

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

FINANCIAL STATEMENTS

As of and for the Years Ended December 31, 2020 and 2019

And Report of Independent Auditor

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

To The Board of Trustees
General Commission on United Methodist Men 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

We have audited the accompanying financial statements of the General Commission on United Methodist Men of The United Methodist Church, which comprise the statements of financial position as of December 31, 2020 and 2019, the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the General Commission on United Methodist Men of The United Methodist Church as of December 31, 2020 and 2019, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Cherry Bekaert LLP

Charlotte, North Carolina
July 19, 2021

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

DECEMBER 31, 2020 AND 2019

	<u>2020</u>	<u>2019</u>
ASSETS		
Due from General Council on Finance and Administration short-term pooled investment fund	\$ 612,111	\$ 432,573
Accrued World Service Fund allocation	101,011	93,873
Contributions receivable	47,504	79,215
Accounts receivable	2,961	1,424
Prepaid expenses	-	2,451
Property and equipment, net	836,723	862,743
Total Assets	<u>\$ 1,600,310</u>	<u>\$ 1,472,279</u>
LIABILITIES AND NET ASSETS		
Liabilities:		
Accounts payable	\$ 1,574	\$ 5,358
Accrued liabilities	56,041	47,821
Paycheck Protection Program deferred grant revenue	137,800	-
Total Liabilities	<u>195,415</u>	<u>53,179</u>
Net Assets:		
Without Donor Restrictions:		
Invested in property and equipment	836,723	862,743
Board-designated	250,000	250,000
Undesignated	316,155	304,600
Total Without Donor Restrictions	<u>1,402,878</u>	<u>1,417,343</u>
With Donor Restrictions:		
Subject to purpose restrictions	2,017	1,757
Total Net Assets	<u>1,404,895</u>	<u>1,419,100</u>
Total Liabilities and Net Assets	<u>\$ 1,600,310</u>	<u>\$ 1,472,279</u>

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

YEARS ENDED DECEMBER 31, 2020 AND 2019

	2020			2019		
	Without Donor	With Donor	Total	Without Donor	With Donor	Total
	Restrictions	Restrictions		Restrictions	Restrictions	
Revenues:						
World Service Fund allocation	\$ 284,898	\$ -	\$ 284,898	\$ 310,512	\$ -	\$ 310,512
Charters	199,446	-	199,446	271,763	-	271,763
Office of Civic Youth-Serving Agencies	41,562	114,500	156,062	33,963	114,500	148,463
Every Man Shares / Legacy Fund	117,478	-	117,478	142,895	-	142,895
Conference Presidents Fund	38,236	-	38,236	39,413	-	39,413
Distribution from Benefit Trust	107,065	-	107,065	80,994	-	80,994
Service to God and Country	45,834	-	45,834	56,919	-	56,919
Services received from GCFA	20,873	-	20,873	19,132	-	19,132
Interest income	18,738	-	18,738	15,160	-	15,160
Amending through Faith	-	377	377	-	2,270	2,270
Other	181,012	-	181,012	170,727	-	170,727
Net assets released from restrictions	114,617	(114,617)	-	115,013	(115,013)	-
Total Revenues	1,169,759	260	1,170,019	1,256,491	1,757	1,258,248
Expenses:						
Program services	898,500	-	898,500	926,879	-	926,879
Management and general	285,724	-	285,724	309,045	-	309,045
Total Expenses	1,184,224	-	1,184,224	1,235,924	-	1,235,924
Change in net assets	(14,465)	260	(14,205)	20,567	1,757	22,324
Net assets, beginning of year	1,417,343	1,757	1,419,100	1,396,776	-	1,396,776
Net assets, end of year	\$ 1,402,878	\$ 2,017	\$ 1,404,895	\$ 1,417,343	\$ 1,757	\$ 1,419,100

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	<u>\$ 898,500</u>	<u>\$ 285,724</u>	<u>\$ 1,184,224</u>

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

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

YEAR ENDED DECEMBER 31, 2019

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

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

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

YEARS ENDED DECEMBER 31, 2020 AND 2019

	<u>2020</u>	<u>2019</u>
Cash flows from operating activities:		
Change in net assets	\$ (14,205)	\$ 22,324
Adjustments to reconcile change in net assets to net cash flows from operating activities:		
Depreciation	40,707	40,672
Change in operating assets and liabilities:		
Due from General Council on Finance and Administration short-term pooled investment fund	(179,538)	(33,965)
Accrued World Service Fund allocation	(7,138)	2,884
Contributions receivable	31,711	(27,819)
Accounts receivable	(1,537)	(1,424)
Prepaid expenses	2,451	1,448
Accounts payable	(3,784)	(294)
Paycheck Protection Program deferred grant revenue	137,800	-
Accrued liabilities	8,220	11,333
Net cash flows from operating activities	<u>14,687</u>	<u>15,159</u>
Cash flows from investing activities:		
Purchases of property and equipment	<u>(14,687)</u>	<u>(15,159)</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, 2020 AND 2019

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 24% and 25% of the UMMen’s total revenue in 2020 and 2019, 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 \$0- and \$3,409 for the years ended December 31, 2020 and 2019, respectively.

Note 2—Summary of significant accounting policies

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

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

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

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

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

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

DECEMBER 31, 2020 AND 2019

Note 2—Summary of significant accounting policies (continued)

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

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

Net Assets With Donor Restrictions – Net assets subject to stipulations imposed by donors and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of UMMen or by the passage of time. Other donor restrictions are perpetual in nature, whereby the donor has stipulated the funds be maintained in perpetuity.

Donor restricted contributions are reported as increases in net assets with donor restrictions. When a restriction expires, net assets are reclassified from net assets with donor restrictions to net assets without donor restrictions in the statements of activities.

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

Services Received from Personnel of an Affiliate – Services received from personnel of an affiliate 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 \$20,873 and \$19,132 for the years ended December 31, 2020 and 2019, 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, 2020 and 2019, GCFA allocated \$18,738 and \$15,160 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, 2020 AND 2019

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, 2020 and 2019 was 3.63% and 4.17%, 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, 2020 and 2019 were as follows:

	<u>2020</u>	<u>2019</u>
Texas Methodist Foundation loan fund	28.3%	18.4%
Mutual funds	13.2%	2.4%
Short-term collateralized loan fund	3.5%	0.4%
Fixed income	9.8%	15.1%
Corporate bonds	34.0%	46.1%
Cash	11.2%	17.6%
	<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, 2020 and 2019 were \$47,504 and \$79,215, respectively, and were due within one year. Contributions made by UMMen are recognized as expenses in the period made.

Property and Equipment – Property and equipment are recorded at cost, less accumulated depreciation. Depreciation is computed using the straight-line method with a modified half-year convention over estimated useful lives of three years for computer equipment, five years for furniture and office equipment, and 20 years for buildings and improvements. The modified half-year convention treats property placed in service or retired during the first half of the year as being made on the first day of the year. Thus, a full-year’s depreciation under this method is allowed on property placed in service in the first six months, and no depreciation is allowed on property placed in service in the second six months. UMMen capitalizes assets with a cost greater than \$1,000.

Functional Expenses – The costs of providing program and other activities have been summarized on a functional basis in the statements of activities. Accordingly, certain costs have been allocated among program services and supporting services benefited. Such allocations are determined by management on an equitable basis.

The expenses that are allocated include the following:

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

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

DECEMBER 31, 2020 AND 2019

Note 2—Summary of significant accounting policies (continued)

Income Taxes – UMMen is covered under GCFA’s group determination letter from the Internal Revenue Service indicating that it is a nonprofit corporation and, except for taxes pertaining to unrelated business income, is exempt from federal and state income taxes under Section 501(c)(3) of the Internal Revenue Code (the “Code”). UMMen is also exempt from filing a Form 990 due to its affiliation with a religious organization as described in Section 509(a) of the Code.

UMMen accounts for the effect of any uncertain tax positions based on a more likely than not threshold to the recognition of the tax positions being sustained based on the technical merits of the position under examination by the applicable taxing authority. If a tax position or positions are deemed to result in uncertainties of those positions, the unrecognized tax benefit is estimated based on a cumulative probability assessment that aggregates the estimated tax liability for all uncertain tax positions. Tax positions for UMMen include, but are not limited to, the tax-exempt status and determination of whether income is subject to unrelated business income tax.

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 the 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, 2020 and 2019:

	<u>2020</u>	<u>2019</u>
Financial assets at year-end:		
Due from GCFA short-term pooled investment fund	\$ 612,111	\$ 432,573
Accrued World Service Fund allocation	101,011	93,873
Contributions receivable	47,504	79,215
Accounts receivable	2,961	1,424
Total financial assets	<u>763,587</u>	<u>607,085</u>
Less amounts not available to be used for general expenditures within one year:		
Subject to purpose restrictions	2,017	1,757
Board-designated funds	250,000	250,000
Financial assets not available to be used within one year	<u>252,017</u>	<u>251,757</u>
Financial assets available to meet general expenditures within one year	<u>\$ 511,570</u>	<u>\$ 355,328</u>

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

DECEMBER 31, 2020 AND 2019

Note 3—Liquidity and availability of resources (continued)

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

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>2020</u>	<u>2019</u>
Land	\$ 520,800	\$ 520,800
Building and improvements	712,362	705,672
Equipment and furniture	125,495	117,498
	<u>1,358,657</u>	<u>1,343,970</u>
Less accumulated depreciation	(521,934)	(481,227)
Total property and equipment, net	<u>\$ 836,723</u>	<u>\$ 862,743</u>

Depreciation expense for the years ended December 31, 2020 and 2019 was \$40,707 and \$40,672, respectively.

Note 5—Related party transactions

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

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

DECEMBER 31, 2020 AND 2019

Note 5—Related party transactions (continued)

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

	<u>2020</u>	<u>2019</u>
Statements of Financial Position:		
Due from GCFA short-term pooled investment fund	\$ 612,111	\$ 432,573
Accrued World Service Fund allocation	101,011	93,873
Contributions receivable	47,504	79,215
Accounts receivable	2,961	1,424
Statements of Activities		
Revenues:		
World Service Fund allocation	284,898	310,512
United Methodist Men Foundation grant	114,500	114,500
Distribution from Benefit Trust	107,065	80,994
Service to God and Country	45,834	56,919
Services received from GCFA	20,873	19,132
Services received from UMCOM	-	75,360
Interest income	18,738	15,160
Expenses:		
Employee benefits - group insurance expense	89,266	87,175
Administration provided by GCFA	20,873	19,132
United Methodist Men Foundation contribution	23,644	26,049
Marketing services provided by UMCOM	-	75,360

Note 6—Employee benefits

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

UMMen makes semi-monthly contributions to each eligible employee’s account held by Wespath based on 8% of annual employee compensation. Additionally, UMMen matches up to 2% of each employee’s contribution to their United Methodist Personal Investment Plan (UMPIP). Total contributions made by UMMen for both components during 2020 and 2019 were \$61,412 and \$57,534, 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, 2020 AND 2019

Note 6—Employee benefits (continued)

UMMen provides health, dental, life, and other employee benefits for its active employees and health, dental, and life benefits to non-Medicare eligible retirees through the Plan. Retirees who are Medicare eligible, and who elect to enroll, are eligible for a Health Reimbursement Account (HRA) up to \$2,100 annually and \$2,000 annually for their spouse, if applicable. Unused reimbursement funds continue to roll-over to subsequent years until death of the retiree or their spouse, whichever is later.

All of UMMen’s active and retired employees are covered by the Plan. The cost of the benefits are recognized as an expense as premiums are paid. The total cost of benefits for active employees was \$78,297 and \$75,136 in 2020 and 2019, respectively. The cost of benefits for retired employees was \$10,969 and \$12,039 in 2020 and 2019, respectively, exclusive of reimbursement from the General Agency Benefit Trust (“Benefit Trust”).

The Plan’s unfunded accumulated postretirement benefit obligation (APBO) was approximately \$71,430,000 and \$76,725,000 and the Plan’s unfunded expected postretirement benefit obligation (EPBO) was approximately \$100,140,000 and \$106,750,000 as of December 31, 2020 and 2019, respectively.

Wespath has transferred certain excess pension assets to the General Agency Benefit Trust (“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 2020 and 2019, 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 retiree employee benefits. The fair value of the Benefit Trust’s assets (not plan assets) for which GCFA is the beneficiary, was approximately \$186,112,000 and \$167,449,000 as of December 31, 2020 and 2019, respectively. The total amount available for reimbursement in 2020 and 2019 was \$10,046,935 and \$8,797,702, respectively, of which UMMen’s share, excluding retiree health benefits, was \$107,065 and \$80,994 received in 2020 and 2019, respectively.

Note 7—Program services

Program services expenses for the years ended December 31, 2020 and 2019 are for the following programs:

	<u>2020</u>	<u>2019</u>
Civic Youth Fund	\$ 200,520	\$ 214,894
Every Man Shares Fund	118,223	121,417
Conference Presidents Fund	49,910	49,203
UMMen leader training	107,862	133,814
Specialty items	22,997	6,352
Men's magazine	62,172	94,820
Charters	263,841	238,020
Service to God and Country	57,828	56,115
Films and video tapes	15,029	11,730
Amending through Faith	117	514
Total program services expenses	<u>\$ 898,500</u>	<u>\$ 926,879</u>

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

DECEMBER 31, 2020 AND 2019

Note 8—Board-designated net assets

Certain net assets without donor restrictions at December 31, 2020 have been designated by the Board of Directors for the following purposes:

	<u>2020</u>
Capital expense for property/equipment	\$ 150,000
International Ministries	50,000
National Men's Event(s) 2021	50,000
Total board-designated net assets	<u>\$ 250,000</u>

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

Capital Expense for Property, 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) 2021 – To help fund and provide seed money for a UMMen event and/or other events in 2021.

Note 9—Net assets with donor restrictions

Net assets with donor restrictions at December 31, 2020 and 2019 have been restricted by the donors for the following purpose restrictions:

	<u>2020</u>	<u>2019</u>
Subject to purpose restriction:		
Amending through Faith	<u>\$ 2,017</u>	<u>\$ 1,757</u>

Net assets with donor restrictions for the years ended December 31, 2020 and 2019 were released from donor restrictions by incurring expenses satisfying the restricted purposes or by occurrence of other events specified by donors as follows:

	<u>2020</u>	<u>2019</u>
Satisfaction of purpose restrictions:		
Amending through Faith	\$ 117	\$ 513
Civic Youth-Serving agencies	114,500	114,500
Total net assets released from restriction	<u>\$ 114,617</u>	<u>\$ 115,013</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 2020 and 2019, which is included in the Office of Civic Youth revenue on the statements of activities.

UMMen also allocates contributions to the Foundation under the Every Man Shares / Legacy Fund. This program stipulates that legacy gifts from individuals exceeding \$120 in any calendar year will be allocated and remitted to the Foundation as contributions from UMMen. Total donations collected by UMMen and distributed to the Foundation were \$23,644 and \$26,049 for the years ended December 31, 2020 and 2019, respectively. There were no amounts due to the Foundation as of December 31, 2020 and 2019.

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.

During 2020, an outbreak of a novel strain of coronavirus ("COVID-19") emerged globally. As a result of the spread of COVID-19, economic uncertainties have arisen that could negatively impact the UMMen's revenue and operations for an indeterminable time period. Other financial impacts could occur that are unknown at this time.

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 2022, 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 GCFA.

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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 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 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 believes it has not substantially met all barriers for full loan forgiveness yet and, therefore, has recorded the receipt of the funds of \$137,800 as deferred revenue in the statement of financial position as of December 31, 2020. UMMen received full forgiveness from the SBA on June 23, 2021.

Note 13—Subsequent events

Management has evaluated subsequent events through July 19, 2021, the date the financial statements were available for issuance, and has determined that there are no subsequent events requiring disclosure.