

**UNITED METHODIST COMMUNICATIONS OF
THE UNITED METHODIST CHURCH AND SUBSIDIARIES**
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2021 AND 2020

Note 7—Fair value of financial instruments

Required disclosures concerning the estimated fair value of financial instruments are presented below. The estimated fair value amounts have been determined based on UMCom's assessment of available market information and appropriate valuation methodologies. The following table summarizes required fair value disclosures and measurements at December 31, 2021 and 2020 for assets measured at fair value on a recurring basis under ASC 820, *Fair Value Measurements and Disclosures*. The assets measured at fair value in the table below use one of three levels for defining their fair value:

	Fair Value Measurements at Reporting Date			
	Total Assets Measured at Fair Value	Quoted Prices in Active Markets for Identical Assets Level 1	Significant Other Observable Inputs Level 2	Significant Unobservable at Fair Value Level 3
December 31, 2021				
Investments:				
UMDF	\$ -	\$ -	\$ -	\$ -
Investments reported at net asset value:				
Wespath*	54,863,187			
Total Investments	<u>\$ 54,863,187</u>			
	Total Assets Measured at Fair Value	Quoted Prices in Active Markets for Identical Assets Level 1	Significant Other Observable Inputs Level 2	Significant Unobservable at Fair Value Level 3
December 31, 2020				
Investments:				
UMDF	\$ 367,889	\$ -	\$ -	\$ 367,889
Investments reported at net asset value:				
Wespath*	49,702,753			
Total Investments	<u>\$ 50,070,642</u>			

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

The following is a reconciliation of activity for 2021 and 2020 for assets measured at fair value based on significant unobservable information:

	2021	2020
Balance, beginning of year	\$ 367,889	\$ 363,887
Interest income	986	4,002
Sales and redemptions	(368,875)	-
Balance, end of year	<u>\$ -</u>	<u>\$ 367,889</u>

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Note 8—Connectional giving interpretation revenue

General church funds received from the Connectional Giving Interpretation have the following purpose restrictions for the years ended December 31, 2021 and 2020:

	<u>2021</u>	<u>2020</u>
World Service	\$ 366,336	\$ 358,812
General Advance Specials	297,504	297,504
Human Relations Day	51,996	63,756
One Great Hour of Sharing	104,004	99,996
World Communion Day	62,004	65,004
United Methodist Student Day	47,004	60,000
Peace with Justice	47,004	50,004
Native American Ministries	39,000	72,504
	<u>\$ 1,014,852</u>	<u>\$ 1,067,580</u>

Note 9—Employee benefits

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

UMCom makes bi-weekly contributions to each eligible employee’s account held by Wespath based on 8% of annual employee compensation. Additionally, UMCom matches up to 2% of each employee’s compensation to their United Methodist Personal Investment Plan (UMPIP). Total contributions made by UMCom and Kingswood for both components during 2021 and 2020 were \$743,642 and \$873,514, respectively.

Health, Life, and Other Employee Benefits – UMCom provides health, dental, life, and other employee benefits for its active employees and health, dental, and life benefits to retirees through a group plan, which qualifies for treatment as a multiemployer plan under ASC 715, *Compensation-Retirement Benefits*. Substantially all retired employees are eligible to participate in The General Agencies of The United Methodist Church Benefit Plan (the “Plan”) if they have attained normal retirement age while in the employ of UMCom.

The Plan provides medical, dental, life, and long- and short-term disability defined benefits to participants of the general agencies, two other United Methodist related organizations, and all Bishops covered by the Episcopal Fund.

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.

The cost of the benefits is recognized as expense as premiums are paid. The total cost of benefits for active employees was \$1,086,706 and \$1,182,330 in 2021 and 2020, respectively. The cost of benefits for retired employees was \$298,397 and \$289,595 in 2021 and 2020, respectively, exclusive of reimbursement from the Benefit Trust.

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Note 9—Employee benefits (continued)

Wespath has transferred certain excess pension assets to the General Agency Benefit Trust (“Benefit Trust”) established by the 1996 General Conference. Annually, the Benefit Trust allows a stated percentage, not to exceed 6% for 2021 and 2020 of the fair value of the Benefit Trust’s 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 retired employee benefits. The fair value of the Benefit Trust’s assets (not plan assets) for which GCFA is the beneficiary 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 UCom’s share, excluding retiree health benefits, was \$2,086,996 and \$1,791,132 received in 2021 and 2020, respectively.

Note 10—Related party transactions

UCom receives the majority of its revenue through apportionments from the General Funds of UMC, which are administered by GCFA. In addition, GCFA provides various services to UCom, including cash management, payroll, and group insurance plan administration. As of and for the years ended December 31, 2021 and 2020, UCom had the following transactions with and through GCFA and other related agencies:

	<u>2021</u>	<u>2020</u>
Statements of Financial Position:		
Investment in Notes UMDF	\$ -	\$ 367,889
Invested in GCFA short-term pooled investment fund	117,289	2,721,279
Accrued World Service Fund Allocation	4,200,560	4,900,266
Accounts receivable, net from other United Methodist Agencies	10,253	54,607
Statements of Activities:		
Revenue:		
Allocation of World Service Fund	13,214,117	13,821,039
Revenue restricted for Connectional Giving Interpretation	1,014,852	1,067,580
Gross program revenue	112,744	239,701
Reimbursement from General Agency Benefit Trust	2,086,996	1,791,132
Investment return from GCFA short-term pooled investment fund	77,846	23,709
Investment return, net - UMCF	-	(775,166)
Investment return, net - UMDF	986	4,002
Services received from GCFA	36,375	31,953
Expenses:		
Services provided to:		
General Commission on Archives and History	29,434	38,725
General Commission on the Status and Role of Women	53,274	106,548
General Commission on United Methodist Men	36,936	77,628
Administration provided by GCFA	36,375	31,953
Group insurance expense	1,385,103	1,471,925

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Note 11—Board-designated net assets

Certain net assets without donor restrictions at December 31, 2021 and 2020 have been designated by the General Commission for the following purposes:

	<u>2021</u>	<u>2020</u>
Property Improvements	\$ 2,168,264	\$ 2,500,000
General Church Communications Ministry Foundation	5,345,977	5,950,000
	<u>968,513</u>	<u>968,513</u>
Total board-designated net assets	<u>\$ 8,482,754</u>	<u>\$ 9,418,513</u>

From time to time, the General Commission may designate other net assets without donor restrictions for specific purposes.

The Property Improvements reserve funds are designated for the maintenance and enhancement of existing and future facilities and property.

The General Church Communications Ministry reserve funds are designated for communications projects in partnership with United Methodist agencies and other General Church organizations' communications directives, communications staffing stipends for smaller agencies, communications campaigns for the denomination following upcoming General Conferences, and a communications summit that are not covered in the operational budget.

The UCom Foundation designated funds are designated for future initiatives approved by UCom for projects related to the improvement of communications with the church.

Note 12—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:		
Promotion	\$ 2,176,930	\$ 2,026,633
Communication	8,501,339	8,501,339
Children's TV Campaign	124,390	110,855
Total subject to purpose restriction	<u>10,802,659</u>	<u>10,638,827</u>
Endowments:		
Accumulated earnings on UCom's endowment fund	246,807	238,679
UCom endowment fund held in perpetuity	<u>280,113</u>	<u>251,993</u>
Total held in perpetuity	<u>526,920</u>	<u>490,672</u>
Total net assets with donor restrictions	<u>\$ 11,329,579</u>	<u>\$ 11,129,499</u>

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Note 12—Net assets with donor restrictions (continued)

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. Total net assets released from restrictions were \$851,308 and \$1,619,935 for the years ended December 31, 2021 and 2020, respectively.

Note 13—Endowments

UMCom’s endowment consists of individual funds established for a variety of purposes, and is comprised of only donor-restricted endowment funds.

UMCom 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, UMCom classifies as donor-restricted net assets (a) the original value of gifts donated to the endowment, (b) the original value of subsequent gifts to the endowment, and (c) accumulations to the endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. Donor-restricted amounts not retained in perpetuity are subject to appropriation for expenditure by UMCom in a manner consistent with the standard of prudence prescribed by UPMIFA.

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

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

	Without Donor Restrictions	With Donor Restrictions	Total
Donor-restricted endowment funds:			
Original donor-restricted gift amount and amounts required to be maintained in perpetuity by donor	\$ -	\$ 280,113	\$ 280,113
Accumulated investment gains	-	246,807	246,807
Endowment net assets, December 31, 2021	<u>\$ -</u>	<u>\$ 526,920</u>	<u>\$ 526,920</u>

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Note 13—Endowments (continued)

As of December 31, 2020, UMCom had the following endowment net asset composition by type of fund:

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Donor-restricted endowment funds:			
Original donor-restricted gift amount and amounts required to be maintained in perpetuity by donor	\$ -	\$ 251,993	\$ 251,993
Accumulated investment gains	-	238,679	238,679
Endowment net assets, December 31, 2020	<u>\$ -</u>	<u>\$ 490,672</u>	<u>\$ 490,672</u>

From time to time, certain donor-restricted endowment funds may have fair values less than the amount required to be maintained by donors or by law (underwater endowments). UMCom has interpreted UPMIFA to permit spending from underwater endowments in accordance with prudent measures required under law. At December 31, 2021 and 2020, UMCom had no underwater endowments.

Investment and Spending Policies – UMCom has not formally adopted an investment spending policy for their endowments.

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

Strategies Employed for Achieving Objectives – To satisfy its long-term rate-of-return objectives, UMCom 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). UMCom targets a diversified asset allocation that places a greater emphasis on corporate bonds and equity-based investments to achieve its long-term return objectives within prudent risk constraints.

Changes in endowment net assets for the years ended December 31, 2021 and 2020 are as follows:

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Endowment net assets, December 31, 2019	\$ -	\$ 432,899	\$ 432,899
Investment return, net	-	57,773	57,773
Endowment net assets, December 31, 2020	-	490,672	490,672
Investment return, net	-	36,248	36,248
Endowment net assets, December 31, 2021	<u>\$ -</u>	<u>\$ 526,920</u>	<u>\$ 526,920</u>

UMCom did not appropriate endowment assets for the years ended December 31, 2021 and 2020.

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Note 14—Paycheck protection program

UmCom received a Paycheck Protection Program loan (“PPP”) in the amount of \$2,152,132 in May 2020 of which \$475,000 was returned to the Small Business Administration. 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 UMCom 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. UMCom received full loan forgiveness of this \$1,677,132 loan during 2021 and has, therefore, recorded the funds received within contributions and grants in the consolidated statements of activities as of December 31, 2021.

Note 15—Contingencies

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

Note 16—Subsequent events

Management has evaluated subsequent events through August 8, 2022, the date the consolidated financial statements were available for issuance, and has determined that there are no subsequent events requiring disclosure.

SUPPLEMENTARY SCHEDULES

**UNITED METHODIST COMMUNICATIONS OF
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CONSOLIDATING SCHEDULE OF FINANCIAL POSITION**

SCHEDULE 1

DECEMBER 31, 2021

	<u>UMCOM</u>	<u>UMCOM Foundation</u>	<u>Kingswood</u>	<u>Consolidating Entries</u>	<u>Total</u>
ASSETS					
Cash and cash equivalents	\$ 73,999	\$ -	\$ -	\$ -	\$ 73,999
Investments	38,281,385	16,581,802	-	-	54,863,187
Due from GCFA short-term pooled investment fund	(821,228)	1,047,914	(109,397)	-	117,289
Intercompany due to/from	1,375,903	(1,123,343)	(252,560)	-	-
Accrued World Service Fund allocation	4,200,560	-	-	-	4,200,560
Accounts receivable, net	259,566	-	-	-	259,566
Inventory	6,325	-	-	-	6,325
Prepaid expenses	312,738	-	-	-	312,738
Property and equipment, net	1,171,131	3,832	-	-	1,174,963
Total Assets	\$ 44,860,379	\$ 16,510,205	\$ (361,957)	\$ -	\$ 61,008,627
LIABILITIES AND NET ASSETS					
Liabilities:					
Accounts payable and accrued liabilities	\$ 1,081,197	\$ -	\$ -	\$ -	\$ 1,081,197
Deferred income	25,261	-	-	-	25,261
Total Liabilities	1,106,458	-	-	-	1,106,458
Net Assets:					
Without Donor Restrictions:					
Invested in property and equipment	1,171,131	3,832	-	-	1,174,963
Board designated	7,514,241	968,513	-	-	8,482,754
Undesignated	32,259,486	7,017,344	(361,957)	-	38,914,873
Total Without Donor Restrictions	40,944,858	7,989,689	(361,957)	-	48,572,590
With Donor Restrictions:					
Subject to purpose restrictions	2,301,320	8,501,339	-	-	10,802,659
Endowments	507,743	19,177	-	-	526,920
Total With Donor Restrictions	2,809,063	8,520,516	-	-	11,329,579
Total Net Assets	43,753,921	16,510,205	(361,957)	-	59,902,169
Total Liabilities and Net Assets	\$ 44,860,379	\$ 16,510,205	\$ (361,957)	\$ -	\$ 61,008,627

**UNITED METHODIST COMMUNICATIONS OF
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CONSOLIDATING SCHEDULE OF ACTIVITIES**

SCHEDULE 2

YEAR ENDED DECEMBER 31, 2021

	UMCOM	UMCOM Foundation	Kingswood	Consolidating Entries	Total
Activites Without Donor Restrictions:					
Allocation of World Service Fund	\$ 13,214,117	\$ -	\$ -	\$ -	\$ 13,214,117
Net program revenue	619,875	-	-	-	619,875
Reimbursement from Benefit Trust	2,086,996	-	-	-	2,086,996
Services received from GCFA	36,375	-	-	-	36,375
Investment return from GCFA short-term pooled investment fund	58,411	19,435	-	-	77,846
Investment return, net	3,538,652	1,217,645	-	-	4,756,297
Contributions and grants	1,677,132	4,635	-	-	1,681,767
Other income	156,273	-	-	(84,000)	72,273
Production rental and services	-	-	125,686	-	125,686
Net assets released from restrictions	851,020	-	-	-	851,020
Total expenses	<u>(19,500,227)</u>	<u>(39,198)</u>	<u>(176,490)</u>	<u>84,000</u>	<u>(19,631,915)</u>
Change in Net Assets Without Donor Restrictions	<u>2,738,624</u>	<u>1,202,517</u>	<u>(50,804)</u>	<u>-</u>	<u>3,890,337</u>
Activites With Donor Restrictions:					
Connectional Giving Interpretation	1,014,852	-	-	-	1,014,852
Investment return, net	35,960	288	-	-	36,248
Net assets released from restriction	<u>(851,020)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(851,020)</u>
Change in Net Assets With Donor Restrictions	<u>199,792</u>	<u>288</u>	<u>-</u>	<u>-</u>	<u>200,080</u>
Change in net assets	2,938,416	1,202,805	(50,804)	-	4,090,417
Net assets, beginning of year	<u>40,815,505</u>	<u>15,307,400</u>	<u>(311,153)</u>	<u>-</u>	<u>55,811,752</u>
Net assets, end of year	<u>\$ 43,753,921</u>	<u>\$ 16,510,205</u>	<u>\$ (361,957)</u>	<u>\$ -</u>	<u>\$ 59,902,169</u>

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CONSOLIDATING SCHEDULE OF FINANCIAL POSITION**

SCHEDULE 3

DECEMBER 31, 2020

	UMCOM	UMCOM Foundation	Kingswood	Consolidating Entries	Total
ASSETS					
Cash and cash equivalents	\$ 27,833	\$ -	\$ -	\$ -	\$ 27,833
Investments	34,706,773	15,363,869	-	-	50,070,642
Due from GCFA short-term pooled investment fund	1,982,032	1,029,270	(290,023)	-	2,721,279
Intercompany Due to/from	1,077,960	(1,079,718)	1,758	-	-
Accrued World Service Fund allocation	4,900,266	-	-	-	4,900,266
Accounts receivable, net	232,599	-	-	-	232,599
Inventory	7,478	-	-	-	7,478
Prepaid expenses	78,939	-	-	-	78,939
Property and equipment, net	1,237,642	13,412	-	-	1,251,054
Total Assets	\$ 44,251,522	\$ 15,326,833	\$ (288,265)	\$ -	\$ 59,290,090
LIABILITIES AND NET ASSETS					
Liabilities:					
Accounts payable and accrued liabilities	\$ 1,739,565	\$ 19,433	\$ 22,888	\$ -	\$ 1,781,886
Deferred income	19,320	-	-	-	19,320
Paycheck Portection Program deferred revenue	1,677,132	-	-	-	1,677,132
Total Liabilities	3,436,017	19,433	22,888	-	3,478,338
Net Assets:					
Without Donor Restrictions:					
Invested in property and equipment	1,237,642	13,412	-	-	1,251,054
Board designated	8,450,000	968,513	-	-	9,418,513
Undesignated	28,518,592	5,805,247	(311,153)	-	34,012,686
Total Without Donor Restrictions	38,206,234	6,787,172	(311,153)	-	44,682,253
With Donor Restrictions:					
Subject to purpose restrictions	2,137,488	8,501,339	-	-	10,638,827
Endowments	471,783	18,889	-	-	490,672
Total With Donor Restrictions	2,609,271	8,520,228	-	-	11,129,499
Total Net Assets	40,815,505	15,307,400	(311,153)	-	55,811,752
Total Liabilities and Net Assets	\$ 44,251,522	\$ 15,326,833	\$ (288,265)	\$ -	\$ 59,290,090

**UNITED METHODIST COMMUNICATIONS OF
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CONSOLIDATING SCHEDULE OF ACTIVITIES**

SCHEDULE 4

YEAR ENDED DECEMBER 31, 2020

	UMCOM	UMCOM Foundation	Kingswood	Consolidating Entries	Total
Activites Without Donor Restrictions:					
Allocation of World Service Fund	\$ 13,821,039	\$ -	\$ -	\$ -	\$ 13,821,039
Net program revenue	654,562	-	-	-	654,562
Reimbursement from Benefit Trust	1,791,132	-	-	-	1,791,132
Services received from GCFA	31,953	-	-	-	31,953
Investment return from GCFA short-term pooled investment fund	-	23,709	-	-	23,709
Investment return, net	6,356,971	2,443,517	-	-	8,800,488
Contributions	-	11,021	-	-	11,021
Grant Income	700,000	-	-	(700,000)	-
Other income	265,816	-	-	(84,000)	181,816
Production rental and services	-	-	133,146	-	133,146
Net assets released from restrictions	919,935	700,000	-	-	1,619,935
Total expenses	(21,879,190)	(892,626)	(189,960)	784,000	(22,177,776)
Change in Net Assets Without Donor Restrictions	2,662,218	2,285,621	(56,814)	-	4,891,025
Activites With Donor Restrictions:					
Connectional Giving Interpretation	1,067,580	-	-	-	1,067,580
Investment return, net	57,193	579	-	-	57,772
Net assets released from restriction	(919,935)	(700,000)	-	-	(1,619,935)
Change in Net Assets With Donor Restrictions	204,838	(699,421)	-	-	(494,583)
Change in net assets	2,867,056	1,586,200	(56,814)	-	4,396,442
Net assets, beginning of year	37,948,449	13,721,200	(254,339)	-	51,415,310
Net assets, end of year	\$ 40,815,505	\$ 15,307,400	\$ (311,153)	\$ -	\$ 55,811,752

**UNITED METHODIST COMMUNICATIONS OF
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SCHEDULES OF PROGRAM REVENUE AND COST OF GOODS SOLD

SCHEDULE 5

YEARS ENDED DECEMBER 31, 2021 AND 2020

	2021		
	Program Revenue	Costs of Goods Sold	Net Program Revenue
Contract productions	\$ 194,968	\$ (85,432)	\$ 109,536
Software and technology sales	151,062	(17,149)	133,913
Online advertisements	366,434	(23,186)	343,248
Training	33,178	-	33,178
Total	<u>\$ 745,642</u>	<u>\$ (125,767)</u>	<u>\$ 619,875</u>

	2020		
	Program Revenue	Costs of Goods Sold	Net Program Revenue
Contract productions	\$ 234,230	\$ (140,718)	\$ 93,512
Software and technology sales	148,148	(594)	147,554
Online advertisements	410,213	(19,863)	390,350
Training	23,146	-	23,146
Total	<u>\$ 815,737</u>	<u>\$ (161,175)</u>	<u>\$ 654,562</u>