

**GENERAL COMMISSION ON
UNITED METHODIST MEN OF THE
UNITED METHODIST CHURCH**

FINANCIAL STATEMENTS

As of and for the Years Ended December 31, 2019 and 2018

And Report of Independent Auditor

**GENERAL COMMISSION ON UNITED METHODIST MEN OF
THE UNITED METHODIST CHURCH
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Report of Independent Auditor

To the Board of Trustees
General Commission on United Methodist Men
The United Methodist Church
Nashville, Tennessee

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

We have audited the accompanying financial statements of the General Commission on United Methodist Men of The United Methodist Church, which comprise the statements of financial position as of December 31, 2019 and 2018, the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with 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.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the General Commission on United Methodist Men of The United Methodist Church as of December 31, 2019 and 2018, 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.

Cherry Bekaert LLP

Charlotte, North Carolina
May 21, 2020

**GENERAL COMMISSION ON UNITED METHODIST MEN OF
THE UNITED METHODIST CHURCH
STATEMENTS OF FINANCIAL POSITION**

DECEMBER 31, 2019 AND 2018

	<u>2019</u>	<u>2018</u>
ASSETS		
Due from General Council on Finance and Administration		
short-term pooled investment fund	\$ 432,573	\$ 398,608
Accrued World Service Fund allocation	93,873	96,757
Contributions receivable	79,215	51,396
Accounts receivable	1,424	-
Prepaid expenses	2,451	3,899
Property and equipment, net	862,743	888,256
Total Assets	<u>\$ 1,472,279</u>	<u>\$ 1,438,916</u>
LIABILITIES AND NET ASSETS		
Liabilities:		
Accounts payable	\$ 5,358	\$ 5,652
Accrued liabilities	47,821	36,488
Total Liabilities	<u>53,179</u>	<u>42,140</u>
Net Assets:		
Without Donor Restrictions:		
Invested in property and equipment	862,743	888,256
Board-designated	250,000	-
Undesignated	304,600	508,520
Total Without Donor Restrictions	1,417,343	1,396,776
With Donor Restrictions		
Subject to purpose restrictions	1,757	-
Total Net Assets	<u>1,419,100</u>	<u>1,396,776</u>
Total Liabilities and Net Assets	<u>\$ 1,472,279</u>	<u>\$ 1,438,916</u>

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

**GENERAL COMMISSION ON UNITED METHODIST MEN OF
THE UNITED METHODIST CHURCH
STATEMENTS OF ACTIVITIES**

YEARS ENDED DECEMBER 31, 2019 AND 2018

	2019			2018		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
Revenues:						
World Service Fund allocation	\$ 310,512	\$ -	\$ 310,512	\$ 340,168	\$ -	\$ 340,168
Charters	271,763	-	271,763	259,700	-	259,700
Office of Civic Youth-Serving Agencies	33,963	114,500	148,463	25,990	114,500	140,490
Every Man Shares / Legacy Fund	142,895	-	142,895	148,533	-	148,533
Conference Presidents Fund	39,413	-	39,413	35,519	-	35,519
Distribution from Benefit Trust	80,994	-	80,994	82,131	-	82,131
Service to God and Country	56,919	-	56,919	54,332	-	54,332
Services received from GCFA	19,132	-	19,132	13,319	-	13,319
Interest income	15,160	-	15,160	4,110	-	4,110
Amending through Faith	-	2,270	2,270	-	4,220	4,220
Other	170,727	-	170,727	126,720	-	126,720
Net assets released from restrictions	115,013	(115,013)	-	118,720	(118,720)	-
Total Revenues	1,256,491	1,757	1,258,248	1,209,242	-	1,209,242
Expenses:						
Program services	926,879	-	926,879	958,912	-	958,912
Management and general	309,045	-	309,045	304,399	-	304,399
Total Expenses	1,235,924	-	1,235,924	1,263,311	-	1,263,311
Change in net assets	20,567	1,757	22,324	(54,069)	-	(54,069)
Net assets, beginning of year	1,396,776	-	1,396,776	1,450,845	-	1,450,845
Net assets, end of year	\$ 1,417,343	\$ 1,757	\$ 1,419,100	\$ 1,396,776	\$ -	\$ 1,396,776

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

**GENERAL COMMISSION ON UNITED METHODIST MEN OF
THE UNITED METHODIST CHURCH
STATEMENT OF FUNCTIONAL EXPENSES**

YEAR ENDED DECEMBER 31, 2019

	Program Services	Management and General	Total
Contributions and grants to other organizations	\$ 171,891	\$ -	\$ 171,891
Salaries and fringe benefits	459,168	100,848	560,016
Employee benefits	138,117	29,753	167,870
Retiree benefits	-	12,039	12,039
Administration provided by GCFA	-	19,132	19,132
Postage	19,986	5,352	25,338
Meetings	40,635	38,786	79,421
Travel	45,205	14,302	59,507
Professional fees	31,000	928	31,928
Telephone	6,658	577	7,235
Office supplies	1,154	3,864	5,018
Utilities	3,000	14,244	17,244
Equipment, repairs, and maintenance	450	12,171	12,621
Building repairs and maintenance	-	2,608	2,608
Insurance	479	9,549	10,028
Depreciation	5,000	35,672	40,672
Other	4,136	9,220	13,356
Total Expenses	\$ 926,879	\$ 309,045	\$ 1,235,924

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

**GENERAL COMMISSION ON UNITED METHODIST MEN OF
THE UNITED METHODIST CHURCH
STATEMENT OF FUNCTIONAL EXPENSES**

YEAR ENDED DECEMBER 31, 2018

	Program Services	Management and General	Total
Contributions and grants to other organizations	\$ 169,925	\$ -	\$ 169,925
Salaries and fringe benefits	478,677	103,881	582,558
Employee benefits	146,164	27,519	173,683
Retiree benefits	-	16,809	16,809
Administration provided by GCFA	-	13,319	13,319
Postage	21,952	3,098	25,050
Meetings	42,973	29,998	72,971
Travel	41,396	10,486	51,882
Professional fees	36,000	1,604	37,604
Telephone	5,533	1,210	6,743
Office supplies	692	3,780	4,472
Utilities	3,000	14,885	17,885
Equipment, repairs, and maintenance	450	17,548	17,998
Building repairs and maintenance	-	2,334	2,334
Insurance	624	9,563	10,187
Depreciation	5,000	38,926	43,926
Other	6,526	9,439	15,965
Total Expenses	\$ 958,912	\$ 304,399	\$ 1,263,311

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

**GENERAL COMMISSION ON UNITED METHODIST MEN OF
THE UNITED METHODIST CHURCH
STATEMENTS OF CASH FLOWS**

YEARS ENDED DECEMBER 31, 2019 AND 2018

	<u>2019</u>	<u>2018</u>
Cash flows from operating activities:		
Change in net assets	\$ 22,324	\$ (54,069)
Adjustments to reconcile change in net assets to net cash flows from operating activities:		
Depreciation	40,672	43,926
Change in operating assets and liabilities:		
Due from General Council on Finance and Administration short-term pooled investment fund	(33,965)	13,865
Accrued World Service Fund allocation	2,884	(944)
Contributions receivable	(27,819)	(51,396)
Accounts receivable	(1,424)	49,184
Prepaid expenses	1,448	1,764
Accounts payable	(294)	5,652
Accrued liabilities	11,333	(6,732)
Net cash flows from operating activities	<u>15,159</u>	<u>1,250</u>
Cash flows from investing activities:		
Purchases of property and equipment	<u>(15,159)</u>	<u>(1,250)</u>
Net change in cash and cash equivalents	-	-
Cash and cash equivalents, beginning of year	-	-
Cash and cash equivalents, end of year	<u>\$ -</u>	<u>\$ -</u>

GENERAL COMMISSION ON UNITED METHODIST MEN OF THE UNITED METHODIST CHURCH

NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2019 AND 2018

Note 1—Nature of organization

The General Commission on United Methodist Men of The United Methodist Church (the “UMMen”) was created to advise, encourage, and aid the United Methodist men fellowships throughout the denomination. Through an action of the 1996 General Conference, UMMen was established as an independent agency of The United Methodist Church effective January 1, 1997. Prior to that action, UMMen operated as a division of the General Board of Discipleship of The United Methodist Church (“GBOD”).

Funding for the UMMen’s operations is significantly provided by allocations received from The General Funds of The United Methodist Church (the “Church”) based on a four-year budget developed from projections of expected program costs. The allocation accounts for 25% and 28% of the UMMen’s total revenue in 2019 and 2018, respectively. The UMMen’s continued existence is partially dependent upon the Church’s future support. The Church’s future support is dependent upon contributions from its congregations (i.e., congregational participation in the apportionment covenant).

In consultation with the General Council on Finance and Administration of The United Methodist Church (“GCFA”), UMMen formed in November 2012, Strength for Service, Inc. (“SFS”), a separate non-profit organization registered in the state of Tennessee for the purpose of raising and providing funds for the publishing of Service to God and Country and other potential future devotional materials as part of UMMen’s mission. Although UMMen has an economic interest in SFS, it does not have control as determined under Accounting Standards Codification (“ASC”) Topic 958-810-25 and, therefore, SFS is not consolidated in these financial statements. Effective for the year beginning January 1, 2015, all SFS operations have been transferred to the separate entity. As part of the continued partnership, UMMen receives \$1 from SFS for every book copy sold. There were revenues of \$3,409 and \$3,468 for the years ended December 31, 2019 and 2018, respectively.

Note 2—Summary of significant accounting policies

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

Basis of Presentation – To help ensure the observance of limitations and restrictions placed on the use of resources, UMMen 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 UMMen. Separate accounts are maintained for each fund.

For reporting purposes, however, UMMen’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 UMMen 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 UMMen. These net assets may be used at the discretion of UMMen’s management and the Board of Directors. UMMen 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 – Represents net assets invested in property and equipment, net of accumulated depreciation.

**GENERAL COMMISSION ON UNITED METHODIST MEN OF
THE UNITED METHODIST CHURCH
NOTES TO THE FINANCIAL STATEMENTS**

DECEMBER 31, 2019 AND 2018

Note 2—Summary of significant accounting policies (continued)

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 UMMen 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 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.

Services Received from Personnel of an Affiliate – Services received from personnel of an affiliate (GCFA) for which the affiliate does not charge the UMMen 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 the related party Note 5 and totaled \$19,132 and \$13,319 for the years ended December 31, 2019 and 2018, respectively.

Use of Estimates – Management of UMMen has made a number of estimates and assumptions relating to the reporting of assets and liabilities, and the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenue and expenses during the reporting period to prepare these financial statements in conformity with U.S. generally accepted accounting principles. Actual results could differ from those estimates.

Due from GCFA Short-Term Pooled Investment Fund – The amounts presented as due from GCFA short-term pooled investment fund in the accompanying financial statements represent UMMen's portion of the short-term investment portfolio managed by GCFA on behalf of certain agencies and related organizations of The United Methodist Church. The amount due from this fund effectively represents the amount of cash deposits that are available to UMMen 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 UMMen's name, they are not classified as cash and cash equivalents, but rather are considered an amount due from GCFA. The short-term investment portfolio includes funds invested in demand deposits, corporate bonds, taxable municipal bonds, mutual funds, and notes from other United Methodist organizations. GCFA allocates interest earned on the portfolio to the participating entities. For the years ended December 31, 2019 and 2018, GCFA allocated \$15,160 and \$4,110 of interest income, respectively, to UMMen. While interest income can be earned based on the performance of the pooled investment funds, UMMen 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. The operating cash requirements of the general agencies are centrally managed by GCFA.

**GENERAL COMMISSION ON UNITED METHODIST MEN OF
THE UNITED METHODIST CHURCH
NOTES TO THE FINANCIAL STATEMENTS**

DECEMBER 31, 2019 AND 2018

Note 2—Summary of significant accounting policies (continued)

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, 2019 and 2018 was 4.17% and 1.14%, respectively. The overall rate of return for each agency may vary 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, 2019 and 2018 were as follows:

	<u>2019</u>	<u>2018</u>
Texas Methodist Foundation loan fund	18.4%	19.5%
Mutual funds	2.4%	2.0%
Short-term collateralized loan fund	0.4%	0.4%
Fixed income	15.1%	20.9%
Corporate bonds	46.1%	47.1%
Cash	17.6%	10.1%
	<u>100.0%</u>	<u>100.0%</u>

Contributions – 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. Contribution revenue includes revenue related to World Service Fund allocations, Charters, Every Man Shares / Legacy Fund, and the Conference President’s Fund on the accompanying statements of activities.

Unconditional promises to give in future years are recorded at the present value using risk-adjusted rates applicable to the years in which the promises to give are to be received. Unconditional promises to give relating to future years as of December 31, 2019 and 2018 were \$79,215 and \$51,396, respectively, and were due within one year. Contributions made by UMMen are recognized as expenses in the period made.

Property and Equipment – Property and equipment are recorded at cost, less accumulated depreciation. Depreciation is computed using the straight-line method with a modified half-year convention over estimated useful lives of three years for computer equipment, five years for furniture and office equipment, and 20 years for buildings and improvements. 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. UMMen capitalizes assets with a cost greater than \$1,000.

Functional Expenses – The costs of providing program and other activities have been summarized on a functional basis in the 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:

<u>Expense</u>	<u>Method of Allocation</u>
Salaries and fringe benefits	Time and effort
Professional fees	Full-time equivalent

**GENERAL COMMISSION ON UNITED METHODIST MEN OF
THE UNITED METHODIST CHURCH
NOTES TO THE FINANCIAL STATEMENTS**

DECEMBER 31, 2019 AND 2018

Note 2—Summary of significant accounting policies (continued)

Income Taxes – UMMen 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 “Code”). UMMen is also exempt from filing a form 990 due to its affiliation with a religious organization as described in Section 509(a) of the Code.

UMMen 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 UMMen include, but are not limited to, the tax-exempt status and determination of whether income is subject to unrelated business income tax.

Current Pronouncements – The Financial Accounting Standards Board (“FASB”) issued Accounting Standards Update (“ASU”) 2018-08, *Not-for-Profit Entities (Topic 958) – Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. This ASU clarifies and improves the scope and the accounting guidance for contributions received and contributions made. UMMen adopted this standard during the year ended December 31, 2019, and has adjusted the presentation of the statements accordingly. The update had no impact on prior year net assets.

Note 3—Liquidity and availability of resources

The table below represents financial assets available for general expenditures within one year at December 31, 2019 and 2018:

	<u>2019</u>	<u>2018</u>
Financial assets at year-end:		
Due from GCFA short-term pooled investment fund	\$ 432,573	\$ 398,608
Accrued World Service Fund allocation	93,873	96,757
Contributions receivable	79,215	51,396
Accounts receivable	1,424	-
Total financial assets	<u>607,085</u>	<u>546,761</u>
Less amounts not available to be used for general expenditures within one year:		
Subject to purpose restrictions	1,757	-
Board-designated funds	250,000	-
Financial assets not available to be used within one year	<u>251,757</u>	<u>-</u>
Financial assets available to meet general expenditures within one year	<u>\$ 355,328</u>	<u>\$ 546,761</u>

**GENERAL COMMISSION ON UNITED METHODIST MEN OF
THE UNITED METHODIST CHURCH
NOTES TO THE FINANCIAL STATEMENTS**

DECEMBER 31, 2019 AND 2018

Note 3—Liquidity and availability of resources (continued)

UMMen has assets limited to use for donor-restricted purposes. Additionally, certain other board-designated assets are designated for future capital expenditures and other specific purposes. These assets limited to use, which are more fully described in Notes 8 and 9 are not available for general expenditure within the next year. However, the board-designated amounts could be made available, if necessary.

As part of UMMen’s liquidity management plan, it structures its financial assets to be available as its obligations come due. Cash in excess of daily requirements are invested in GCFA’s short-term pooled investment fund. Management of UMMen believes the financial assets available within one year of the statement of financial position are sufficient to meet cash needs to fund general expenditures as they become due in the normal course of business.

Note 4—Property and equipment

Property and equipment at December 31 consists of the following:

	<u>2019</u>	<u>2018</u>
Land	\$ 520,800	\$ 520,800
Building and improvements	705,672	692,092
Equipment and furniture	117,498	115,919
	<u>1,343,970</u>	<u>1,328,811</u>
Less accumulated depreciation	<u>(481,227)</u>	<u>(440,555)</u>
Total property and equipment, net	<u>\$ 862,743</u>	<u>\$ 888,256</u>

Depreciation expense for the years ended December 31, 2019 and 2018 was \$40,672 and \$43,926, respectively.

Note 5—Related party transactions

UMMen receives World Service Fund allocations from the General Funds of The United Methodist Church, which are administered by GCFA to support the activities of the agency. In addition, GCFA provides various services to UMMen, such as general ledger processing and maintenance, cash management, and group insurance plan administration.

**GENERAL COMMISSION ON UNITED METHODIST MEN OF
THE UNITED METHODIST CHURCH
NOTES TO THE FINANCIAL STATEMENTS**

DECEMBER 31, 2019 AND 2018

Note 5—Related party transactions (continued)

UMMen had the following transactions with or through GCFA, the United Methodist Men’s Foundation, United Methodist Communications, and SFS:

	<u>2019</u>	<u>2018</u>
Statements of Financial Position:		
Due from GCFA short-term pooled investment fund	\$ 432,573	\$ 398,608
Accrued World Service Fund allocation	93,873	96,757
Contributions receivable	79,215	51,396
Accounts receivable	1,424	-
Statements of Activities - Revenues:		
World Service Fund allocation	310,512	340,168
United Methodist Men Foundation grant	114,500	114,500
Distribution from Benefit Trust	80,994	82,131
Service to God and Country	56,919	54,332
Services received from GCFA	19,132	13,319
Services received from UMCOM	75,360	49,248
Interest income	15,160	4,110
Statements of Activities - Expenses:		
Employee benefits - group insurance expense	87,175	92,966
Administration provided by GCFA	19,132	13,319
United Methodist Men Foundation contribution	26,049	25,696

Note 6—Employee benefits

Retirement Benefits – Full-time laypersons and clergy employed by UMMen participate in the Retirement Plan for General Agencies (“RPGA”) beginning on the first of the month after hire. This defined contribution plan is administered by Wespath Benefits and Investments (“Wespath”).

UMMen makes semi-monthly contributions to each eligible employee’s account held by Wespath based on 8% of annual employee compensation. Additionally, UMMen matches up to 2% of each employee’s contribution to their United Methodist Personal Investment Plan (“UMPIP”). Total contributions made by UMMen for both components during 2019 and 2018 were \$57,534 and \$59,721, 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.

**GENERAL COMMISSION ON UNITED METHODIST MEN OF
THE UNITED METHODIST CHURCH
NOTES TO THE FINANCIAL STATEMENTS**

DECEMBER 31, 2019 AND 2018

Note 6—Employee benefits (continued)

UMMen 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 (“HRA”) 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 UMMen’s active and retired employees are covered by the Plan. The cost of the benefits are recognized as an expense as premiums are paid. The total cost of benefits for active employees was \$75,136 and \$76,158 in 2019 and 2018, respectively. The cost of benefits for retired employees was \$12,039 and \$16,809 in 2019 and 2018, respectively, exclusive of reimbursement from the General Agency Benefit Trust (“Benefit Trust”).

The Plan’s unfunded accumulated postretirement benefit obligation (APBO) was approximately \$76,725,000 and \$94,500,000 and the Plan’s unfunded expected postretirement benefit obligation (EPBO) was approximately \$106,750,000 and \$131,500,000 as of December 31, 2019 and 2018, respectively.

Wespath has transferred certain excess pension assets to the Benefit Trust established by the 1996 General Conference as of December 31, 1996. Annually, the Benefit Trust allows a stated percentage, 6% for 2019 and 6% for 2018, of the fair market value of Benefit Trust assets at year-end 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. The fair value of the Benefit Trust’s assets (not Plan assets) was approximately \$167,449,000 and \$146,625,000 as of December 31, 2019 and 2018, respectively. The total amount available for reimbursement in 2019 and 2018 was \$8,797,702 and \$9,948,300, respectively, of which UMMen’s share, excluding retiree health benefits, was \$80,994 and \$82,131, respectively.

Note 7—Program services

Program services expenses for the years ended December 31, 2019 and 2018 are for the following programs:

	<u>2019</u>	<u>2018</u>
Civic Youth Fund	\$ 214,894	\$ 219,303
Every Man Shares Fund	121,417	121,120
Conference Presidents Fund	49,203	52,754
UMMen leader training	133,814	128,371
Specialty items	6,352	4,217
Men's magazine	94,820	119,037
Charters	238,020	241,598
Service to God and Country	56,115	53,559
Films and video tapes	11,730	8,718
Amending through Faith	514	10,235
Total program services expenses	<u>\$ 926,879</u>	<u>\$ 958,912</u>

**GENERAL COMMISSION ON UNITED METHODIST MEN OF
THE UNITED METHODIST CHURCH
NOTES TO THE FINANCIAL STATEMENTS**

DECEMBER 31, 2019 AND 2018

Note 8—Board-designated net assets

Certain net assets without donor restrictions at December 31, 2019 have been designated by the Board of Directors for the following purposes:

	<u>2019</u>
Capital expense for property/equipment	\$ 150,000
International Ministries	50,000
National Men's Event(s) 2021	50,000
Total board-designated net assets	<u>\$ 250,000</u>

From time to time, the board may designate net assets without donor restrictions for specific purposes. The following are descriptions of each board designation:

Capital Expense for Property/Equipment – These funds are set aside for maintenance and upgrades of property, plant, and equipment.

International Ministries – To provide resources for travel to international men's events, ministries.

National Men's Event(s) 2021 – To help fund and provide seed money for a UMMen event and/or other events in 2021.

Note 9—Net assets with donor restrictions

Net assets with donor restrictions at December 31, 2019 and 2018 have been restricted by the donors for the following purpose restrictions:

	<u>2019</u>	<u>2018</u>
Subject to purpose restriction:		
Amending through Faith	<u>\$ 1,757</u>	<u>\$ -</u>

Net assets with donor restrictions for the years ended December 31, 2019 and 2018 were released from donor restrictions by incurring expenses satisfying the restricted purposes or by occurrence of other events specified by donors as follows:

	<u>2019</u>	<u>2018</u>
Satisfaction of purpose restrictions:		
Amending through Faith	\$ 513	\$ 4,220
Civic Youth-Serving agencies	114,500	114,500
Total net assets released from restriction	<u>\$ 115,013</u>	<u>\$ 118,720</u>

**GENERAL COMMISSION ON UNITED METHODIST MEN OF
THE UNITED METHODIST CHURCH
NOTES TO THE FINANCIAL STATEMENTS**

DECEMBER 31, 2019 AND 2018

Note 10—United Methodist Men Foundation

The United Methodist Men's Foundation (the "Foundation") was formed in 1981 by the men of the National Association of Conference Presidents of United Methodist Men to raise and provide funds for the scouting ministry and other ministries of UMMen. The activities of the Foundation have not been consolidated in these financial statements as the Foundation is not controlled or financially supported by UMMen. UMMen received \$114,500 from the Foundation during both 2019 and 2018, which is included in the Office of Civic Youth revenue on the statements of activities.

UMMen also allocates contributions to the Foundation under the Every Man Shares / Legacy Fund. This program stipulates that legacy gifts from individuals exceeding \$120 in any calendar year will be allocated and remitted to the Foundation as contributions from UMMen. Total donations collected by UMMen and distributed to the Foundation were \$26,049 and \$25,696 for the years ended December 31, 2019 and 2018, respectively. There were no amounts due to the Foundation as of December 31, 2019 and 2018.

Note 11—Contingencies

In December 2005, 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 it cannot presently be determined whether UMMen will ultimately have any obligation under this agreement.

Note 12—Subsequent events

Management has evaluated subsequent events through May 21, 2020, the date the financial statements were available for issuance, and has determined that there are no subsequent events requiring disclosure with the exception of those disclosed below.

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 2021, and the financial impact resulting from these potential separations on UMMen is unknown at this time.

As a result of the spread of COVID-19 in early 2020, economic uncertainties have arisen, which are likely to negatively impact operating results of UMMen. Other financial impacts could occur though such potential impact is unknown at this time.

In accordance with Section 1102 of the Coronavirus Aid, Relief, and Economic Security Act (the "CARES Act"), signed March 27, 2020, UMMen applied for and received a Paycheck Protection Program loan on May 12, 2020, totaling \$137,800. Section 1106 of the CARES Act provides for forgiveness of up to the full principal amount of qualifying loans including accrued interest to the extent UMMen incurs certain qualifying expenses and maintains a certain level of average full-time equivalent employees during the measurement period following closing of the loan. Any portion of the loan that is not forgiven has a term of two years with an interest rate of 1%.