

**UNITED METHODIST COMMUNICATIONS OF
THE UNITED METHODIST CHURCH
AND SUBSIDIARIES**

CONSOLIDATED FINANCIAL STATEMENTS
AND SUPPLEMENTAL SCHEDULES

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

And Report of Independent Auditor

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THE UNITED METHODIST CHURCH AND SUBSIDIARIES
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Report of Independent Auditor

To the General Commission
United Methodist Communications of
The United Methodist Church and Subsidiaries

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

We have audited the accompanying consolidated financial statements of United Methodist Communications of The United Methodist Church and Subsidiaries (“UMCom”), which comprise the consolidated statements of financial position as of December 31, 2019 and 2018, the related consolidated statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the consolidated financial statements.

Management’s Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated 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 consolidated 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 consolidated 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 consolidated financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor’s judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to UMCom’s preparation and fair presentation of the consolidated 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 UMCom’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 consolidated financial statements.

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

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of United Methodist Communications of The United Methodist Church and Subsidiaries as of December 31, 2019 and 2018, and the changes in their net assets and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Other Information

Our audits were conducted for the purpose of forming an opinion on the consolidated financial statements taken as a whole. The supplemental schedules are presented for purposes of additional analysis and are not a required part of the consolidated financial statements. The supplemental schedules are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the consolidated financial statements as a whole.

Cherry Bekart LLP

Charlotte, North Carolina
July 8, 2020

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

DECEMBER 31, 2019 AND 2018

	2019	2018
ASSETS		
Cash and cash equivalents	\$ 1,000	\$ 1,000
Investments	44,712,382	40,805,939
Due from General Council on Finance and Administration ("GCFA") short-term pooled investment fund	1,122,990	1,684,442
Accrued World Service Fund allocation	4,553,992	4,693,859
Accounts receivable, net	139,676	133,048
Contributions receivable, net	-	30,095
Inventory	7,456	13,178
Productions in progress	611	41,960
Prepaid expenses	329,051	322,903
Property and equipment, net	1,762,940	2,196,104
Total Assets	\$ 52,630,098	\$ 49,922,528
LIABILITIES AND NET ASSETS		
Liabilities:		
Accounts payable and accrued liabilities	\$ 1,137,815	\$ 1,334,490
Contributions payable	-	467,801
Deferred income	76,973	12,939
Total Liabilities	1,214,788	1,815,230
Net Assets:		
Without Donor Restrictions:		
Invested in property and equipment	1,762,940	2,196,104
Board designated	9,748,513	15,578,513
Undesignated	28,279,775	18,368,943
Total Without Donor Restrictions	39,791,228	36,143,560
With Donor Restrictions:		
Subject to purpose restrictions	11,191,183	11,543,103
Subject to passage of time	-	30,095
Endowments	432,899	390,540
Total With Donor Restrictions	11,624,082	11,963,738
Total Net Assets	51,415,310	48,107,298
Total Liabilities and Net Assets	\$ 52,630,098	\$ 49,922,528

**UNITED METHODIST COMMUNICATIONS OF
THE UNITED METHODIST CHURCH AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF ACTIVITIES**

YEAR ENDED DECEMBER 31, 2019 (WITH COMPARATIVE TOTALS FOR 2018)

	2019		2018	
	Without Donor Restrictions	With Donor Restrictions	Total	Total
Revenues and Support:				
General Church Funds:				
Allocation of World Service Fund	\$ 15,063,583	\$ -	\$ 15,063,583	\$ 16,502,218
Connectional Giving Interpretation	-	1,067,184	1,067,184	1,073,892
	15,063,583	1,067,184	16,130,767	17,576,110
Net program revenues	453,451	-	453,451	454,775
Reimbursement from Benefit Trust	1,525,530	-	1,525,530	1,529,619
Services received from GCFA	28,666	-	28,666	26,063
Investment return from GCFA short-term pooled investment fund	39,403	-	39,403	56,973
Investment return, net	8,064,083	42,359	8,106,442	(2,896,342)
Contributions	10,621	68,887	79,508	250,752
Other income	58,991	-	58,991	95,629
Kingswood	94,895	-	94,895	112,960
Net assets released from restrictions	1,518,086	(1,518,086)	-	-
Total Revenue and Support	26,857,309	(339,656)	26,517,653	17,206,539
Expenses:				
Program Services:				
Communications channels and resources	14,436,795	-	14,436,795	13,778,701
Brand – media purchases	3,113,475	-	3,113,475	4,136,733
Connectional Giving Interpretation	1,398,777	-	1,398,777	1,067,686
Global health initiative	99,984	-	99,984	5,022,804
Total Program Expenses	19,049,031	-	19,049,031	24,005,924
Supporting Services:				
Management and general	4,022,995	-	4,022,995	4,538,728
Fundraising	137,615	-	137,615	131,527
Total Expenses	23,209,641	-	23,209,641	28,676,179
Change in net assets	3,647,668	(339,656)	3,308,012	(11,469,640)
Net assets, beginning of year	36,143,560	11,963,738	48,107,298	59,576,938
Net assets, end of year	\$ 39,791,228	\$ 11,624,082	\$ 51,415,310	\$ 48,107,298

**UNITED METHODIST COMMUNICATIONS OF
THE UNITED METHODIST CHURCH AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF ACTIVITIES**

YEAR ENDED DECEMBER 31, 2018

	2018		Total
	Without Donor Restrictions	With Donor Restrictions	
Revenues and Support:			
General Church Funds:			
Allocation of World Service Fund	\$ 16,502,218	\$ -	\$ 16,502,218
Connectional Giving Interpretation	-	1,073,892	1,073,892
	<u>16,502,218</u>	<u>1,073,892</u>	<u>17,576,110</u>
Net program revenues	454,775	-	454,775
Reimbursement from Benefit Trust	1,529,619	-	1,529,619
Services received from GCFA	26,063	-	26,063
Investment return from GCFA short-term pooled investment fund	56,973	-	56,973
Investment return, net	(2,866,150)	(30,192)	(2,896,342)
Contributions	1,825	248,927	250,752
Other income	95,629	-	95,629
Kingswood	112,960	-	112,960
Net assets released from restrictions	3,645,981	(3,645,981)	-
Total Revenue and Support	<u>19,559,893</u>	<u>(2,353,354)</u>	<u>17,206,539</u>
Expenses:			
Program Services:			
Communications channels and resources	13,778,701	-	13,778,701
Brand – media purchases	4,136,733	-	4,136,733
Connectional Giving Interpretation	1,067,686	-	1,067,686
Global health initiative	5,022,804	-	5,022,804
Total Program Expenses	<u>24,005,924</u>	<u>-</u>	<u>24,005,924</u>
Supporting Services:			
Management and general	4,538,728	-	4,538,728
Fundraising	131,527	-	131,527
Total Expenses	<u>28,676,179</u>	<u>-</u>	<u>28,676,179</u>
Change in net assets	(9,116,286)	(2,353,354)	(11,469,640)
Net assets, beginning of year	45,259,846	14,317,092	59,576,938
Net assets, end of year	<u>\$ 36,143,560</u>	<u>\$ 11,963,738</u>	<u>\$ 48,107,298</u>

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

**UNITED METHODIST COMMUNICATIONS OF
THE UNITED METHODIST CHURCH AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES**

YEAR ENDED DECEMBER 31, 2019

	Program Services				Supporting Services			Total
	Communications Channels and Resources	Brand - Media Purchases	Connectional Giving Interpretation	Global Health Initiative	Subtotal	Management and General	Fundraising	
	Media, research, and program development	\$ 631,070	\$ 2,314,110	\$ 190,675	\$ -	\$ 3,135,855	\$ -	
Grant and donation distributions	43,662	799,331	-	99,984	942,977	-	-	942,977
Salaries and related benefits	8,991,817	-	309,673	-	9,301,490	2,648,684	134,597	12,084,771
Administration provided by GCFA	-	-	-	-	-	28,666	-	28,666
Rent and building management	-	-	-	-	-	252,132	-	252,132
Travel and meetings	1,423,512	34	82,071	-	1,505,617	203,990	-	1,709,607
Independent contractors	2,081,682	-	-	-	2,081,682	56,873	1,750	2,140,305
Printing, postage, supplies, and telephone	118,465	-	235,137	-	353,602	47,594	975	402,171
Equipment, repair, and maintenance	29,533	-	-	-	29,533	33,248	-	62,781
Information technology hosting, maintenance, and support	685,183	-	51,784	-	736,967	189,102	-	926,069
Insurance and taxes	2,123	-	-	-	2,123	75,183	-	77,306
Depreciation	198,300	-	-	-	198,300	466,301	-	664,601
Promotional and informational material	206,234	-	529,717	-	735,951	16,233	-	752,184
Miscellaneous	25,214	-	(280)	-	24,934	4,989	293	30,216
Total Expenses	\$ 14,436,795	\$ 3,113,475	\$ 1,398,777	\$ 99,984	\$ 19,049,031	\$ 4,022,995	\$ 137,615	\$ 23,209,641

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

**UNITED METHODIST COMMUNICATIONS OF
THE UNITED METHODIST CHURCH AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES**

YEAR ENDED DECEMBER 31, 2018

	Program Services				Supporting Services			Total
	Communications Channels and Resources	Brand - Media Purchases	Connectional Giving Interpretation	Global Health Initiative	Subtotal	Management and General	Fundraising	
	Media, research, and program development	\$ 319,601	\$ 3,179,547	\$ 93,644	\$ -	\$ 3,592,792	\$ -	
Grant and donation distributions	3,000	956,688	-	5,022,804	5,982,492	-	-	5,982,492
Salaries and related benefits	8,820,493	-	257,435	-	9,077,928	2,884,094	126,792	12,088,814
Administration provided by GCFA	-	-	-	-	-	26,063	-	26,063
Rent and building management	-	-	-	-	-	324,744	-	324,744
Travel and meetings	498,255	498	209,563	-	708,316	174,797	-	883,113
Independent contractors	2,786,212	-	2,400	-	2,788,612	176,550	3,184	2,968,346
Printing, postage, supplies, and telephone	110,461	-	185,680	-	296,141	43,723	393	340,257
Equipment, repair, and maintenance	65,620	-	-	-	65,620	60,834	-	126,454
Information technology hosting, maintenance, and support	513,844	-	43,690	-	557,534	230,548	-	788,082
Insurance and taxes	3,190	-	-	-	3,190	80,689	-	83,879
Depreciation	220,664	-	-	-	220,664	500,666	-	721,330
Promotional and informational material	413,661	-	269,077	-	682,738	3,741	-	686,479
Miscellaneous	23,700	-	6,197	-	29,897	32,279	1,158	63,334
Total Expenses	\$ 13,778,701	\$ 4,136,733	\$ 1,067,686	\$ 5,022,804	\$ 24,005,924	\$ 4,538,728	\$ 131,527	\$ 28,676,179

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

**UNITED METHODIST COMMUNICATIONS OF
THE UNITED METHODIST CHURCH AND SUBSIDIARIES**
CONSOLIDATED 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	\$ 3,308,012	\$ (11,469,640)
Adjustments to reconcile change in net assets to net cash from operating activities:		
Depreciation	664,601	721,330
Unrealized (gains) losses on investments	(1,011,640)	4,553,548
Net realized gains on sales of investments	(6,808,731)	(1,444,334)
Bad debt expense (recoveries)	(11,550)	3,710
Changes in assets and liabilities:		
Due from GCFA short-term pooled investment fund	561,452	3,527,198
Due from General Board of Global Ministries of The United Methodist Church, Inc. and related entities	-	88,230
Accrued World Service Fund Allocation	139,867	(45,779)
Accounts receivable, net	(6,628)	52,824
Contributions receivable, net	41,645	184,372
Inventory	5,722	29,317
Productions in process	41,349	(7,484)
Prepaid expenses	(6,148)	30,569
Accounts payable and accrued liabilities	(196,675)	(531,829)
Contributions payable	(467,801)	422,804
Deferred income	64,034	(7,329)
Net cash flows from operating activities	<u>(3,682,491)</u>	<u>(3,892,493)</u>
Cash flows from investing activities:		
Purchases of investments	(286,072)	(301,782)
Proceeds from sales of investments	4,200,000	4,387,196
Purchases of property and equipment	(231,437)	(192,921)
Net cash flows from investing activities	<u>3,682,491</u>	<u>3,892,493</u>
Net change in cash and cash equivalents	-	-
Cash and cash equivalents, beginning of year	1,000	1,000
Cash and cash equivalents, end of year	<u>\$ 1,000</u>	<u>\$ 1,000</u>

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

DECEMBER 31, 2019 AND 2018

Note 1—Organization and nature of operations

As the communications agency for The United Methodist Church, United Methodist Communications (“UMCom”) provides leadership for The United Methodist Church (the “UMC”) through communications initiatives that promote local, national, and global ministry. Such leadership ministry is most efficient when performed at a global level and in a coordinated and strategic way. UMCom serves the UMC with communication products, programs, and services to enable more effective ministry. It takes into account the needs of the world’s people, responding by providing information that encourages spiritual growth, commitment, and transformation individually and in the global community. UMCom provides a portal to the World Wide Web for UMC; speaks to the world at large on behalf of UMC through a variety of communications channels; provides resources that support the growth of local church leaders and provides practical ideas for church life; provides independent news coverage of what UMC is doing and other topics of interest; shares stories of ministries in ways that increase giving and commitment to UMC; responds to requests for information about UMC; resources annual conference and local church communications efforts; provides video and television production services and video resources for group study; and works to raise awareness and understanding of global health issues. As the convener for interagency collaboration, UMCom works with other general agencies and external partners to provide clear, purposeful, and collaborative direction for the Global Health Initiative like the Imagine No Malaria campaign, which seeks to raise \$75 million to eliminate death and suffering from malaria. The Foundation for United Methodist Communications (“UMCom Foundation”) generates funds for communication efforts to strengthen UMC and its ministries throughout the world and for the Global Health Initiative.

Principles of Consolidation – The consolidated financial statements include the financial statements of UMCom and its wholly-owned or controlled subsidiaries, Kingswood Communications, Inc. (“Kingswood”) and UMCom Foundation. Kingswood was established on August 21, 1963 to provide media productions to entities outside of the UMC. Kingswood shares the same board of directors as UMCom which is the reason for consolidation. UMCom Foundation was established on October 19, 1996, exclusively for the benefit of, to perform the functions of, and to carry out the purposes of UMCom. As UMCom is the sole member, UMCom Foundation is also consolidated. The consolidating schedules of UMCom, UMCom Foundation, and Kingswood are provided on pages 25-28 in supplemental schedules 1 through 4 for informational purposes. These supplemental schedules are not a required part of the basic financial statements. All significant intercompany balances and transactions among UMCom, UMCom Foundation, and Kingswood have been eliminated in consolidation.

Note 2—Summary of significant accounting policies

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

Basis of Presentation – To ensure the observance of limitations and restrictions placed on the use of resources, fund accounting is the procedure by which resources for various purposes are classified into funds that are in accordance with activities or objectives of UMCom. Separate accounts are maintained for each fund.

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

DECEMBER 31, 2019 AND 2018

Note 2—Summary of significant accounting policies (continued)

For reporting purposes, UCom's consolidated financial statements have been prepared to focus on the organization as a whole and to present balances classified into two net asset categories based on the existence or absence of donor-imposed restrictions. Accordingly, the consolidated net assets of UCom 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 objective of UCom. These net assets may be used at the discretion of UCom's management and the General Commission. UCom has chosen to provide further classification information about net assets without donor restrictions on the consolidated statements of financial position. The subclassifications are as follows:

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

Board Designated – Comprised of funds set aside by the General Commission to be used for specific activities within general guidelines established by UCom.

Undesignated – Represents the cumulative net assets without donor restrictions excluding those net assets invested in property and equipment and board designated.

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

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

Contributions are recognized when cash, other assets or an unconditional promise to give is received. Conditional promises to give, that is, those with measurable performance or other barrier, and a right of return or right of release, are not recognized until conditions on which they depend have been substantially met. Contributions of assets other than cash are recorded at their estimated value. Contributions payable consists of \$-0- and \$467,801 as of December 31, 2019 and 2018, respectively, for amounts to be distributed for the Imagine No Malaria campaign.

Use of Estimates – The preparation of the consolidated financial statements requires management of UCom to make a number of estimates and assumptions relating to the reported amount of assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenue and expenses during the period. Significant items subject to such estimates and assumptions include the carrying amount of property and equipment; valuation allowances for receivables and inventories; and assets and obligations related to employee benefits. Actual results could differ from those estimates.

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

DECEMBER 31, 2019 AND 2018

Note 2—Summary of significant accounting policies (continued)

Cash and Cash Equivalents – UCom considers all highly liquid interest bearing instruments purchased with original maturities of three months or less at date of purchase to be cash equivalents.

Investments – Investments consist of shares invested in The United Methodist Church Foundation’s (“UMCF”) Balanced Plus Fund, shares invested in Wespath Benefits and Investments (“Wespath”) Multiple Asset Fund, and notes held by The United Methodist Development Fund (“UMDF”).

Investments with UMCF and Wespath are presented at net asset value, which approximates the estimated fair value of UCom’s share of respective investment pools. Interest and dividend income and realized and unrealized gains or losses are calculated on a pro rata basis for UCom’s portion of the investment pools.

Investments with UMDF are stated at cost.

Due from GCFA Short-Term Pooled Investment Fund – The amounts presented as due from General Council on Finance and Administration (“GCFA”) short-term pooled investment fund in the accompanying consolidated financial statements represent UCom’s portion of the short-term investment portfolio managed by GCFA on behalf of certain agencies and related organizations of the UMC. The amount due from this fund effectively represents the amount of cash deposits that are available to UCom 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 UCom’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 \$39,403 and \$56,973 of interest income, respectively, to UCom. While interest income can be earned based on the performance of the pooled investment funds, UCom 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.

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 funds 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 investments 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>

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

DECEMBER 31, 2019 AND 2018

Note 2—Summary of significant accounting policies (continued)

General Church Fund Allocation – Funding for UMCCom’s operations is principally provided by allocations of World Service Fund and Connectional Giving Interpretation received from the General Funds of the UMC. At December 31, 2019 and 2018, accrued allocations from the World Service Fund were \$4,553,992 and \$4,693,859, respectively. The General Funds of UMC are allocated to UMCCom based on a four-year budget developed from projections of expected program costs. The allocation accounts for 88% and 87% of UMCCom’s total operating revenue, excluding investment return, net, in 2019 and 2018, respectively. UMCCom’s continued existence is dependent upon UMC’s future support. UMC’s future support is dependent upon contributions from its congregations (i.e., congregational participation in the apportionment covenant).

Services Received from Personnel of an Affiliate – Services received from personnel of an affiliate for which the affiliate does not charge the UMCCom have been measured at the cost recognized by the affiliate in providing those services. The revenue and expense relating to those services received totaled \$28,666 and \$26,063 for the years ended December 31, 2019 and 2018, respectively.

Accounts Receivable – Trade accounts receivable are recorded at the invoiced amount and do not bear interest. The allowance for doubtful accounts is UMCCom’s best estimate of the amount of probable credit losses in UMCCom’s existing accounts receivable. UMCCom determines the allowance based on historical write-off experience. Account balances are charged off against the allowance after all means of collection have been exhausted and the potential for recovery is considered remote.

Inventory – Inventory consists of printed and promotional materials and is stated at the lower of cost (first-in, first-out) or net realizable value.

Productions in Process – Costs related to productions that are in process are capitalized and expensed when revenue is recognized. Productions produced under contract, principally for other agencies of UMC, are accounted for by the completed contract method.

Property and Equipment – Property and equipment are recorded at cost, less accumulated depreciation. Depreciation is computed using the straight-line method over the estimated useful lives of the respective assets. Building and improvements are depreciated over 40 years, production equipment over 3-5 years, office equipment over 3-10 years, and computer equipment over 3-5 years. UMCCom capitalizes assets with a cost greater than \$5,000.

Deferred Income – Deferred income is recorded for calendars, video productions, advertisements, and specific products for which payment is received in advance of delivery of the related products.

Financial Instruments – Assets recorded at fair value in the consolidated statements of financial position are categorized based on the level of judgment used in the measurement of their fair value. These judgment levels, as defined by Financial Accounting Standards Board (“FASB”) Accounting Standards Codification (“ASC”) 820, *Fair Value Measurements and Disclosures*, are as follows:

Level 1 – Quoted prices in active markets that are accessible at the measurement date for identical securities.

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

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

DECEMBER 31, 2019 AND 2018

Note 2—Summary of significant accounting policies (continued)

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

Federal Income Tax Exemption – UCom 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"). UCom 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.

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

Revenue Recognition – UCom recognizes program revenues when the performance obligation has been met which is when the service is performed or the good is provided.

Functional Classification of Expenses – UCom program expenses cover program ministries of UCom, including media purchases, administrative, creative, and development functions. Media purchases emphasizing the UMC brand are funded by World Service Fund. Connectional Giving Interpretation provides resources to promote and interpret general church funds. Kingswood is a subsidiary of United Methodist Communications allowing UCom to do business with non-UMC entities to generate revenue. The Foundation for United Methodist Communications exists to raise funds to enhance and establish communications programs and the Global Health Initiative.

New Accounting Pronouncements – In May 2014, FASB issued Accounting Standards Update ("ASU") 2014-09. This standard, along with all subsequent amendments to the ASU (collectively, ASC 606), creates a single framework for recognizing revenue from contracts with customers that fall within its scope of exchange transactions. There was no material impact to the financial statements and underlying accounting as a result of this implementation.

FASB has also issued 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. UCom 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.

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Note 3—Liquidity and availability of resources

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

	<u>2019</u>	<u>2018</u>
Financial assets at year end:		
Cash and cash equivalents	\$ 1,000	\$ 1,000
Investments	44,712,382	40,805,939
Due from GCFA short-term pooled investment fund of The United Methodist Church	1,122,990	1,684,442
Accrued World Service Fund allocation	4,553,992	4,693,859
Accounts receivable	139,676	133,048
Contributions Receivable	-	30,095
Total financial assets	<u>50,530,040</u>	<u>47,348,383</u>
Less amounts not available to be used for general expenditures within one year:		
Board designated	9,748,513	15,578,513
Donor restricted for specific purposes and accumulated earnings on endowment	11,416,813	11,759,086
Donor restricted subject to passage of time	-	30,095
Funds held in perpetuity	207,269	174,557
Financial assets not available to be used within one year	<u>21,372,595</u>	<u>27,542,251</u>
Financial assets available to meet general expenditures within one year	<u>\$ 29,157,445</u>	<u>\$ 19,806,132</u>

As part of the UCom'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. This fund established by UCom may be drawn upon, if necessary, to meet unexpected liquidity needs.

UCom has certain assets limited to use for donor-restricted purposes. Additionally, board designated assets are designated for future operating and capital expenditures. These assets limited to use, which are more fully described in Notes 12 and 13 are not available for general expenditure within the next year. However, the board designated amounts could be made available, if necessary.

Note 4—Accounts receivable

Accounts receivable at December 31, 2019 and 2018 consist of the following:

	<u>2019</u>	<u>2018</u>
Accounts receivables	\$ 139,676	\$ 133,048
Less allowance for doubtful accounts	-	-
	<u>\$ 139,676</u>	<u>\$ 133,048</u>

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Note 5—Pledges receivable

Contributions receivable at December 31, 2019 and 2018 consist of the following:

	<u>2019</u>	<u>2018</u>
Contributions Receivable	\$ -	\$ 63,707
Less allowance for doubtful pledges	-	(33,612)
	<u>\$ -</u>	<u>\$ 30,095</u>

Note 6—Property and equipment

Property and equipment at December 31, 2019 and 2018 consist of the following:

	<u>2019</u>	<u>2018</u>
Land	\$ 198,651	\$ 198,651
Building	3,748,500	3,748,500
Production equipment	2,064,065	2,066,018
Equipment	1,716,088	1,712,409
Computer equipment	3,127,330	3,087,752
	<u>10,854,634</u>	<u>10,813,330</u>
Less accumulated depreciation	(9,091,694)	(8,617,226)
Total property and equipment, net	<u>\$ 1,762,940</u>	<u>\$ 2,196,104</u>

Depreciation expense totaled \$664,601 and \$721,330 in 2019 and 2018, respectively.

Note 7—Investments

Investments consist of the following at December 31, 2019 and 2018:

	<u>2019</u>		<u>2018</u>	
	<u>Fair Value</u>	<u>Cost</u>	<u>Fair Value</u>	<u>Cost</u>
Balanced Plus Fund (UMCF)	\$ 12,287,183	\$ 10,932,543	\$ 13,845,944	\$ 14,297,588
Multiple Asset Fund (I Series) - Wespath	32,061,312	19,944,094	-	-
Multiple Asset Fund - Wespath	-	-	26,401,074	19,944,094
Notes (UMDF)	363,887	363,887	558,921	558,921
	<u>\$ 44,712,382</u>	<u>\$ 31,240,524</u>	<u>\$ 40,805,939</u>	<u>\$ 34,800,603</u>

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Note 7—Investments (continued)

The following is a summary of the primary funds of which UCom's pooled investments are invested:

Balanced Plus Fund in UMCF – The Balanced Plus Fund's objective is to provide a reasonable level of current income and, simultaneously, to protect the purchasing power of the principal against inflation, but to reduce the volatility of the returns by increased portfolio diversification through the use of alternative investment strategies. The targeted allocation of the fund is 35% invested in a fixed income fund, 30% in a domestic large cap equity portfolios, 10% in domestic small/mid-cap equity portfolios, 25% in an international equity portfolio. This fund is designed for those investors who are seeking a single fund to provide broad diversification, reasonable current income, and protection against inflation.

Multiple Asset Fund (I Series) - Wespath – The investments in Wespath's Multiple Asset Fund – Institutional Series are a composite of U.S. equity funds (35%), fixed income funds (25%), international equity funds (30%), and inflation protection fund – I series (10%).

Notes (UMDF) – The investments consist of variable and/or fixed interest bearing notes. Notes are stated at cost, which approximate fair value.

Return on investments for the years ended December 31, 2019 and 2018 were as follows:

	<u>2019</u>	<u>2018</u>
Interest and dividends	\$ 367,472	\$ 319,949
Gain on investments:		
Realized gains on sales of investments	6,808,731	1,444,334
Unrealized gains (losses) on investments	1,011,640	(4,553,548)
Net gains (losses) on investments	8,187,843	(2,789,265)
Less investment management expenses	(81,401)	(107,077)
Investment return, net	<u>\$ 8,106,442</u>	<u>\$ (2,896,342)</u>

The Balance Plus Fund in UMCF has a daily redemption frequency and a redemption notice period of three days. All other investments may be redeemed without advance notice and there are no limitations as to the frequency of redemptions for any investment pool. UCom has no unfunded commitments to invest in any investment pool.

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Note 8—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 UMCCom's assessment of available market information and appropriate valuation methodologies. The following table summarizes required fair value disclosures and measurements at December 31, 2019 and 2018 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, 2019				
Investments:				
UMDF	\$ 363,887	\$ -	\$ -	\$ 363,887
Investments reported at net asset value:				
Multiple Asset Fund (I Series) - Wespath*	32,061,312			
UMCF*	12,287,183			
Total Investments	\$ 44,712,382			

	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, 2018				
Investments:				
UMDF	\$ 558,921	\$ -	\$ -	\$ 558,921
Investments reported at net asset value:				
Multiple Asset Fund - Wespath*	26,401,074			
UMCF*	13,845,944			
Total Investments	\$ 40,805,939			

* 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 statements of financial position.

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Note 8—Fair value of financial instruments (continued)

The following is a reconciliation of activity for 2019 and 2018 for assets measured at fair value based on significant unobservable information:

	<u>2019</u>	<u>2018</u>
Balance, beginning of year	\$ 558,921	\$ 246,956
Interest income	4,966	10,183
Sales and redemptions	(200,000)	-
Purchases	-	301,782
Balance, end of year	<u>\$ 363,887</u>	<u>\$ 558,921</u>

Note 9—Connectional Giving Interpretation Revenue

General church funds received from the Connectional Giving Interpretation have the following purpose restrictions for the years ended December 31, 2019 and 2018:

	<u>2019</u>	<u>2018</u>
World Service	\$ 358,416	\$ 365,124
General Advance Specials	297,504	297,504
Human Relations Day	63,756	63,756
One Great Hour of Sharing	99,996	99,996
World Communion Day	65,004	65,004
United Methodist Student Day	60,000	60,000
Peace with Justice	50,004	50,004
Native American Ministries	72,504	72,504
	<u>\$ 1,067,184</u>	<u>\$ 1,073,892</u>

Note 10—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 2019 and 2018 were \$873,514 and \$857,833, respectively.

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Note 10—Employee benefits (continued)

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 Accounting Standards Codification (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.

UMCom 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 UMCom’s active employees are covered by the Plan. The cost of the benefits is recognized as expense as premiums are paid. The total cost of benefits for active employees was \$1,278,942 and \$1,296,601 in 2019 and 2018, respectively. The cost of benefits for retired employees was \$300,425 and \$366,127 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. The change is due to an increase in the discount rate used to calculate the APBO and EPBO amounts.

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 2018, of the fair value of the Benefit Trust’s 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 retired employee benefits. The fair value of the Benefit Trust’s assets (not plan assets) was \$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 UMCom’s share, excluding retiree health benefits, was \$1,525,530 and \$1,529,619 received in 2019 and 2018, respectively.

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Note 11—Related party transactions

UMCom 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 UMCom, including cash management, payroll, and group insurance plan administration. As of and for the years ended December 31, 2019 and 2018, UMCom had the following transactions with and through GCFA and other related agencies:

	<u>2019</u>	<u>2018</u>
Statements of Financial Position:		
Investment in UMCF's Balanced Plus Fund	\$ 12,287,183	\$ 13,845,944
Investment in Notes (UMDF)	363,887	558,921
Invested in GCFA short-term pooled investment fund	1,122,990	1,684,442
Accrued World Service Fund Allocation	4,553,992	4,693,859
Accounts receivable, net from other United Methodist Agencies	25,945	28,258
Statements of Activities:		
Revenue:		
Allocation of World Service Fund	15,063,583	16,502,218
Revenue restricted for Connectional Giving Interpretation	1,067,184	1,073,892
Gross program revenue	273,471	318,858
Reimbursement from General Agency Benefit Trust	1,525,530	1,529,619
Investment return, net - UMCF	2,441,239	(879,572)
Investment return, net - UMDF	4,966	10,183
Services received from GCFA	28,666	26,063
Expenses:		
Services provided to:		
General Commission on Religion and Race	15,000	33,300
General Commission on Archives and History	52,577	22,132
General Commission on the Status and Role of Women	103,911	62,056
General Commission on United Methodist Men	75,360	49,248
Administration provided by GCFA	28,666	26,063
Employee benefits - group insurance expense	1,579,367	1,662,728

Note 12—Board-designated net assets

Certain net assets without donor restrictions at December 31, 2019 and 2018 have been designated by the General Commission for the following purposes:

	<u>2019</u>	<u>2018</u>
Property Improvements	\$ 2,500,000	\$ 2,500,000
General Church Communications Ministry	5,950,000	8,950,000
General Conference	-	2,500,000
UMCom Foundation	1,298,513	1,628,513
Total board-designated net assets	<u>\$ 9,748,513</u>	<u>\$ 15,578,513</u>

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Note 12—Board-designated net assets (continued)

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 General Conference reserve funds are designated for the expenses related to supporting the communications and production of the General Conference 2021, and pre-General Conference activities.

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

Note 13—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:		
Promotion	\$ 1,900,519	\$ 1,938,183
Communication	9,201,339	9,531,339
Children's TV Campaign	89,325	73,581
Total subject to purpose restriction	<u>11,191,183</u>	<u>11,543,103</u>
Subject to passage of time:		
Contributions Receivable	-	30,095
Total subject to the passage of time	<u>-</u>	<u>30,095</u>
Endowments:		
Accumulated earnings on UCom's endowment fund	225,630	215,983
UCom endowment fund held in perpetuity	207,269	174,557
Total held in perpetuity	<u>432,899</u>	<u>390,540</u>
Total net assets with donor restrictions	<u>\$ 11,624,082</u>	<u>\$ 11,963,738</u>

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Note 13—Net assets with donor restrictions (continued)

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 restriction	\$ 1,487,991	\$ 3,461,862
Satisfaction of time restriction	30,095	184,119
Total net assets released from restriction	<u>\$ 1,518,086</u>	<u>\$ 3,645,981</u>

Note 14—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

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Note 14—Endowments (continued)

As of December 31, 2019 and 2018, UCom had the following endowment net asset composition by type of fund:

	Year Ended December 31, 2019		
	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	\$ -	\$ 207,269	\$ 207,269
Accumulated investment gains	-	225,630	225,630
Endowment net assets, December 31, 2019	\$ -	\$ 432,899	\$ 432,899

	Year Ended December 31, 2018		
	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	\$ -	\$ 174,557	\$ 174,557
Accumulated investment gains	-	215,983	215,983
Endowment net assets, December 31, 2018	\$ -	\$ 390,540	\$ 390,540

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). UCom has interpreted UPMIFA to permit spending from underwater endowments in accordance with prudent measures required under law. At December 31, 2019 and 2018, UCom had no underwater endowments

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

Return Objectives and Risk Parameters – UCom 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 UCom 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. UCom 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, UCom 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). UCom 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.

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Note 14—Endowments (continued)

Changes in endowment net assets for the years ended December 31, 2019 and 2018 are as follows:

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Endowment net assets, December 31, 2017	\$ -	\$ 415,921	\$ 415,921
Investment return, net	-	(25,381)	(25,381)
Endowment net assets, December 31, 2018	-	390,540	390,540
Investment return, net	-	42,359	42,359
Endowment net assets, December 31, 2019	<u>\$ -</u>	<u>\$ 432,899</u>	<u>\$ 432,899</u>

UMCom did not appropriate endowment assets for the years ended December 31, 2019 and 2018.

Note 15—Subsequent events

Management has evaluated subsequent events through July 8, 2020, the date the consolidated financial statements were available for issuance, and has determined that there are no subsequent events requiring disclosure.

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 UMCom 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 the UMCom. 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, UMCom applied for and received a Paycheck Protection Program loan on May 7, 2020, totaling \$1,677,132. 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 UMCom 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 five years with an interest rate of 1%.

SUPPLEMENTAL SCHEDULES

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

SCHEDULE 1

DECEMBER 31, 2019

	UMCOM	UMCOM Foundation	Kingswood	Consolidating Entries	2019 Total
ASSETS					
Cash and cash equivalents	\$ 1,000	\$ -	\$ -	\$ -	\$ 1,000
Investments	31,792,609	12,919,773	-	-	44,712,382
Due from General Council on Finance and Administration (GCFA) short-term pooled investment fund	99,230	1,324,726	(300,966)	-	1,122,990
Intercompany Due to/from	492,749	(532,274)	39,525	-	-
Accrued World Service Fund allocation	4,553,992	-	-	-	4,553,992
Accounts receivable, net	126,430	-	13,246	-	139,676
Inventory	7,456	-	-	-	7,456
Productions in progress	611	-	-	-	611
Prepaid expenses	329,051	-	-	-	329,051
Property and equipment, net	1,743,780	19,160	-	-	1,762,940
Total Assets	\$ 39,146,908	\$ 13,731,385	\$ (248,195)	\$ -	\$ 52,630,098
LIABILITIES AND NET ASSETS					
Liabilities:					
Accounts payable and accrued liabilities	\$ 1,121,486	\$ 10,185	\$ 6,144	\$ -	\$ 1,137,815
Deferred income	76,973	-	-	-	76,973
Total Liabilities	1,198,459	10,185	6,144	-	1,214,788
Net Assets:					
Without Donor Restrictions:					
Invested in property and equipment	1,743,780	19,160	-	-	1,762,940
Board designated	8,450,000	1,298,513	-	-	9,748,513
Undesignated	25,350,236	3,183,878	(254,339)	-	28,279,775
Total Without Donor Restrictions	35,544,016	4,501,551	(254,339)	-	39,791,228
With Donor Restrictions:					
Subject to purpose restrictions	1,989,844	9,201,339	-	-	11,191,183
Endowments	414,589	18,310	-	-	432,899
Total With Donor Restrictions	2,404,433	9,219,649	-	-	11,624,082
Total Net Assets	37,948,449	13,721,200	(254,339)	-	51,415,310
Total Liabilities and Net Assets	\$ 39,146,908	\$ 13,731,385	\$ (248,195)	\$ -	\$ 52,630,098

**UNITED METHODIST COMMUNICATIONS OF
THE UNITED METHODIST CHURCH AND SUBSIDIARIES
CONSOLIDATING SCHEDULE OF ACTIVITIES**

SCHEDULE 2

YEAR ENDED DECEMBER 31, 2019

	UMCOM	UMCOM Foundation	Kingswood	Consolidating Entries	2019 Total
Activites Without Donor Restrictions:					
General Church Funds:					
Allocation of World Service Fund	\$ 15,063,583	\$ -	\$ -	\$ -	\$ 15,063,583
Net program revenue	453,451	-	-	-	453,451
Reimbursement from Benefit Trust	1,525,530	-	-	-	1,525,530
Services received from GCFA	28,666	-	-	-	28,666
Investment return from GCFA short-term pooled investment fund	-	39,403	-	-	39,403
Investment return, net	5,842,976	2,221,107	-	-	8,064,083
Contributions	-	10,621	-	-	10,621
Grant Income	330,000	-	-	(330,000)	-
Other income	142,991	-	-	(84,000)	58,991
Production rental and services	-	-	94,895	-	94,895
Net assets released from restrictions	1,089,104	428,982	-	-	1,518,086
Total expenses	(22,794,769)	(636,664)	(192,208)	414,000	(23,209,641)
Change in Net Assets Without Donor Restrictions	1,681,532	2,063,449	(97,313)	-	3,647,668
Activites With Donor Restrictions:					
Connectional Giving Interpretation	1,067,184	-	-	-	1,067,184
Investment return, net	41,833	526	-	-	42,359
Contributions	-	68,887	-	-	68,887
Net assets released from restriction	(1,089,104)	(428,982)	-	-	(1,518,086)
Change in Net Assets With Donor Restrictions	19,913	(359,569)	-	-	(339,656)
Change in net assets	1,701,445	1,703,880	(97,313)	-	3,308,012
Net assets, beginning of year	36,247,004	12,017,320	(157,026)	-	48,107,298
Net assets, end of year	\$ 37,948,449	\$ 13,721,200	\$ (254,339)	\$ -	\$ 51,415,310

**UNITED METHODIST COMMUNICATIONS OF
THE UNITED METHODIST CHURCH AND SUBSIDIARIES
CONSOLIDATING SCHEDULE OF FINANCIAL POSITION**

SCHEDULE 3

DECEMBER 31, 2018

	UMCOM	UMCOM Foundation	Kingswood	Consolidating Entries	2018 Total
ASSETS					
Cash and cash equivalents	\$ 1,000	\$ -	\$ -	\$ -	\$ 1,000
Investments	30,107,801	10,698,138	-	-	40,805,939
Due from General Council on Finance and Administration (GCFA) short-term pooled investment fund	9,833	1,885,652	(211,043)	-	1,684,442
Intercompany Due to/from	102,941	(128,116)	25,175	-	-
Accrued World Service Fund allocation	4,693,859	-	-	-	4,693,859
Accounts receivable, net	90,702	6,948	35,398	-	133,048
Contributions receivable, net	-	30,095	-	-	30,095
Inventory	13,178	-	-	-	13,178
Productions in progress	41,960	-	-	-	41,960
Prepaid expenses	322,903	-	-	-	322,903
Property and equipment, net	2,196,104	-	-	-	2,196,104
Total Assets	\$ 37,580,281	\$ 12,492,717	\$ (150,470)	\$ -	\$ 49,922,528
LIABILITIES AND NET ASSETS					
Liabilities:					
Accounts payable and accrued liabilities	\$ 1,320,338	\$ 7,596	\$ 6,556	\$ -	\$ 1,334,490
Contributions payable	-	467,801	-	-	467,801
Deferred income	12,939	-	-	-	12,939
Total Liabilities	1,333,277	475,397	6,556	-	1,815,230
Net Assets:					
Without Donor Restrictions:					
Invested in property and equipment	2,196,104	-	-	-	2,196,104
Board designated	13,950,000	1,628,513	-	-	15,578,513
Undesignated	17,716,380	809,589	(157,026)	-	18,368,943
Total Without Donor Restrictions	33,862,484	2,438,102	(157,026)	-	36,143,560
With Donor Restrictions:					
Subject to purpose restrictions	2,011,764	9,531,339	-	-	11,543,103
Subject to passage of time	-	30,095	-	-	30,095
Endowments	372,756	17,784	-	-	390,540
Total With Donor Restrictions	2,384,520	9,579,218	-	-	11,963,738
Total Net Assets	36,247,004	12,017,320	(157,026)	-	48,107,298
Total Liabilities and Net Assets	\$ 37,580,281	\$ 12,492,717	\$ (150,470)	\$ -	\$ 49,922,528

**UNITED METHODIST COMMUNICATIONS OF
THE UNITED METHODIST CHURCH AND SUBSIDIARIES
CONSOLIDATING SCHEDULE OF ACTIVITIES**

SCHEDULE 4

YEAR ENDED DECEMBER 31, 2018

	UMCOM	UMCOM Foundation	Kingswood	Consolidating Entries	2018 Total
Activites Without Donor Restrictions:					
General Church Funds:					
Allocation of World Service Fund	\$ 16,502,218	\$ -	\$ -	\$ -	\$ 16,502,218
Net program revenue	454,775	-	-	-	454,775
Reimbursement from Benefit Trust	1,529,619	-	-	-	1,529,619
Services received from GCFA	26,063	-	-	-	26,063
Investment return from GCFA short-term pooled investment fund	56,973	-	-	-	56,973
Investment return, net	(1,900,688)	(965,462)	-	-	(2,866,150)
Contributions	-	1,825	-	-	1,825
Other income	179,629	-	-	(84,000)	95,629
Production rental and services	-	-	112,960	-	112,960
Net assets released from restrictions	810,251	2,835,730	-	-	3,645,981
Total expenses	(23,367,466)	(5,202,992)	(189,721)	84,000	(28,676,179)
Change in Net Assets Without Donor Restrictions	(5,708,626)	(3,330,899)	(76,761)	-	(9,116,286)
Activites With Donor Restrictions:					
Connectional Giving Interpretation	1,073,892	-	-	-	1,073,892
Investment return, net	(29,029)	(1,163)	-	-	(30,192)
Contributions	-	248,927	-	-	248,927
Net assets released from restriction	(810,251)	(2,835,730)	-	-	(3,645,981)
Change in Net Assets With Donor Restrictions	234,612	(2,587,966)	-	-	(2,353,354)
Change in net assets	(5,474,014)	(5,918,865)	(76,761)	-	(11,469,640)
Net assets, beginning of year	41,721,018	17,936,185	(80,265)	-	59,576,938
Net assets, end of year	\$ 36,247,004	\$ 12,017,320	\$ (157,026)	\$ -	\$ 48,107,298

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

SCHEDULE 5

YEARS ENDED DECEMBER 31, 2019 AND 2018

	2019		
	Program Revenues	Costs of Goods Sold	Net Program Revenues
Contract productions	\$ 375,065	\$ (389,950)	\$ (14,885)
Software and technology sales	106,474	(3,520)	102,954
Online advertisements	358,111	(14,279)	343,832
Training	21,550	-	21,550
Total	<u>\$ 861,200</u>	<u>\$ (407,749)</u>	<u>\$ 453,451</u>
	2018		
	Program Revenues	Costs of Goods Sold	Net Program Revenues
Contract productions	\$ 324,602	\$ (272,464)	\$ 52,138
Software and technology sales	88,138	(13,291)	74,847
Online advertisements	310,851	(29,315)	281,536
Calendar sales	35,663	(28,845)	6,818
Training	39,436	-	39,436
Total	<u>\$ 798,690</u>	<u>\$ (343,915)</u>	<u>\$ 454,775</u>