

**GENERAL COMMISSION ON
RELIGION AND RACE OF
THE UNITED METHODIST CHURCH**

FINANCIAL STATEMENTS

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

And Report of Independent Auditor

**GENERAL COMMISSION ON RELIGION AND RACE OF
THE UNITED METHODIST CHURCH
TABLE OF CONTENTS**

REPORT OF INDEPENDENT AUDITOR 1-2

FINANCIAL STATEMENTS

Statements of Financial Position..... 3
Statements of Activities 4
Statements of Functional Expenses 5-6
Statements of Cash Flows 7
Notes to the Financial Statements 8-19

Report of Independent Auditor

To the Board of Directors
General Commission on Religion and Race of
The United Methodist Church
Washington, DC

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

Opinion

We have audited the accompanying financial statements of the General Commission on Religion and Race of The United Methodist Church (the "Commission"), which comprise the statements of financial position as of December 31, 2021 and 2020, the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Commission as of December 31, 2021 and 2020, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are required to be independent of the Commission and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Commission's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Commission's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Commission's ability to continue as a going concern for a reasonable period of time.

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

Cherry Behant LLP

Charlotte, North Carolina
August 4, 2022

**GENERAL COMMISSION ON RELIGION AND RACE OF
THE UNITED METHODIST CHURCH
STATEMENTS OF FINANCIAL POSITION**

DECEMBER 31, 2021 AND 2020

	<u>2021</u>	<u>2020</u>
ASSETS		
Due from GCFA short-term pooled investment fund	\$ 4,840,086	\$ 3,666,377
Investments in The United Methodist Church Foundation	240,583	218,172
Accrued World Service Fund allocation	577,062	673,186
Accounts receivable	9,219	16,041
Grants receivable	35,000	-
Prepaid expenses	18,966	30,993
Other assets	6,518	6,518
Property and equipment, net	2,764	-
Total Assets	<u>\$ 5,730,198</u>	<u>\$ 4,611,287</u>
LIABILITIES AND NET ASSETS		
Liabilities:		
Accounts payable	\$ 35,117	\$ 34,012
Accrued expenses	59,695	57,642
Paycheck Protection Program deferred grant revenue	-	224,885
Due to Disability Ministries	27,427	21,674
Total Liabilities	<u>122,239</u>	<u>338,213</u>
Net Assets:		
Without Donor Restrictions:		
Invested in property and equipment	2,764	-
Board-designated	-	232,185
Undesignated	3,529,147	2,369,520
Total Without Donor Restrictions	<u>3,531,911</u>	<u>2,601,705</u>
With Donor Restrictions:		
Subject to purpose restrictions	1,840,464	1,458,197
Endowments	235,584	213,172
Total With Donor Restrictions	<u>2,076,048</u>	<u>1,671,369</u>
Total Net Assets	<u>5,607,959</u>	<u>4,273,074</u>
Total Liabilities and Net Assets	<u>\$ 5,730,198</u>	<u>\$ 4,611,287</u>

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

**GENERAL COMMISSION ON RELIGION AND RACE OF
THE UNITED METHODIST CHURCH
STATEMENTS OF ACTIVITIES**

YEARS ENDED DECEMBER 31, 2021 AND 2020

	2021			2020		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
Revenue and Support:						
Allocation from World Service Fund	\$ 1,356,334	\$ 458,989	\$ 1,815,323	\$ 1,418,630	\$ 480,070	\$ 1,898,700
Distribution from Benefit Trust	171,462	-	171,462	142,802	-	142,802
Services received from GCFA	39,646	-	39,646	38,472	-	38,472
Grant income	484,770	(1,661)	483,109	-	-	-
Interest income from GCFA						
short-term pooled investment fund	119,951	-	119,951	121,796	-	121,796
Investment return, net	-	28,553	28,553	-	15,261	15,261
Resource materials and program fees	47,856	-	47,856	58,236	-	58,236
Contributions	9,722	-	9,722	9,279	-	9,279
Other income	6,642	-	6,642	-	-	-
Net assets released from restrictions	81,202	(81,202)	-	119,686	(119,686)	-
Total Revenue and Support	<u>2,317,585</u>	<u>404,679</u>	<u>2,722,264</u>	<u>1,908,901</u>	<u>375,645</u>	<u>2,284,546</u>
Expenses:						
Program Services:						
Core action fund program	75,060	-	75,060	118,758	-	118,758
Ministry	835,346	-	835,346	699,698	-	699,698
UMC 50th Anniversary	-	-	-	930	-	930
Other programs	6,142	-	6,142	-	-	-
Supporting Services:						
Management and general	470,831	-	470,831	771,008	-	771,008
Total Expenses	<u>1,387,379</u>	<u>-</u>	<u>1,387,379</u>	<u>1,590,394</u>	<u>-</u>	<u>1,590,394</u>
Change in net assets	930,206	404,679	1,334,885	318,507	375,645	694,152
Net assets, beginning of year	2,601,705	1,671,369	4,273,074	2,283,198	1,295,724	3,578,922
Net assets, end of year	<u>\$ 3,531,911</u>	<u>\$ 2,076,048</u>	<u>\$ 5,607,959</u>	<u>\$ 2,601,705</u>	<u>\$ 1,671,369</u>	<u>\$ 4,273,074</u>

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

**GENERAL COMMISSION ON RELIGION AND RACE OF
THE UNITED METHODIST CHURCH
STATEMENT OF FUNCTIONAL EXPENSES**

YEAR ENDED DECEMBER 31, 2021

	Program Services			Supporting Services	2021 Total
	Core Action Fund	Ministry	Other Programs	Management and General	
Grants	\$ 60,060	\$ 24,845	\$ 6,142	\$ -	\$ 91,047
Salaries and wages	-	531,829	-	182,188	714,017
Employee benefits	-	149,429	-	85,652	235,081
Administration provided by GCFA	-	-	-	81,546	81,546
Administration paid to General Board of Church and Society	-	20,578	-	7,135	27,713
Rent and occupancy paid to General Board of Church and Society	-	-	-	32,550	32,550
Travel and meetings	-	7,028	-	14,260	21,288
Professional fees	15,000	63,565	-	35,435	114,000
Supplies	-	-	-	771	771
Printing	-	2,500	-	300	2,800
Telephone and web service	-	6,800	-	3,838	10,638
Repairs and maintenance	-	24,649	-	15,501	40,150
Insurance	-	-	-	8,575	8,575
Depreciation	-	-	-	1,382	1,382
Promotional and informational material	-	3,133	-	-	3,133
Other	-	990	-	1,698	2,688
	<u>\$ 75,060</u>	<u>\$ 835,346</u>	<u>\$ 6,142</u>	<u>\$ 470,831</u>	<u>\$ 1,387,379</u>

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

**GENERAL COMMISSION ON RELIGION AND RACE OF
THE UNITED METHODIST CHURCH
STATEMENT OF FUNCTIONAL EXPENSES**

YEAR ENDED DECEMBER 31, 2020

	Program Services			Supporting Services	2020 Total
	Core	Ministry	UMC 50th	Management	
	Action Fund		Anniversary	and General	
Grants	\$ 94,452	\$ 1,325	\$ 930	\$ -	\$ 96,707
Salaries and wages	-	392,726	-	413,132	805,858
Employee benefits	-	114,465	-	143,353	257,818
Moving Expense	-	-	-	19,508	19,508
Administration provided by GCFA	-	-	-	50,472	50,472
Administration paid to General Board of Church and Society	-	29,940	-	23,660	53,600
Rent and occupancy paid to General Board of Church and Society	-	-	-	53,792	53,792
Travel and meetings	9,175	27,158	-	36,084	72,417
Professional fees	15,131	101,400	-	6,083	122,614
Supplies	-	-	-	3,333	3,333
Printing	-	135	-	7	142
Telephone and web service	-	4,650	-	3,800	8,450
Repairs and maintenance	-	18,400	-	8,859	27,259
Insurance	-	-	-	8,915	8,915
Promotional and informational material	-	9,174	-	-	9,174
Other	-	325	-	10	335
	<u>\$ 118,758</u>	<u>\$ 699,698</u>	<u>\$ 930</u>	<u>\$ 771,008</u>	<u>\$ 1,590,394</u>

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

**GENERAL COMMISSION ON RELIGION AND RACE OF
THE UNITED METHODIST CHURCH
STATEMENTS OF CASH FLOWS**

YEARS ENDED DECEMBER 31, 2021 AND 2020

	<u>2021</u>	<u>2020</u>
Cash flows from operating activities:		
Change in net assets	\$ 1,334,885	\$ 694,152
Adjustments to reconcile change in net assets to net cash from operating activities:		
Depreciation	1,382	-
Realized and unrealized gains on investments	(25,793)	(10,875)
Gain on disposal of fixed assets	-	(405)
Change in operating assets and liabilities:		
Due from GCFA short-term pooled investment fund	(1,173,709)	(838,574)
Due to Disability Ministries	5,753	21,674
Accrued World Service Fund allocation	96,124	(47,570)
Accounts receivable	6,822	(14,708)
Grants receivable	(35,000)	-
Prepaid expenses	12,027	(3,291)
Accounts payable	1,105	(15,504)
Accrued expenses	2,053	195
Paycheck Protection Program deferred grant revenue	(224,885)	224,885
Deferred rent	-	(5,997)
Net cash flows from operating activities	<u>764</u>	<u>3,982</u>
Cash flows from investing activities:		
Purchase of property and equipment	(4,146)	-
Proceeds from the sale of property and equipment	-	405
Net (purchase) sale of investments in The United Methodist Church Foundation	<u>3,382</u>	<u>(4,387)</u>
Net cash flows from investing activities	<u>(764)</u>	<u>(3,982)</u>
Net change in cash and cash equivalents	-	-
Cash and equivalents, beginning of year	-	-
Cash and 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 RELIGION AND RACE OF THE UNITED METHODIST CHURCH

NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2021 AND 2020

Note 1—Nature of the organization

The General Commission on Religion and Race (the “Commission”) is a general agency of The United Methodist Church (the “Church”) established for the purpose of coordinating denominational concerns and providing a channel of assistance to ensure that ethnic and racial minority group members of the Church will have equal opportunities for service, representation, and voice on every level of the Church’s life and ministry.

Funding for the Commission’s projects is principally provided by allocations received from the General Funds of The United Methodist Church World Service Fund, based on a four-year budget developed from projections of expected program costs. The allocation accounts for 67% and 83% of the Commission’s total revenues in 2021 and 2020, respectively. The Commission’s continued existence is dependent upon the Church’s future financial support. The Church’s financial support of the Commission is dependent upon contributions from its congregations (i.e., congregational participation in the apportionment covenant).

Note 2—Summary of significant accounting policies

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

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

For reporting purposes, however, the Commission’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 the Commission 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 Commission. These net assets may be used at the discretion of the Commission’s management and the Board of Directors. The Commission 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:

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

Undesignated – Represents the cumulative net assets without donor restrictions excluding those net assets 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 the Commission 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.

**GENERAL COMMISSION ON RELIGION AND RACE OF
THE UNITED METHODIST CHURCH
NOTES TO THE FINANCIAL STATEMENTS**

DECEMBER 31, 2021 AND 2020

Note 2—Summary of significant accounting policies (continued)

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.

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.

Government Grants – During the year ended December 31, 2021, the Commission claimed for \$35,000 in grant funding from the Employee Retention Credit (“ERC”) through the Coronavirus Aid, Relief, and Economic Security (“CARES Act”), which is included in grant income on the statement of activities and within grants receivable on the statement of financial position.

Allocation from World Service Fund – The World Service Fund (the “Fund”) is the basic benevolence fund of the Church. The Fund makes annual allocations to support the activities of the various organizations of the Church. Such amounts are recognized as revenue in the accompanying financial statements in the period for which the allocation is made. Certain World Service Funds are reported within net assets with donor restrictions, as the restrictions placed on them by General Conference are more specific than the broad limits of its mission as described in the Book of Discipline.

The Accrued World Service Fund Allocation represents the apportionment income recorded as income for December that will be credited to the Commission’s portion of the General Council on Finance and Administration (“GCFA”) short-term pooled investment fund the following month.

Services Received from Personnel of an Affiliate – Services received from personnel of an affiliate for which the affiliate does not charge the Commission 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 Note 7 and totaled \$39,646 and \$38,472 for the years ended December 31, 2021 and 2020, respectively.

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 the Commission’s portion of the short-term investment portfolio managed by the 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 the Commission 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 Commission’s name, they are not classified as cash and cash equivalents, but rather are considered an amount due from GCFA. The short-term investment portfolio includes funds invested in demand deposits, corporate bonds, taxable municipal bonds, mutual funds, and notes from other United Methodist organizations. GCFA allocates interest earned on the portfolio to the participating entities. For the years ended December 31, 2021 and 2020, GCFA allocated \$119,951 and \$121,796 of interest income, respectively, to the Commission. While interest income can be earned based on the performance of the pooled investment funds, the Commission 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 RELIGION AND RACE OF
THE UNITED METHODIST CHURCH
NOTES TO THE FINANCIAL STATEMENTS**

DECEMBER 31, 2021 AND 2020

Note 2—Summary of significant accounting policies (continued)

When an agency has surplus funds, they are invested by GCFA in the short-term pooled investment fund. GCFA allocates interest earned to the agencies invested in the pool based upon their pro-rata share of the pool on a monthly basis. The overall return for the short-term pooled investment fund for the years ended December 31, 2021 and 2020 was 2.73% and 3.63%, respectively. The overall rate of return for each agency may vary due to fluctuating balances throughout the year and the timing of investment gains and losses. The allocation of funds in the short-term investment pool as of December 31, 2021 and 2020 were as follows:

	<u>2021</u>	<u>2020</u>
Texas Methodist Foundation loan fund	17.3%	28.3%
Mutual funds	20.6%	13.2%
Short-term collateralized loan fund	0.2%	3.5%
Fixed income	9.4%	9.8%
Corporate bonds	40.9%	34.0%
Cash	11.6%	11.2%
	<u>100.0%</u>	<u>100.0%</u>

Investment in The UMC Foundation – The Commission is a participant investor, placing its investment funds with The UMC Foundation for their management. The UMC Foundation has established, for accounting purposes, an initial unit value for an accounting unit of the participants’ accounts based on the participants’ net assets divided by the unit value. At all times, the total value of the participants’ net assets, divided by the total of all participants’ units, will equal the unit value. The unit value of the net assets will be determined on each valuation date. The valuation date is the last business day of each calendar month.

Property and Equipment – Property and equipment are stated at cost, net of accumulated depreciation. The Commission depreciates furniture, equipment, and leasehold improvements on a straight-line basis with a modified half-year convention over their estimated useful lives of three, five, and twenty years, respectively. 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.

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

The expenses that are allocated include the following:

<u>Expense</u>	<u>Method of Allocation</u>
Salaries and benefits	Time and effort

Grant Commitments – Conditional grants are awarded through the Minority Group Self Determination Fund to support various projects. When the recipient of a conditional grant has met all the requirements the grant becomes unconditional and grant expense is recognized. At December 31, 2021 and 2020, there were no grants payable related to unconditional grants.

**GENERAL COMMISSION ON RELIGION AND RACE OF
THE UNITED METHODIST CHURCH**
NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2021 AND 2020

Note 2—Summary of significant accounting policies (continued)

Use of Estimates – The preparation of financial statements in conformity with generally accepted accounting principles in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements, and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

Income Taxes – The Commission is covered under the 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, exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code (the "Code"). The Commission 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.

The Commission 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 the Commission 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 February 2016, Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") 2016-02, *Leases (Topic 842)*. The guidance in this ASU supersedes the leasing guidance in *Topic 840, Leases*. Under the new guidance, lessees are required to recognize lease assets and lease liabilities on the statements of financial position for all leases with terms longer than 12 months. Leases will be classified as either finance or operating, with classifications affecting the pattern of expense recognition in the statements of activities. The new standard is effective for the fiscal years beginning after December 15, 2021. A modified retrospective transition approach is required for lessees for capital and operating leases existing at, or entered into after, the beginning of the earliest comparative period presented in the financial statements, with certain practical expedients available. Management is currently evaluating the impact the pending adoption will have on the Commission's financial statements.

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 Commission's financial statements.

**GENERAL COMMISSION ON RELIGION AND RACE OF
THE UNITED METHODIST CHURCH
NOTES TO THE FINANCIAL STATEMENTS**

DECEMBER 31, 2021 AND 2020

Note 3—Liquidity and availability of resources

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

	<u>2021</u>	<u>2020</u>
Financial assets at year end:		
Due from GCFA short-term pooled investment fund	\$ 4,840,086	\$ 3,666,377
Investments in The United Methodist Church Foundation	240,583	218,172
Accrued World Service Fund allocation	577,062	673,186
Accounts receivable	9,219	16,041
Grants receivable	35,000	-
Total financial assets	<u>5,701,950</u>	<u>4,573,776</u>
Less amounts not available to be used for general expenditures within one year:		
Subject to donor purpose restrictions	1,840,464	1,458,197
Funds to be held in perpetuity and accumulated earnings	235,584	213,172
Board-designated funds	-	1,673
Financial assets not available to be used within one year	<u>2,076,048</u>	<u>1,673,042</u>
Financial assets available to meet general expenditures within one year	<u>\$ 3,625,902</u>	<u>\$ 2,900,734</u>

The Commission considers general expenditures to include program expenses, supporting services, and any commitments or liabilities to be paid in the subsequent year. As part of the Commission'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 the GCFA's short-term pooled investment fund. This fund established by the Commission may be drawn upon, if necessary, to meet unexpected liquidity needs. In addition, the Commission's Board of Directors had previously designated a portion of its liquid financial assets, resulting from operations and not related to donor restrictions, to its operating reserve, of which \$1,673 of the total board designations of \$232,185 were not considered available for general expenditures as of December 31, 2020. During fiscal year 2021, the Board of Directors undesignated all of these funds as of December 31, 2021. The Commission also has certain donor-restricted assets limited to use, which are more fully described in Note 11, and is not available for general expenditure within one year in the normal course of operations.

Note 4—Property and equipment

Property and equipment consisted of the following at December 31:

	<u>2021</u>	<u>2020</u>
Furniture	\$ 5,650	\$ 97,389
Equipment	4,146	82,115
	9,796	179,604
Less accumulated depreciation	(7,032)	(179,604)
Furniture, equipment, and leasehold improvements, net	<u>\$ 2,764</u>	<u>\$ -</u>

Depreciation expense for the years ended December 31, 2021 and 2020 totaled \$1,382 and \$0-, respectively.

**GENERAL COMMISSION ON RELIGION AND RACE OF
THE UNITED METHODIST CHURCH
NOTES TO THE FINANCIAL STATEMENTS**

DECEMBER 31, 2021 AND 2020

Note 5—Investments

The Commission's investments consisted of the following at December 31:

	2021		2020	
	Fair Value	Cost	Fair Value	Cost
The UMC Foundation	\$ 240,583	\$ 234,312	\$ 218,172	\$ 186,655

Investment return consisted of the following for the years ended December 31:

	2021	2020
Dividend and interest income	\$ 2,760	\$ 4,386
Realized gains on investments	51,039	55
Unrealized gain (loss) on investments	(25,246)	10,820
Investment return, net	\$ 28,553	\$ 15,261

Note 6—Fair value of investments

Required disclosures concerning the estimated fair value of financial instruments are presented below. The estimated fair value amounts have been determined based on the Commission's assessment of available market information and appropriate valuation methodologies.

For entities that calculate net asset value ("NAV") per share (or its equivalent), the following table provides information about the probability of investments being sold at amounts different from NAV per share for the year ended December 31, 2021:

	Fair Value	Unfunded Commitments	Redemption Frequency	Redemption Notice Period
The UMC Foundation *	\$ 240,583	none	daily	3 days

* The objective of the UMC Foundation's Methodist Socially Principled Plus Model is to provide similar investment returns as the Methodist Socially Principled Fund but to reduce the volatility of the returns by increased portfolio diversification through the use of alternative investment strategies, including fund of hedge funds, long short hedge fund managers, credit and equity relative value strategies and managed futures that can utilize currency and commodity forwards & futures. There is no guarantee that these objectives will be reached. The targeted allocation of the fund is 30% invested in a fixed income fund, 25% in a domestic large capitalization equity portfolio, 10% in a domestic small/mid-capitalization equity portfolio, 15% in an international equity portfolio, and 20% in an alternative investment portfolio. This model is designed for those investors who are seeking an option to provide broad diversification, reasonable current income, and protection against inflation.

**GENERAL COMMISSION ON RELIGION AND RACE OF
THE UNITED METHODIST CHURCH
NOTES TO THE FINANCIAL STATEMENTS**

DECEMBER 31, 2021 AND 2020

Note 7—Related party transactions

The Commission receives the majority of its revenue through apportionments from the General Funds of The United Methodist Church, which are administered by GCFA. In addition, GCFA provides various services to the Commission, such as general ledger processing and maintenance, cash management, and group insurance administration. The Commission had the following transactions with GCFA and related entities:

	<u>2021</u>	<u>2020</u>
Statements of Financial Position:		
Due from GCFA short-term pooled investment fund	\$ 4,840,086	\$ 3,666,377
Investments in The UMC Foundation	240,583	218,172
Accrued World Service Fund allocation	577,062	673,186
Accounts receivable - United Methodist Communications	9,219	16,041
Due to Disability Ministries	27,427	21,674
Statements of Activities:		
Revenue:		
Allocation from World Service Fund	1,815,323	1,898,700
Distribution from Benefit Trust	171,462	142,802
Services received from GCFA	39,646	38,472
Interest income from GCFA short-term pooled investment fund	119,951	121,796
Investment return (The UMC Foundation)	28,553	15,262
Expenses:		
Employee Benefits - group insurance expense	108,960	114,091
Rent paid to General Board of Church and Society ("GBCS")	32,550	53,792
Administrative services donated by GCFA	39,646	38,472
Administrative services paid to GCFA	41,900	12,000
Administrative services paid to GBCS	27,713	53,600
Grants paid to affiliates	60,060	94,452

Note 8—Employee benefits

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

The Commission makes semi-monthly contributions to each eligible employee's account held by Wespath based on 8% of annual employee compensation. Additionally, the Commission matches up to 2% of each employee's annual compensation to their United Methodist Personal Investment Plan. Total contributions made by the Commission for both components during the years ended December 31, 2021 and 2020 were \$73,122 and \$85,098, respectively.

Health Care and Life Insurance 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.

**GENERAL COMMISSION ON RELIGION AND RACE OF
THE UNITED METHODIST CHURCH
NOTES TO THE FINANCIAL STATEMENTS**

DECEMBER 31, 2021 AND 2020

Note 8—Employee benefits (continued)

The Commission provides health, dental, life, and other employee benefits for its active employees and health, dental, and life benefits to non-Medicare eligible retirees through the Plan. Retirees who are Medicare eligible, and who elect to enroll, are eligible for a Health Reimbursement Account up to \$2,250 annually and \$2,000 annually for their spouse, if applicable. Unused reimbursement funds continue to roll-over to subsequent years until death of the retiree or their spouse, whichever is later.

All of the Commission's active employees are covered by the Plan. The cost of the benefits is recognized as an expense as premiums are paid. The total cost of benefits for active employees was \$96,949 and \$102,152 in 2021 and 2020, respectively, and the total cost of benefits for retired employees was \$12,011 and \$11,939 in 2021 and 2020, respectively, exclusive of reimbursement from the General Agency Benefit Trust ("Benefit Trust").

The Plan's unfunded accumulated postretirement benefit obligation was approximately \$41,922,000 and \$71,430,000 as of December 31, 2021 and 2020, respectively. The Plan's unfunded expected postretirement benefit obligation was approximately \$60,056,000 and \$100,140,000 as of December 31, 2021 and 2020, respectively.

Wespath has transferred certain excess pension assets to the Benefit Trust established by the 1996 General Conference as of December 31, 1996. Annually, the Benefit Trust allows a stated percentage, not to exceed 6% for 2021 and 2020, of the fair value of Benefit Trust 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 \$190,403,000 and \$186,112,000 as of December 31, 2021 and 2020, respectively. The total amount available for reimbursement in 2021 and 2020 was \$11,167,000 and \$10,047,000, respectively, of which the Commission's share, including retiree health benefits, was \$171,462 and \$142,802, respectively.

Note 9—Lease commitments

The Commission leases office space from GBCS, a related party, under an operating lease. The original lease agreement was amended on February 7, 2020 to reduce the leased square footage, monthly rent and the term through February 2021. In December 2021, the lease was extended through February 2024. A summary of future minimum rental commitments at December 31, 2021 is as follows:

Years Ending December 31,

2022	\$	31,200
2023		32,240
2024		5,408
	\$	<u>68,848</u>

Rent expense to GBCS was \$32,550 and \$53,792 for the years ended December 31, 2021 and 2020, respectively.

**GENERAL COMMISSION ON RELIGION AND RACE OF
THE UNITED METHODIST CHURCH
NOTES TO THE FINANCIAL STATEMENTS**

DECEMBER 31, 2021 AND 2020

Note 10—Board-designated net assets

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

	<u>2021</u>	<u>2020</u>
Operating reserve	\$ -	\$ 230,512
Talbert Fund	-	1,673
Total board-designated net assets	<u>\$ -</u>	<u>\$ 232,185</u>

The operating reserve was established by the Commission to provide for liquid funds in the event of short-term cash flow needs for unanticipated events that would necessitate the use of reserves to continue the operations and mission of the organization.

The board-designated Talbert Fund was established by the Board of Directors and its purpose and use are for the support for board members who are experiencing a hardship or loss.

The board undesignated all funds during 2021.

Note 11—Net assets with donor restrictions

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

	<u>2021</u>	<u>2020</u>
Subject to purpose restriction:		
Discerning Nature of Racism	\$ 27,077	\$ 27,077
Minority Group Self Determination Fund	1,813,387	1,429,459
UMC 50th Anniversary Fund	-	1,661
Total subject to purpose restrictions	<u>1,840,464</u>	<u>1,458,197</u>
Endowments:		
Accumulated earnings on the Commission endowment fund	126,943	104,531
Commission endowment fund held in perpetuity	108,641	108,641
Total endowments	<u>235,584</u>	<u>213,172</u>
Total net assets with donor restrictions	<u>\$ 2,076,048</u>	<u>\$ 1,671,369</u>

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

	<u>2021</u>	<u>2020</u>
Satisfaction of purpose restriction	<u>\$ 81,202</u>	<u>\$ 119,686</u>

**GENERAL COMMISSION ON RELIGION AND RACE OF
THE UNITED METHODIST CHURCH
NOTES TO THE FINANCIAL STATEMENTS**

DECEMBER 31, 2021 AND 2020

Note 12—Endowments

The Commission has established The Woodie W. White Endowment Fund for Racial Justice at the UMC Foundation. The income earned from the fund will be available to the Commission to use for any purpose consistent with its ministries to respond to racial concerns of the day. As required by generally accepted accounting principles, net assets associated with endowment funds, including funds designated by the Commission to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

The Board of Directors of the Commission 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, the Commission 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 the Commission in a manner consistent with the standard of prudence prescribed by UPMIFA.

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

The Commission had the following endowment net asset composition by type of fund at:

	December 31, 2021		
	Without Donor Restrictions	With Donor Restrictions	Total
Original donor-restricted gift amount and amounts required to be maintained in perpetuity by donor	\$ -	\$ 108,641	\$ 108,641
Accumulated investment gains	-	126,943	126,943
Endowment net assets, December 31, 2021	<u>\$ -</u>	<u>\$ 235,584</u>	<u>\$ 235,584</u>

	December 31, 2020		
	Without Donor Restrictions	With Donor Restrictions	Total
Original donor-restricted gift amount and amounts required to be maintained in perpetuity by donor	\$ -	\$ 108,641	\$ 108,641
Accumulated investment gains	-	104,531	104,531
Endowment net assets, December 31, 2020	<u>\$ -</u>	<u>\$ 213,172</u>	<u>\$ 213,172</u>

**GENERAL COMMISSION ON RELIGION AND RACE OF
THE UNITED METHODIST CHURCH
NOTES TO THE FINANCIAL STATEMENTS**

DECEMBER 31, 2021 AND 2020

Note 12—Endowments (continued)

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). The Commission has interpreted the UPMIFA to permit spending from underwater endowments in accordance with prudent measures required under law. At December 31, 2021 and 2020, the Commission had no underwater endowments.

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

	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets, December 31, 2019	\$ -	\$ 197,910	\$ 197,910
Investment return, net	-	15,262	15,262
Endowment net assets, December 31, 2020	-	213,172	213,172
Investment return, net	-	22,412	22,412
Endowment net assets, December 31, 2021	\$ -	\$ 235,584	\$ 235,584

Investment and Spending Policy – Distributions from the endowment will follow the distribution policy of the Church which is based on a policy of total long-term return of 6.5%. The following percentages may be used to guide the Commission’s distribution policy: 3.5% for Ministry distributions; 2.0% for inflation; and 1.0% for fees and expenses. To smooth the allowable annual distributions based on valuation of the underlying assets, the Commission uses a five-year moving average of quarterly portfolio values. The moving average is determined for the five-year period immediately preceding the fiscal year in which the funds are to be spent.

Return Objectives and Risk Parameters – The Commission 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 the Commission must hold in perpetuity. Under this policy, as approved by the Board of Directors, 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. The Commission 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, the Commission 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). The Commission 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.

Note 13—Contingency

The Protocol of Reconciliation and Grace through Separation was introduced as legislation in early 2021 for the upcoming General Conference. This joins other legislative proposals that if adopted by the General Conference would provide an alternative way for churches to separate from the United Methodist Church. These proposals include a provision for new denominations to receive financial payments from the United Methodist Church and retain their real estate. The scheduled General Conference has been delayed until 2024, and the financial impact resulting from these potential separations on the Commission is unknown at this time.

**GENERAL COMMISSION ON RELIGION AND RACE OF
THE UNITED METHODIST CHURCH
NOTES TO THE FINANCIAL STATEMENTS**

DECEMBER 31, 2021 AND 2020

Note 14—Paycheck Protection Program

The Commission received Paycheck Protection Program loans (“PPP”) in the amount of \$224,885 in April 2020 and April 2021, for a total amount of \$449,770. The PPP loans are granted by the Small Business Administration under the CARES Act. PPP loans are considered conditional contributions under ASC 958-605, *Not-for-Profit Entities – Revenue Recognition*. The loan must be repaid if the Commission 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. The Commission received full loan forgiveness for both loans during 2021 and has, therefore, recorded the funds received within grant income on the statement of activities for the year ended December 31, 2021.

Note 15—Subsequent events

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