1)</b>	<b>Significant Other Observable Inputs (Level 2)</b>	<b>Significant Other Unobservable Inputs (Level 3)</b>
Investments:				
Cash and cash equivalents	\$ 444,967	\$ 444,967	\$ -	\$ -
Mutual funds	2,124,393	2,124,393	-	-
U.S. government securities	1,033,955	1,033,955	-	-
Bonds	1,483,220	-	1,483,220	-
Common stocks	7,262,767	7,262,767	-	-
International equity securities	5,481,651	5,481,651	-	-
	<u>\$ 17,830,953</u>	<u>\$ 16,347,733</u>	<u>\$ 1,483,220</u>	<u>\$ -</u>
The UMC Foundation*	<u>\$ 419,878</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

<b>Fair Value Measurements at December 31, 2021</b>				
	<b>Total Assets Measured at Fair Value</b>	<b>Quoted Prices in Active Markets for Identical Assets (Level 1)</b>	<b>Significant Other Observable Inputs (Level 2)</b>	<b>Significant Other Unobservable Inputs (Level 3)</b>
Investments:				
Cash and cash equivalents	\$ 1,245,529	\$ 1,245,529	\$ -	\$ -
Mutual funds	2,464,941	2,464,941	-	-
U.S. government securities	954,137	954,137	-	-
Bonds	1,880,630	-	1,880,630	-
Common stocks	8,885,967	8,885,967	-	-
International equity securities	6,600,633	6,600,633	-	-
	<u>\$ 22,031,837</u>	<u>\$ 20,151,207</u>	<u>\$ 1,880,630</u>	<u>\$ -</u>
The UMC Foundation*	<u>\$ 511,116</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

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

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**Note 6—Fair value measurement (continued)**

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

	<u>Fair Value</u>	<u>Unfunded Commitments</u>	<u>Redemption Frequency</u>	<u>Redemption Notice Period</u>
The UMC Foundation <sup>(*)</sup>	\$ 419,878	none	Daily	3 Days

(\*) The UMC Foundation investment is within the Methodist Socially Principled Fund. The objective of the Methodist Socially Principled Fund is to provide a reasonable level of current income and, simultaneously, to protect the purchasing power of the principal against inflation. The targeted allocation of the fund is 35% invested in a fixed income fund, 30% in a domestic large capitalization equity portfolio, 10% in a domestic small/mid-capitalization equity portfolio, and 25% in an international equity portfolio. This fund is designed for those investors who are seeking a single fund to provide broad diversification, reasonable current income, and protection against inflation.

**Note 7—Property and equipment, net**

Property and equipment, net consist of the following at December 31:

	<u>2022</u>	<u>2021</u>
Land	\$ 183,038	\$ 183,038
Building and improvements	16,129,197	15,882,707
Furniture and equipment	766,313	513,311
Right-of-use asset	22,499	-
Total property and equipment	17,101,047	16,579,056
Less accumulated depreciation and amortization	<u>(9,866,003)</u>	<u>(9,131,009)</u>
Property and equipment, net	<u>\$ 7,235,044</u>	<u>\$ 7,448,047</u>

Depreciation expense was \$788,983 and \$723,523 for the years ended December 31, 2022 and 2021, respectively.

The Board has legal title to the United Methodist Building at 100 and 110 Maryland Avenue, N.E., Washington, D.C. However, the Board must obtain approval from the General Conference of The United Methodist Church prior to sale of the building.

**GENERAL BOARD OF CHURCH AND SOCIETY OF  
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**Note 8—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:

	<u>2022</u>	<u>2021</u>
Subject to purpose restrictions:		
Hugh Moore population	\$ 972,092	\$ 1,408,335
Human Relations Day Sunday offerings	93,857	110,582
Other programs	229,115	254,251
Total subject to purpose restrictions	<u>1,295,064</u>	<u>1,773,168</u>
Endowments:		
Subject to appropriation and expenditure:		
Restricted by donor for general use	70,282	1,393,959
Restricted by donor for ministries of the Board	108,469	199,745
Subtotal	<u>178,751</u>	<u>1,593,704</u>
Held in perpetuity subject to endowment spending policy and appropriation:		
Building Fund - For general use	3,286,602	3,286,602
Building Fund (Real Property) - For general use	1,116,417	1,116,417
Ethnic Local Church Fund	60,025	58,712
Social Justice Endowment Fund - Ministries of the Board	313,089	312,294
Total endowments	<u>4,954,884</u>	<u>6,367,729</u>
Total net assets with donor restrictions	<u>\$ 6,249,948</u>	<u>\$ 8,140,897</u>

Net assets with donor restrictions for the years ended December 31, 2022 and 2021 were released from donor restrictions by incurring expenses satisfying the restricted purposes or by occurrence of other events specified by donors as follows:

	<u>2022</u>	<u>2021</u>
Satisfaction of purpose restrictions	<u>\$ 3,422,571</u>	<u>\$ 2,078,738</u>

**Note 9—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 varying purposes.

The board-designated endowment was established by the board of directors and its purpose and use are more fully described in Note 10.

The building maintenance fund represents funded depreciation, where the amount of annual depreciation is appropriated from operations for future capital expenditures of the Board.

The board-designated for programs are funds, such as the Emerging Issues Fund, set up by the board of directors for specific and periodic needs that may arise and are directed to be used for ministry program needs including advocacy.

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*DECEMBER 31, 2022 AND 2021*

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**Note 10—Endowments**

The Board's endowments consist of 3 individual funds established by donors to provide annual funding for specific activities and general operations: (1) the Methodist Building Endowment Fund, (2) the Social Justice Endowment Fund, and (3) the Ethnic Local Church Concerns Endowment Fund. The Board's endowments also include certain net assets without donor restrictions that have been designated for endowment by the board of directors.

The Methodist Building Endowment Fund (the "Building Fund") was created by the Building Fund's Trust Agreement (the "Trust"), from the Division of Alcohol Problems and General Welfare of the Board of Christian Social Concerns of the Methodist Church, and from the Board of Temperance, Prohibition, and Public Morals of the Methodist Episcopal Church. The Trust permanently restricts the use of the Building Fund's corpus, and requires that income generated by the corpus be used for building operations, alterations, repairs, improvements, and to support programs addressing problems involving alcohol, public morals, gambling, drug abuse, and general welfare.

The Social Justice Ministries Endowment Fund (the "Social Justice Fund") represents resources received from donors that must be invested into perpetuity. The investment returns earned from the investments of the Social Justice Fund will be available to the Board to use for any purpose consistent with its ministries to respond to the Christian social concerns of the day. The Social Justice Fund is invested in the UMC Foundation's Balanced Plus Fund. The UMC Foundation has established, for accounting purposes, an initial unit value for an accounting unit of the participants' accounts based on the participants' net assets divided by the unit value. At all times, the total value of the participants' net assets, divided by the total of all participants' units, will equal the unit value. The unit value of the net assets is determined on each business day.

The Ethnic Local Church Endowment Fund represents resources received from donors that must be invested into perpetuity. The fund permanently restricts the use of the corpus and requires that income generated by the corpus be used to further the work of ethnic and local church concerns, reproductive health of youth, and ethnic youth internships.

The Board's management has long interpreted its work on public policy as well as its efforts to communicate that work to its constituents and resource local congregations to affect public policy change as fitting under the categories of "public morals" and "general welfare" for Trust Fund purposes. Specifically, management believes the work it performs in all core programs of the Board meets the public morals and general welfare descriptions above. This would include the following core programs: Public Witness and Advocacy, Education and Leadership Formation, Communications, Resource Production, United Nations Office, and the program-related portion of the General Secretary's Office. This policy is based on a legal opinion obtained by the Board in 1975 and was upheld in a ruling of the Superior Court of the District of Columbia on October 6, 2010.

**GENERAL BOARD OF CHURCH AND SOCIETY OF  
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**Note 10—Endowments (continued)**

The Board's management 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, the Board 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 endowment.

In accordance with applicable state laws, the Board 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 the Board
- The investment policies of the Board

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

	<b>December 31, 2022</b>		
	<b>Without Donor Restrictions</b>	<b>With Donor Restrictions</b>	<b>Total</b>
Board-designated endowment funds	\$ 9,512,228	\$ -	\$ 9,512,228
Donor-restricted endowment funds:			
Original donor-restricted gift amount and amounts required to be maintained in perpetuity by donor	-	4,776,133	4,776,133
Accumulated investment gains	-	178,751	178,751
Endowment net assets, December 31, 2022	<u>\$ 9,512,228</u>	<u>\$ 4,954,884</u>	<u>\$ 14,467,112</u>
	<b>December 31, 2021</b>		
	<b>Without Donor Restrictions</b>	<b>With Donor Restrictions</b>	<b>Total</b>
Board-designated endowment funds	\$ 12,723,095	\$ -	\$ 12,723,095
Donor-restricted endowment funds:			
Original donor-restricted gift amount and amounts required to be maintained in perpetuity by donor	-	4,774,025	4,774,025
Accumulated investment gains	-	1,593,704	1,593,704
Endowment net assets, December 31, 2021	<u>\$ 12,723,095</u>	<u>\$ 6,367,729</u>	<u>\$ 19,090,824</u>

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**Note 10—Endowments (continued)**

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

	<b>Without Donor Restrictions</b>	<b>With Donor Restrictions</b>	<b>Total</b>
Endowment net assets, December 31, 2020	\$ 11,580,448	\$ 5,504,198	\$ 17,084,646
Contributions	-	292	292
Investment return, net	1,653,055	478,676	2,131,731
Rental income on real property (net of expenses)	-	599,336	599,336
Amounts appropriated for expenditure	-	(214,773)	(214,773)
Distribution from board-designated endowment	(510,408)	-	(510,408)
Endowment net assets, December 31, 2021	12,723,095	6,367,729	19,090,824
Contributions	-	2,108	2,108
Investment return, net	(2,632,743)	(687,611)	(3,320,354)
Rental income on real property (net of expenses)	-	392,279	392,279
Amounts appropriated for expenditure	-	(1,119,621)	(1,119,621)
Distribution from board-designated endowment	(578,124)	-	(578,124)
Endowment net assets, December 31, 2022	<u>\$ 9,512,228</u>	<u>\$ 4,954,884</u>	<u>\$ 14,467,112</u>

*Underwater Endowment Funds* – From time to time, the fair value of assets associated with individual donor restricted endowment funds may fall below the level that the donor or the applicable state law requires the Board to retain as a fund of perpetual duration (underwater endowments). The Board has interpreted UPMIFA to permit spending from underwater endowments in accordance with prudent measures required under law. There were no underwater endowments as of December 31, 2022 and 2021.

*Return Objectives and Risk Parameters* – The Board has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowments while seeking to maintain the purchasing power of the endowment assets. Under this policy, as approved by the board of directors, the endowment assets of the Board, which are in liquid assets, are invested with an unrelated financial institution and the UMC Foundation.

*Strategies Employed for Achieving Objectives* – To satisfy its long-term rate-of-return objectives, the Board 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). The Board 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.

*Spending Policy and How the Investment Objectives Relate to Spending Policy* – The Board has adopted a distribution policy of 5% of a three-year rolling average of the total fair market value of an endowment fund, including those endowments deemed to be underwater. If investment income received (i.e., interest and dividends) is not sufficient to support the total return objective, the balance is provided from realized gains. If investment income is received in excess of the objective, the balance is reinvested.

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**Note 11—Employee benefits**

*Retirement Benefits* – Full-time laypersons and clergy employed by the Board participate in the Retirement Plan for General Agencies. This defined contribution plan is administered by Wespath Benefits and Investments (“Wespath”).

The Board makes semi-monthly contributions to each eligible employee’s account held by Wespath based on 8% of annual employee compensation. Additionally, the Board matches up to 2% of each eligible employee’s annual compensation to their United Methodist Personal Investment Plan. Total contributions made by the Board during the years ended December 31, 2022 and 2021 were \$180,850 and \$142,625, respectively.

*Health Care and Life Insurance 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.

The Board 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 \$2,100 annually and \$2,000 annually for their spouse, if applicable. Unused reimbursement funds continue to roll-over to subsequent years until death of the retiree or their spouse, whichever is later.

All of the Board’s active employees are covered by the Plan. The cost of the benefits is recognized as expenses as premiums are paid. The total cost of benefits for active employees was \$199,702 and \$163,553 during the years ended December 31, 2022 and 2021, respectively, exclusive of reimbursement from the General Agency Benefit Trust (“Benefit Trust”). The cost of benefits for retired employees was \$42,020 and \$45,146 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 as of December 31, 2022 and 2021, respectively, 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.

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 distribution in the subsequent year in order to reimburse the participating agencies, through GCFA, for their funding of active and retiree employee benefits. In December of 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 of 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 fair value of the Benefit Trust’s assets (not plan assets), for which GCFA is the beneficiary, was approximately \$148,588,000 and \$190,403,000 as of December 31, 2022 and 2021, respectively. The total amounts available for reimbursement during the years ended December 31, 2022 and 2021 were \$11,424,000 and \$11,167,000, respectively, of which the Board’s share, including retired health benefits, was \$314,475 and \$305,889 during the years ended December 31, 2022 and 2021, respectively.



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**Note 12—Leases**

As lessor, the Board rents office space to not-for-profit organizations in the buildings it owns. A summary of future minimum rental income on noncancelable leases at December 31, 2022 is as follows:

**Years Ending December 31,**

2023	\$ 2,153,608
2024	1,427,769
2025	648,310
2026	315,618
2027	60,359
	<u>\$ 4,605,664</u>

The Board capitalizes and amortizes over the life of the lease any lease commission fees paid. At December 31, 2022 and 2021, unamortized lease commissions were \$141,776 and \$157,543, respectively; and are reported in prepaid expenses in the statements of financial position. Amortization expense related to lease commission fees were \$71,196 and \$68,476 for the years ended December 31, 2022 and 2021, respectively.

In addition to the aforementioned rental income, the Board rents certain office space to other agencies of the Church as well as certain residential space to employees on an annual basis. Rental income for related agencies was \$102,705 and \$112,658 for the years ended December 31, 2022 and 2021, respectively. There was no rental income received from employees for the years ended December 31, 2022 and 2021.

As lessee, the Board leases office space from The United Methodist Women in New York and other office equipment. Future minimum lease payments at December 31, 2022 are as follows:

**Years Ending December 31,**

	<u>Finance</u>	<u>Operating</u>
2023	\$ 6,060	\$ 74,609
2024	6,060	24,105
2025	6,060	-
2026	2,510	-
Total undiscounted cash flows	20,690	98,714
Less present value discount	(1,933)	(3,558)
Present value of lease liabilities	<u>\$ 18,757</u>	<u>\$ 95,156</u>

Required supplemental information related to the Board's leases as of and 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)	\$ 644
Financing cash flows from finance leases (i.e. principal portion)	3,727
Operating cash flows from operating leases	68,870
ROU assets obtained in exchange for new finance lease liabilities	22,499
ROU assets obtained in exchange for new operating lease liabilities	156,644
Weighted-average remaining lease term in years for finance leases	3.50
Weighted-average remaining lease term in years for operating leases	1.33
Weighted-average discount rate for finance leases	6%
Weighted-average discount rate for operating leases	6%

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**Note 12—Leases (continued)**

Rent expense under FASB ASC 840 (pre-adoption of ASC 842) for operating leases totaled \$68,870 for the year ended December 31, 2021. The aggregate minimum lease payments under the operating lease as of December 31, 2021 were as follows:

**Years Ending December 31,**

2023	\$	71,164
2024		72,312
2025		24,104
		<u>167,580</u>

**Note 13—Related parties**

The Board receives World Service allocations from the General Funds of the Church, which are administered by GCFA to support the activities of the agency. In addition, GCFA performs limited managerial, financial, and clerical duties for the Board.

The Board had the following transactions with or through GCFA or other Church entities:

	<u>2022</u>	<u>2021</u>
Statements of Financial Position:		
Due from GCFA CBP	\$ 1,810,164	\$ 1,570,134
Social Justice Ministries Endowment Fund at UMC Foundation	419,878	511,116
Accrued World Service Fund allocation	642,047	689,649
Statements of Activities - Revenues:		
World Service Fund Allocation	2,054,696	2,032,654
Special Sunday offerings	121,156	131,990
Services received from GCFA	28,822	23,314
Distribution from Benefit Trust	314,475	305,889
Interest income from GCFA - other revenues	17,806	39,460
Statements of Activities/Functional Expenses - Expenses:		
Administration provided by GCFA	28,822	23,314
Employee benefits - group insurance expense	241,722	208,699

**Note 14—Contingency**

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 Church. These proposals include a provision for new denominations to receive financial payments from the Church and retain their real estate. The scheduled General Conference has been delayed until 2024, and the financial impact resulting from these potential separations on the Board is unknown at this time.

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**Note 15—Paycheck Protection Program**

The Board received a Paycheck Protection Program loan (“PPP”) in the amount of \$486,638 in April 2020. The PPP loan is granted by the Small Business Administration under the Coronavirus Aid, Relief, and Economic Security Act (“CARES Act”). PPP loans are considered conditional contributions under ASC 958-605, *Not-for-Profit Entities, Revenue Recognition*. The loan must be repaid if the Board 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. The Board received full forgiveness of this \$486,638 loan during 2021 and has, therefore, recorded the funds received as program revenue in the statement of activities for the year ended December 31, 2021.

**Note 16—Subsequent events**

Management has evaluated subsequent events through September 5, 2023, the date the financial statements were available for issuance, and has determined that there are no subsequent events requiring disclosure.