

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

FINANCIAL STATEMENTS

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

And Report of Independent Auditor

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THE UNITED METHODIST CHURCH
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Report of Independent Auditor

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

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

Opinion

We have audited the accompanying financial statements of the General Commission on United Methodist Men of The United Methodist Church (the “UMMen”), which comprise the statements of financial position as of December 31, 2021 and 2020, 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 UMMen as of December 31, 2021 and 2020, 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 audit 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 UMMen and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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.

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 UMMen’s ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditor’s Responsibilities for the Audit of the Financial Statements

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

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the UMMen'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 UMMen's ability to continue as a going concern for a reasonable period of time.

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

Cherry Bekaert LLP

Charlotte, North Carolina
August 4, 2022

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

DECEMBER 31, 2021 AND 2020

	<u>2021</u>	<u>2020</u>
ASSETS		
Due from General Council on Finance and Administration		
short-term pooled investment fund	\$ 631,175	\$ 612,111
Accrued World Service Fund allocation	86,588	101,011
Contributions receivable	289,449	47,504
Grants receivable	171,636	-
Accounts receivable	10,078	2,961
Property and equipment, net	813,139	836,723
Total Assets	<u>\$ 2,002,065</u>	<u>\$ 1,600,310</u>
LIABILITIES AND NET ASSETS		
Liabilities:		
Accounts payable	\$ 50	\$ 1,574
Accrued liabilities	56,157	56,041
Paycheck Protection Program deferred grant revenue	-	137,800
Total Liabilities	<u>56,207</u>	<u>195,415</u>
Net Assets:		
Without Donor Restrictions:		
Invested in property and equipment	813,139	836,723
Board-designated	250,000	250,000
Undesignated	880,219	316,155
Total Without Donor Restrictions	1,943,358	1,402,878
With Donor Restrictions:		
Subject to purpose restrictions	2,500	2,017
Total Net Assets	<u>1,945,858</u>	<u>1,404,895</u>
Total Liabilities and Net Assets	<u>\$ 2,002,065</u>	<u>\$ 1,600,310</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, 2021 AND 2020

	2021			2020		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
Revenues:						
World Service Fund allocation	\$ 272,387	\$ -	\$ 272,387	\$ 284,898	\$ -	\$ 284,898
Charters	224,903	-	224,903	199,446	-	199,446
Grant income	309,436	-	309,436	-	-	-
Special Gifts / Contributions Income	351,951	-	351,951	-	-	-
Office of Civic Youth-Serving Agencies	23,477	114,500	137,977	41,562	114,500	156,062
Every Man Shares / Legacy Fund	114,130	-	114,130	117,478	-	117,478
Conference Presidents Fund	1,761	-	1,761	38,236	-	38,236
National Gathering	521	-	521	-	-	-
Distribution from Benefit Trust	131,489	-	131,489	107,065	-	107,065
Service to God and Country	53,322	-	53,322	45,834	-	45,834
Services received from GCFA	24,995	-	24,995	20,873	-	20,873
Interest income	17,207	-	17,207	18,738	-	18,738
Amending through Faith	-	530	530	-	377	377
Other	16,387	-	16,387	181,012	-	181,012
Net assets released from restrictions	114,547	(114,547)	-	114,617	(114,617)	-
Total Revenues	1,656,513	483	1,656,996	1,169,759	260	1,170,019
Expenses:						
Program services	812,527	-	812,527	898,500	-	898,500
Management and general	303,506	-	303,506	285,724	-	285,724
Total Expenses	1,116,033	-	1,116,033	1,184,224	-	1,184,224
Change in net assets	540,480	483	540,963	(14,465)	260	(14,205)
Net assets, beginning of year	1,402,878	2,017	1,404,895	1,417,343	1,757	1,419,100
Net assets, end of year	<u>\$ 1,943,358</u>	<u>\$ 2,500</u>	<u>\$ 1,945,858</u>	<u>\$ 1,402,878</u>	<u>\$ 2,017</u>	<u>\$ 1,404,895</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
STATEMENT OF FUNCTIONAL EXPENSES**

YEAR ENDED DECEMBER 31, 2021

	Program Services	Management and General	Total
Contributions and grants to other organizations	\$ 115,593	\$ -	\$ 115,593
Salaries and fringe benefits	488,775	110,815	599,590
Employee benefits	138,579	30,243	168,822
Retiree benefits	-	14,380	14,380
Administration provided by GCFA	-	24,995	24,995
Postage	15,777	8,130	23,907
Meetings	-	11,420	11,420
Travel	7,878	274	8,152
Professional fees	24,000	4,590	28,590
Telephone	8,834	2,282	11,116
Office supplies	832	6,579	7,411
Utilities	3,000	14,857	17,857
Equipment, repairs, and maintenance	300	15,517	15,817
Building repairs and maintenance	-	5,446	5,446
Insurance	1,000	8,050	9,050
Depreciation	5,000	35,331	40,331
Other	2,959	10,597	13,556
Total Expenses	<u>\$ 812,527</u>	<u>\$ 303,506</u>	<u>\$ 1,116,033</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
STATEMENT OF FUNCTIONAL EXPENSES**

YEAR ENDED DECEMBER 31, 2020

	Program Services	Management and General	Total
Contributions and grants to other organizations	\$ 154,631	\$ -	\$ 154,631
Salaries and fringe benefits	494,204	109,958	604,162
Employee benefits	143,812	35,245	179,057
Retiree benefits	-	10,969	10,969
Administration provided by GCFA	-	20,873	20,873
Postage	13,434	9,741	23,175
Meetings	40,994	534	41,528
Travel	7,408	3,462	10,870
Professional fees	24,000	500	24,500
Telephone	7,625	607	8,232
Office supplies	908	5,576	6,484
Utilities	3,000	14,353	17,353
Equipment, repairs, and maintenance	335	15,861	16,196
Building repairs and maintenance	-	2,559	2,559
Insurance	426	7,989	8,415
Depreciation	5,000	35,707	40,707
Promotional materials	-	4,095	4,095
Other	2,723	7,695	10,418
Total Expenses	\$ 898,500	\$ 285,724	\$ 1,184,224

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 CASH FLOWS**

YEARS ENDED DECEMBER 31, 2021 AND 2020

	<u>2021</u>	<u>2020</u>
Cash flows from operating activities:		
Change in net assets	\$ 540,963	\$ (14,205)
Adjustments to reconcile change in net assets to net cash flows from operating activities:		
Depreciation	40,331	40,707
Change in operating assets and liabilities:		
Due from General Council on Finance and Administration short-term pooled investment fund	(19,064)	(179,538)
Accrued World Service Fund allocation	14,423	(7,138)
Contributions receivable	(241,945)	31,711
Grants receivable	(171,636)	-
Accounts receivable	(7,117)	(1,537)
Prepaid expenses	-	2,451
Accounts payable	(1,524)	(3,784)
Paycheck Protection Program deferred grant revenue	(137,800)	137,800
Accrued liabilities	116	8,220
Net cash flows from operating activities	<u>16,747</u>	<u>14,687</u>
Cash flows from investing activities:		
Purchases of property and equipment	<u>(16,747)</u>	<u>(14,687)</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>

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
NOTES TO THE FINANCIAL STATEMENTS**

DECEMBER 31, 2021 AND 2020

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.

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 16% and 24% of the UMMen’s total revenue in 2021 and 2020, 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 \$1,356 and \$-0- for the years ended December 31, 2021 and 2020, 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.

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

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

DECEMBER 31, 2021 AND 2020

Note 2—Summary of significant accounting policies (continued)

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 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 \$24,995 and \$20,873 for the years ended December 31, 2021 and 2020, 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 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, 2021 and 2020, GCFA allocated \$17,207 and \$18,738 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, 2021 AND 2020

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, 2021 and 2020 was 2.73% and 3.63%, 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, 2021 and 2020 were as follows:

	<u>2021</u>	<u>2020</u>
Texas Methodist Foundation loan fund	17.3%	28.3%
Mutual funds	20.6%	13.2%
Short-term collateralized loan fund	0.2%	3.5%
Fixed income	9.4%	9.8%
Corporate bonds	40.9%	34.0%
Cash	11.6%	11.2%
	<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, 2021 and 2020 were \$289,449 and \$47,504, respectively, and were due within one year. Contributions made by UMMen are recognized as expenses in the period made.

Government Grants – During the year ended December 31, 2021, UMMen claimed \$171,636 in grant funding from the Employee Retention Credit (“ERC”) through the Coronavirus Aid, Relief, and Economic Security (“CARES Act”), which is included in grant income on the statement of activities and within grants receivable on the statement of financial position.

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. The statement of functional expenses presents the natural classification detail of expenses 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.

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

DECEMBER 31, 2021 AND 2020

Note 2—Summary of significant accounting policies (continued)

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

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.

Future Pronouncements – In September 2020, FASB issued 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. This distinction will increase transparency of contributions recognized. This standard will be effective for fiscal years beginning after June 15, 2021. Management is currently evaluating the impact the pending adoption will have on UMMen's financial statements.

Note 3—Liquidity and availability of resources

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

	<u>2021</u>	<u>2020</u>
Financial assets at year-end:		
Due from GCFA short-term pooled investment fund	\$ 631,175	\$ 612,111
Accrued World Service Fund allocation	86,588	101,011
Contributions receivable	289,449	47,504
Grants receivable	171,636	-
Accounts receivable	10,078	2,961
Total financial assets	<u>1,188,926</u>	<u>763,587</u>
Less amounts not available to be used for general expenditures within one year:		
Subject to purpose restrictions	2,500	2,017
Board-designated funds	250,000	250,000
Financial assets not available to be used within one year	<u>252,500</u>	<u>252,017</u>
Financial assets available to meet general expenditures within one year	<u>\$ 936,426</u>	<u>\$ 511,570</u>

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

DECEMBER 31, 2021 AND 2020

Note 3—Liquidity and availability of resource (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.

UMMen considers general expenditures to include program expenses, supporting services, and any other commitments or liabilities to be paid in the subsequent year. As part of 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>2021</u>	<u>2020</u>
Land	\$ 520,800	\$ 520,800
Building and improvements	712,362	712,362
Equipment and furniture	142,243	125,495
	<u>1,375,405</u>	<u>1,358,657</u>
Less accumulated depreciation	<u>(562,266)</u>	<u>(521,934)</u>
Total property and equipment, net	<u>\$ 813,139</u>	<u>\$ 836,723</u>

Depreciation expense for the years ended December 31, 2021 and 2020 was \$40,331 and \$40,707, respectively.

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

DECEMBER 31, 2021 AND 2020

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.

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

	<u>2021</u>	<u>2020</u>
Statements of Financial Position:		
Due from GCFA short-term pooled investment fund	\$ 631,175	\$ 612,111
Accrued World Service Fund allocation	86,588	101,011
Contributions receivable	289,449	47,504
Accounts receivable	10,078	2,961
Statements of Activities - Revenues:		
World Service Fund allocation	272,387	284,898
United Methodist Men Foundation grant	114,500	114,500
Distribution from Benefit Trust	131,489	107,065
Service to God and Country	53,322	45,834
Services received from GCFA	24,995	20,873
Interest income	17,207	18,738
Statements of Activities - Expenses:		
Employee benefits - group insurance expense	88,370	89,266
Administration provided by GCFA	24,995	20,873
United Methodist Men Foundation contribution	22,125	23,644

Note 6—Employee benefits

Retirement Benefits – Full-time laypersons and clergy employed by UMMen participate in the Retirement Plan for General Agencies 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. Total contributions made by UMMen for both components during 2021 and 2020 were \$57,089 and \$61,412, 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, 2021 AND 2020

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 up to \$2,250 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 is recognized as an expense as premiums are paid. The total cost of benefits for active employees was \$73,990 and \$78,297 in 2021 and 2020, respectively. The cost of benefits for retired employees was \$14,380 and \$10,969 in 2021 and 2020, respectively, exclusive of reimbursement from the General Agency Benefit Trust (the “Benefit Trust”).

The Plan’s unfunded accumulated postretirement benefit obligation was approximately \$41,922,000 and \$71,430,000 and the Plan’s unfunded expected postretirement benefit obligation was approximately \$60,056,000 and \$100,140,000 as of December 31, 2021 and 2020, 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, not to exceed 6% for 2021 and 2020 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 \$190,403,000 and \$186,112,000 as of December 31, 2021 and 2020, respectively. The total amount available for reimbursement in 2021 and 2020 was \$11,167,000 and \$10,047,000, respectively, of which UMMen’s share, excluding retiree health benefits, was \$131,489 and \$107,065, respectively.

Note 7—Program services

Program services expenses for the years ended December 31, 2021 and 2020 are for the following programs:

	<u>2021</u>	<u>2020</u>
Civic Youth Fund	\$ 178,269	\$ 200,520
Every Man Shares Fund	126,761	118,223
Conference Presidents Fund	7,105	49,910
UMMen leader training	108,832	107,862
Specialty items	2,973	22,997
Men's magazine	59,752	62,172
Charters	254,523	263,841
Service to God and Country	50,133	57,828
Films and video tapes	23,324	15,029
National gathering	808	-
Amending through Faith	47	117
Total program services expenses	<u>\$ 812,527</u>	<u>\$ 898,500</u>

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Note 8—Board-designated net assets

Certain net assets without donor restrictions have been designated by the Board of Directors for the following purposes:

	<u>2021</u>	<u>2020</u>
Capital Expense for Property, Plant, and Equipment	\$ 150,000	\$ 150,000
International Ministries	50,000	50,000
National Men's Event(s) 2022	50,000	50,000
Total board-designated net assets	<u>\$ 250,000</u>	<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, Plant, and 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) 2022 – To help fund and provide seed money for UMMen events and/or other events in 2022.

Note 9—Net assets with donor restrictions

Net assets with donor restrictions at December 31, 2021 and 2020 have been restricted by the donors for the following purpose restrictions:

	<u>2021</u>	<u>2020</u>
Subject to purpose restriction:		
Amending through Faith	<u>\$ 2,500</u>	<u>\$ 2,017</u>

Net assets with donor restrictions for the years ended December 31, 2021 and 2020 were released from donor restrictions by incurring expenses satisfying the restricted purposes or by occurrence of other events specified by donors as follows:

	<u>2021</u>	<u>2020</u>
Satisfaction of purpose restrictions:		
Amending through Faith	\$ 47	\$ 117
Civic Youth-Serving agencies	114,500	114,500
Total net assets released from restriction	<u>\$ 114,547</u>	<u>\$ 114,617</u>

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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 2021 and 2020, 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 \$50 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 \$22,125 and \$23,644 for the years ended December 31, 2021 and 2020, respectively. There were no amounts due to the Foundation as of December 31, 2021 and 2020.

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.

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

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

Note 12—Paycheck Protection Program

UMMen received a Paycheck Protection Program ("PPP") loan in the amount of \$137,800 in April 2020. The PPP loan is granted by the Small Business Administration ("SBA") under the CARES Act. PPP loans are considered conditional contributions under ASC 958-605, *Not-for-Profit Entities - Revenue Recognition*. The loan must be repaid if UMMen 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. UMMen received full forgiveness of this \$137,800 loan during 2021 and has, therefore, recorded the funds received within grant income on the statement of activities for the year ended December 31, 2021.

Note 13—Subsequent events

Management has evaluated subsequent events through August 4, 2022, the date the financial statements were available for issuance, and has determined that there are no subsequent events requiring disclosure.