

**THE GENERAL FUNDS OF
THE UNITED METHODIST CHURCH**

**FINANCIAL STATEMENTS AND
SUPPLEMENTARY SCHEDULES**

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

And Report of Independent Auditor

**THE GENERAL FUNDS 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
Statements of Cash Flows 6
Notes to the Financial Statements 7-22

SUPPLEMENTARY SCHEDULES

Schedule of Financial Position Information by Fund 23-24
Schedule of Activities Information by Fund 25-26
Episcopal Fund Consolidating Statement of Functional Expenses by Natural Account 27

Draft

Report of Independent Auditor

To the Board of Directors
The General Council on Finance and Administration
The United Methodist Church

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

Opinion

We have audited the accompanying financial statements of The General Funds of The United Methodist Church, 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 General Funds of The United Methodist Church, 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 General Funds of The United Methodist Church, and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. 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 General Funds of The United Methodist Church'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 General Funds of The United Methodist Church'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 General Funds of The United Methodist Church'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.

Other Information

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The schedules on pages 23 through 27 are presented for purposes of additional analysis and are not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the 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 financial statements as a whole.

Charlotte, North Carolina
July 27, 2022

**THE GENERAL FUNDS OF
THE UNITED METHODIST CHURCH
STATEMENTS OF FINANCIAL POSITION**

DECEMBER 31, 2021 AND 2020

	<u>2021</u>	<u>2020</u>
ASSETS		
Due from General Council on Finance and Administration	\$ 63,702,770	\$ 60,354,931
Accounts receivable	13,921	12,096
Prepaid expenses	1,460,102	1,318,612
Investments held at The United Methodist Church Foundation	2,777,250	2,918,313
Net pension plan assets held at Wespath Benefits and Investments	9,281,089	8,914,596
Property and equipment, net	353,575	472,250
Total Assets	<u>\$ 77,588,707</u>	<u>\$ 73,990,798</u>
LIABILITIES AND NET ASSETS		
Liabilities:		
Accounts payable and accrued expenses	\$ 945,676	\$ 883,021
Grants payable to and amounts held for affiliated organizations	33,635,393	36,948,446
Net unfunded pension obligation	182,523	175,246
Total Liabilities	<u>34,763,592</u>	<u>38,006,713</u>
Net Assets:		
Without Donor Restrictions:		
Invested in property and equipment	353,575	472,250
Board-designated	23,225,342	20,975,478
Undesignated	18,789,660	14,164,538
Total Without Donor Restrictions	<u>42,368,577</u>	<u>35,612,266</u>
With Donor Restrictions:		
Subject to purpose restrictions	28,376	27,962
Endowment	428,162	343,857
Total With Donor Restrictions	<u>456,538</u>	<u>371,819</u>
Total Net Assets	<u>42,825,115</u>	<u>35,984,085</u>
Total Liabilities and Net Assets	<u>\$ 77,588,707</u>	<u>\$ 73,990,798</u>

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

**THE GENERAL FUNDS 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
Operating Revenue and Support:						
Contributions	\$ 120,305,541	\$ 901,940	\$ 121,207,481	\$ 121,306,063	\$ 584,596	\$ 121,890,659
Special gifts	-	45,200,641	45,200,641	-	32,625,304	32,625,304
Total Contributions	120,305,541	46,102,581	166,408,122	121,306,063	33,209,900	154,515,963
Grant income	1,481,170	-	1,481,170	62,195	-	62,195
Investment return on investments held at The United Methodist Church Foundation	426,719	86,193	512,912	327,052	26,794	353,846
Other income	13,373	-	13,373	12,223	-	12,223
Net assets released from restrictions	46,104,055	(46,104,055)	-	33,213,761	(33,213,761)	-
Total Operating Revenue and Support	168,330,858	84,719	168,415,577	154,921,294	22,933	154,944,227
Operating Expenses:						
Management and General:						
Fixed Charges:						
The Connectional Table	547,464	-	547,464	536,232	-	536,232
General Council on Finance and Administration	2,698,859	-	2,698,859	2,755,572	-	2,755,572
United Methodist Communications Division of Program and Benevolence Interpretation	717,348	-	717,348	770,076	-	770,076
Total Management and General	3,963,671	-	3,963,671	4,061,880	-	4,061,880
Program Services:						
Distributions:						
On-ratio allocations	91,311,104	-	91,311,104	94,610,071	-	94,610,071
Grants	1,155,201	-	1,155,201	(12,232)	-	(12,232)
General conference support	626,128	-	626,128	748,882	-	748,882
Special gifts distributed	46,097,719	-	46,097,719	33,209,861	-	33,209,861
Other expenses	-	-	-	4,205	-	4,205
Total Distributions	139,190,152	-	139,190,152	128,560,787	-	128,560,787
Episcopal expenses, excluding administrative charges and net changes in benefit plan obligations	18,942,276	-	18,942,276	19,537,430	-	19,537,430
Total Program Services	158,132,428	-	158,132,428	148,098,217	-	148,098,217
Total Operating Expenses	162,096,099	-	162,096,099	152,160,097	-	152,160,097
Operating Income	6,234,759	84,719	6,319,478	2,761,197	22,933	2,784,130
Nonoperating Activities:						
Net changes in benefit plan obligations	521,552	-	521,552	2,054,799	-	2,054,799
Change in net assets	6,756,311	84,719	6,841,030	4,815,996	22,933	4,838,929
Net assets, beginning of year	35,612,266	371,819	35,984,085	30,796,270	348,886	31,145,156
Net assets, end of year	\$ 42,368,577	\$ 456,538	\$ 42,825,115	\$ 35,612,266	\$ 371,819	\$ 35,984,085

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

**THE GENERAL FUNDS OF
THE UNITED METHODIST CHURCH
STATEMENTS OF FUNCTIONAL EXPENSES**

YEARS ENDED DECEMBER 31, 2021 AND 2020

	2021			2020		
	Program Services	Management and General	Total	Program Services	Management and General	Total
Operating Expenses:						
Fixed charges	\$ -	\$ 3,963,671	\$ 3,963,671	\$ -	\$ 4,061,880	\$ 4,061,880
On-ratio allocations	91,311,104	-	91,311,104	94,610,071	-	94,610,071
Grants	1,155,201	-	1,155,201	(12,232)	-	(12,232)
General conference support	626,128	-	626,128	748,882	-	748,882
Special gifts distributed	46,097,719	-	46,097,719	33,209,861	-	33,209,861
Other expenses	-	-	-	4,205	-	4,205
Episcopal Expenses:						
Salaries	9,842,185	-	9,842,185	10,472,378	-	10,472,378
Employee benefits	2,767,893	-	2,767,893	2,909,546	-	2,909,546
Office allowance	5,132,324	-	5,132,324	4,983,466	-	4,983,466
Travel	472,750	-	472,750	498,169	-	498,169
Other	727,124	-	727,124	673,871	-	673,871
Total Operating Expenses	<u>\$ 158,132,428</u>	<u>\$ 3,963,671</u>	<u>\$ 162,096,099</u>	<u>\$ 148,098,217</u>	<u>\$ 4,061,880</u>	<u>\$ 152,160,097</u>

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

**THE GENERAL FUNDS 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	\$ 6,841,030	\$ 4,838,929
Adjustments to reconcile change in net assets to net cash flows from operating activities:		
Depreciation	118,675	119,000
Realized and unrealized gains on investments	(467,793)	(295,727)
Gains on pension plan assets held by Wespath Benefits and Investments	(2,688,796)	(4,789,900)
Change in accrued pension costs	1,015,024	1,602,377
Changes in operating assets and liabilities:		
Due from General Council on Finance and Administration	(3,347,839)	(4,287,984)
Accounts receivable	(1,825)	8,247
Prepaid expenses	(141,490)	(933,275)
Accounts payable and accrued expenses	62,655	229,527
Grants payable to and amounts held for affiliated organizations	(3,313,053)	2,448,622
Net cash flows from operating activities	<u>(1,923,412)</u>	<u>(1,060,184)</u>
Cash flows from investing activities:		
Purchases of property and equipment	-	(237,670)
Net sales of investments	1,923,412	1,297,854
Net cash flows from investing activities	<u>1,923,412</u>	<u>1,060,184</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.

THE GENERAL FUNDS OF THE UNITED METHODIST CHURCH NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2021 AND 2020

Note 1—Nature of the General Funds

The General Funds of The United Methodist Church (the “General Funds”) have been established by the General Conference, the central legislative body of The United Methodist Church, to make possible the programmatic and administrative work of The United Methodist Church’s ministry and mission on a national and international level and have been specifically authorized to be raised on a church-wide basis. The General Conference convenes every quadrennium (four years) to determine the denomination’s future direction. It is the only body that can speak officially for the denomination. General church funds are granted by the General Funds only for the purpose or purposes set forth in the budgets or similar directives adopted for the respective funds by the General Conference and do not include funds held by local churches, annual or jurisdictional conferences, or other units of the denomination.

The General Funds allocates programmatic funding for the operations of the various agencies of The United Methodist Church (the “Church”) based on four-year budgets developed from projections of expected program costs. The General Funds’ continued existence is dependent upon contributions from the congregations of the Church (i.e., congregational participation in the apportionment covenant).

The General Council on Finance and Administration (“GCFA”) serves as a conduit for distribution of certain monies voluntarily given by church members through their local churches for general church benevolences and programs of the general agencies. These monies are transmitted to GCFA by annual conference treasurers and are distributed directly to the General Funds as specified by the General Conference.

GCFA provides certain administrative services to the General Funds and GCFA is reimbursed by the General Funds through an allocation from the General Administration Fund, earnings on invested funds, and fixed charges to certain General Funds.

The General Funds include the following:

World Service – World Service is segregated into two programmatic categories: (1) four general program boards and four general commissions – provides basic financial operating resources and (2) World Service Contingency – provides funding for emerging needs in the World Service Fund that occur during a quadrennium. The Connectional Table administers a portion of the contingency funds for new programs to address unanticipated needs.

Episcopal – Episcopal funds are available to provide for the salaries and expenses of active bishops, and for the support of retired bishops, as well as surviving spouses and minor children of deceased bishops.

General Administration – General Administration funds are segregated into five categories: (1) Designated Contingency net assets provide funding to those general church activities which are specifically administrative, as contrasted with programmatic, missional, or ecumenical; (2) General Conference net assets are specifically designated to finance the various administrative expenses incurred in coordinating the quadrennial General Conference session; (3) Pacific Homes Corpus (a board-designated fund), whose income distribution supports the Litigation Reserve Fund; (4) Net Assets of Benefit Programs represent the excess of benefit plan assets on deposit with Wespath Benefits and Investments (“Wespath”) over the related accrued benefit obligations; and (5) Special Unfunded Pension Aid – provides pensions for certain persons in a variety of fields where pensions were not previously funded.

Interdenominational Cooperation – Interdenominational Cooperation provides basic support for ecumenical agencies through which the Church participates in various activities with other Christian communions. The Interdenominational Cooperation Contingency provides for unforeseen or emergency situations which fall within its scope.

**THE GENERAL FUNDS OF
THE UNITED METHODIST CHURCH
NOTES TO THE FINANCIAL STATEMENTS**

DECEMBER 31, 2021 AND 2020

Note 1—Nature of the General Funds (continued)

The General Funds include the following (continued):

Black College Fund – The Black College Fund has supported the programs and ministries of 11 historically black colleges and universities. These funds are granted directly to the General Board of Higher Education and Ministry simultaneously upon the recognition of revenue and support by the General Funds.

Africa University – Africa University, the only United Methodist degree-granting university in Africa, has served and graduated hundreds of men and women from 20 countries. This apportioned fund supports ongoing operations, including building maintenance, utilities, classroom equipment and supplies, faculty and staff salaries, and other operational expenses. These funds are granted directly to Africa University, Inc., Tennessee, a supporting organization to oversee funding and other activities of Africa University, simultaneously upon the recognition of revenue and support by the General Funds.

Ministerial Education – The Ministerial Education Fund apportionment has helped thousands of men and women become pastoral leaders in the Church. These funds are granted directly to the General Board of Higher Education and Ministry simultaneously upon the recognition of revenue and support by the General Funds.

Special Sundays – The Special Sundays approved by the General Conference are to be the only Sundays of church-wide emphasis, including six times throughout the year where United Methodist congregations celebrate with offerings to raise funds for particular ministries. These contributions are considered restricted by the donors for specific programs of the Church.

Note 2—Summary of significant accounting policies

The financial statements of the General Funds have been prepared on the accrual basis of accounting. The General Funds' significant accounting policies followed are described below.

Basis of Presentation – The General Funds' financial statements have been prepared to focus on the organization as a whole and to classify balances and transactions into two net asset categories based on the existence or absence of donor-imposed restrictions. Descriptions of the two net asset categories and the types of transactions affecting each category are 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 General Funds. These net assets may be used at the discretion of General Funds' management and the Board of Directors. The General Funds has chosen to provide further classification information about net assets without donor restrictions on the statements of financial position. The sub classifications are as follows:

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

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

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

**THE GENERAL FUNDS OF
THE UNITED METHODIST CHURCH
NOTES TO THE FINANCIAL STATEMENTS**

DECEMBER 31, 2021 AND 2020

Note 2—Summary of significant accounting policies (continued)

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 and Support – Revenue and support without externally-imposed restrictions are reported as increases in net assets without donor 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 stipulation or law. Grants and contributions received with externally-imposed restrictions are reported as revenue of the net assets with donor restrictions class. Expirations of temporary restrictions on net assets (i.e., the externally-stipulated purpose has been fulfilled and/or the stipulated time period has elapsed) are reported as net assets released from restriction.

Contributions and Gifts – 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.

Fixed Charges – Fixed charges represent amounts made available to (1) GCFA for administrative functions performed by GCFA on behalf of the General Funds; (2) United Methodist Communications for the costs of promoting and interpreting the causes of each of the General Funds; and (3) Connectional Table for the discernment and articulation of the vision for the Church and the stewardship of the mission, ministries, and resources of the Church. These funds represent the administrative cost to operate the General Funds. All other General Funds costs represent programmatic operations.

On-Ratio Allocation – All programmatic allocations from the General Funds are calculated and paid on a ratio of budgeted net receipts after the payment of fixed charges. The General Conference has granted the on-ratio allocations contingent upon collection of revenue and support by the General Funds. Amounts granted under the on-ratio allocation but unpaid at year end are reported as grants payable to affiliated organizations.

General Advance – The Advance for Christ and His Church (the “Advance”) is an official program within the Church through which donors can make gifts for specific ministries approved by the Advance Committee of the General Board of Global Ministries. Contributions received under the Advance are distributed to the agencies that carry out the particular programs of the Advance and the activity is shown as part of the special gifts revenue and special gifts distributed on the statements of activities.

Due from General Council on Finance and Administration – The amount due from GCFA represents conference remittances received by GCFA on behalf of the General Funds, but not yet remitted at December 31. Such remittances, when received by the General Funds from GCFA in January, will be distributed to certain agencies and other parties who receive funds from the General Funds as designated by the General Conference. In addition, the amount due from GCFA includes amounts which are held by GCFA on behalf of the General Funds related to the Episcopal Fund and certain other funds.

**THE GENERAL FUNDS OF
THE UNITED METHODIST CHURCH
NOTES TO THE FINANCIAL STATEMENTS**

DECEMBER 31, 2021 AND 2020

Note 2—Summary of significant accounting policies (continued)

Property and Equipment – Property and equipment are comprised primarily of capitalized software and miscellaneous office equipment. Property and equipment are reported at cost at date of acquisition, or fair value at date of donation in the case of gifts. Depreciation is provided over the estimated useful lives (three to nine years) of the respective assets, using the straight-line method with a modified half-year convention. 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.

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

Financial Instruments – Assets recorded at fair value in the 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.

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.

Income Taxes – The General Funds represent amounts which are held, administered, and maintained by the General Council on Finance and Administration of The United Methodist Church for the specific purposes of the respective funds. GCFA operates as a nonprofit corporation and is, 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 General Funds 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 GENERAL FUNDS 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 General Council on Finance and Administration	\$ 63,702,770	\$ 60,354,931
Accounts receivable	13,921	12,096
Investments	2,777,250	2,918,313
Net pension plan assets held at Wespath Benefits and Investments	<u>9,281,089</u>	<u>8,914,596</u>
Total financial assets	<u>75,775,030</u>	<u>72,199,936</u>
Less amounts not available to be used for general expenditures within one year:		
Endowments	428,162	343,857
Subject to purpose restriction	28,376	27,962
Board-designated net assets limited to use excluding pension assets available to fund projected benefit payments within one year	<u>22,110,427</u>	<u>19,814,904</u>
Financial assets not available to be used within one year	<u>22,566,965</u>	<u>20,186,723</u>
Financial assets available to meet general expenditures within one year	<u>\$ 53,208,065</u>	<u>\$ 52,013,213</u>

The General Funds 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 The General Funds' liquidity management plan, it structures its financial assets to be available as its obligations become due. The General Funds has certain board-designated and donor-restricted assets limited to use, which are not available for general expenditure within one year in the normal course of operations. Accordingly, these assets have been included in the quantitative information above for financial assets not available to meet general expenditures within one year. 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 designated amounts as disclosed in Note 8 could be made available for general expenditures, if necessary.

A portion of the board-designated net assets relates to various pension plans described in Note 4. At December 31, 2021 and 2020, the board-designated net assets relating to these pension plans have been reduced by the projected benefit plan payments of \$1,114,915 and \$1,160,574, respectively, as these pension assets are available for expenditure within one year. Additional pension assets could be used if 2021 benefit payments exceed the projected amounts.

**THE GENERAL FUNDS OF
THE UNITED METHODIST CHURCH
NOTES TO THE FINANCIAL STATEMENTS**

DECEMBER 31, 2021 AND 2020

Note 4—Employee benefits

Wespath, an affiliated Methodist organization, administers a variety of retirement plans and programs, including managing the related investments for various church employees and organizations within the Church. Each Methodist organization is financially responsible for its respective plan obligations.

The General Funds maintain assets on deposit with and under the management of Wespath related to the Plan's obligations set forth below. These assets are held in the Pension Trust of The United Methodist Church for the exclusive benefit of Plan participants.

The assets and obligations associated with these retirement programs are more fully described and summarized in the table below:

	<u>2021</u>	<u>2020</u>
Accrued pension costs:		
Bishop Retirement, Pension, and Welfare Benefits programs	\$ 22,722,725	\$ 21,599,656
Special Unfunded Pension Aid	685,384	793,429
Total pension benefit obligations	<u>\$ 23,408,109</u>	<u>\$ 22,393,085</u>
Fair value of assets:		
Bishop Retirement, Pension, and Welfare Benefits programs	\$ 32,003,814	\$ 30,514,252
Special Unfunded Pension Aid	502,861	618,183
Total assets	<u>\$ 32,506,675</u>	<u>\$ 31,132,435</u>

Pension Designated Investments – The investments under Wespath management are invested in the Multiple Asset Fund (MAF) at Wespath (see Note 6). The assets of these programs had investment returns of \$2,644,062 and \$4,701,675 in 2021 and 2020, respectively. The Special Unfunded Pension Aid assets had gains of approximately \$44,733 and \$86,459 in 2021 and 2020, respectively.

Bishop Retirement, Pension, and Welfare Benefits – The General Funds provide support to two retirement, pension, and welfare benefits programs that are available to certain groups of United Methodist bishops. They are commonly referred to as (1) the Global Episcopal Pension Program and (2) the Central Conference Bishops' Welfare Program. These plans are described below and summarized together in the following table.

The Global Episcopal Pension Program provides pension benefits for the Jurisdictional Conference bishops for service prior to 1982 and the Central Conference bishops. Prior to 1982, all United Methodist bishops in the United States participated in the United States Bishops Pension Plan (the Pre '82 Plan), a single-employer, defined benefit plan. The plan was frozen in 1982 and, therefore, no additional service cost is incurred related to active service.

A welfare benefit program established in 2008 for Central Conference bishops provides certain benefits in the event of the death or disability of a bishop or a surviving spouse of a deceased bishop.

**THE GENERAL FUNDS OF
THE UNITED METHODIST CHURCH
NOTES TO THE FINANCIAL STATEMENTS**

DECEMBER 31, 2021 AND 2020

Note 4—Employee benefits (continued)

The following tables summarize further information about these two plans together. The amounts are reflected in the Episcopal Fund of the General Funds for the periods presented.

	<u>2021</u>	<u>2020</u>
Benefit Obligation:		
Benefit obligation, beginning of year	\$ (21,599,656)	\$ (19,947,812)
Service costs	(449,810)	(389,811)
Interest costs	(465,611)	(591,160)
Actuarial Gain/(Loss):		
Experience Loss	(33,404)	(47,579)
Change in assumptions - Mortality	-	254,870
Change in assumptions - Salary scale	(174,045)	-
Change in assumptions - Support increases	(3,544)	-
Change in assumptions - Benefit increases	(2,348,618)	-
Change in assumptions - Discount rate	1,197,463	(2,010,888)
Plan cost allocation	31,000	-
Benefits paid	1,123,500	1,132,724
Benefit obligation, end of year	<u>(22,722,725)</u>	<u>(21,599,656)</u>
Fair Value of Assets:		
Fair value of assets, beginning of year	30,514,252	26,945,301
Actual return on assets	2,644,062	4,701,675
Plan cost allocation	(31,000)	-
Benefits paid	(1,123,500)	(1,132,724)
Fair value of assets, end of year	<u>32,003,814</u>	<u>30,514,252</u>
Net funded status	<u>\$ 9,281,089</u>	<u>\$ 8,914,596</u>
Key Assumptions:		
Discount rate, end of prior year	2.17%	2.99%
Discount rate, end of current year	2.57%	2.17%
Expected return on assets	6.00%	6.00%
Salary scale	4.00%	2.00%
Annual benefit increases	3.00%	3.00%

The increase (decrease) in the discount rate for the years ended December 31, 2021 and 2020 was 0.40% and (0.82)%, respectively. The effect of this increase / decrease is reflected in the change in assumptions line item in the table above.

Effective January 1, 1982, all jurisdictional Church bishops were able to participate in the Ministerial Pension Plan (MPP), a multi-employer, defined contribution plan covering all church clergy in the United States. This is now a component of Clergy Retirement Security Program, a 403(b) retirement program available to eligible clergy of the Church, which is administered by Wespath.

**THE GENERAL FUNDS OF
THE UNITED METHODIST CHURCH
NOTES TO THE FINANCIAL STATEMENTS**

DECEMBER 31, 2021 AND 2020

Note 4—Employee benefits (continued)

The General Funds expects to make no contributions to these plans in 2022.

The following projected benefit payments are expected to be paid:

<u>Years Ending December 31,</u>	<u>Bishops' Welfare</u>	<u>Jurisdictional Conference</u>	<u>Central Conference</u>	<u>Total</u>
2022	\$ 19,845	\$ 153,032	\$ 942,038	\$ 1,114,915
2023	22,726	133,240	1,049,209	1,205,175
2024	26,860	114,523	1,114,985	1,256,368
2025	33,920	97,319	1,119,059	1,250,298
2026	37,184	81,845	1,121,779	1,240,808
2027-2031	170,424	237,381	5,722,177	6,129,982

Special Unfunded Pension Aid – The General Conference has made certain commitments to several beneficiary groups for special unfunded pension aid and retirement benefits. The amounts represent payments for certain persons in various fields whose pensions were not previously funded and include the following programs:

- The General Church Retirement Allowance is for former Evangelical United Brethren general church officers who were participants in an unfunded pension plan.
- The European Service funds the pensions of displaced persons who were clergy in Europe and were brought to the United States after World War II.
- Pensions of retired clergy members of missionary conferences (1506.16 payments).
- Cuba Service I provides pensions for Cuban clergy who came to the United States after autonomy.
- Cuba Service II provides funding for pensions for clergy who stayed in Cuba after autonomy for service in the annual conference prior to autonomy.

**THE GENERAL FUNDS OF
THE UNITED METHODIST CHURCH
NOTES TO THE FINANCIAL STATEMENTS**

DECEMBER 31, 2021 AND 2020

Note 4—Employee benefits (continued)

The following tables summarize further information about the Special Unfunded Pension Aid plans. The amounts are reflected in the World Service Fund of the General Funds for the periods presented.

	<u>2021</u>	<u>2020</u>
Benefit Obligation:		
Benefit obligation, beginning of year	\$ (793,429)	\$ (842,895)
Interest costs	(16,260)	(23,932)
Actuarial Gain/(Loss):		
Experience Gain	24,830	16,791
Change in assumptions - Mortality	-	10,680
Change in assumptions - Benefit increases	(5,719)	-
Change in assumptions - Discount rate	17,000	(39,128)
Benefits paid	88,194	85,055
Benefit obligation, end of year	<u>(685,384)</u>	<u>(793,429)</u>
Fair Value of Assets:		
Fair value of assets, beginning of year	618,183	595,236
Actual return on assets	44,733	86,459
Contributions	24,765	19,775
Plan cost allocations	(15,000)	-
Benefits paid	(88,194)	(85,055)
Transfers	(81,626)	1,768
Fair value of assets, end of year	<u>502,861</u>	<u>618,183</u>
Net unfunded status	<u>\$ (182,523)</u>	<u>\$ (175,246)</u>
Key Assumptions:		
Discount rate, end of prior year	2.17%	2.99%
Discount rate, end of current year	2.57%	2.17%
Annual benefit increases	3.00%	2.00%

The estimated contribution for these special programs in the year ending December 31, 2022 is \$25,000. The following forecast of projected benefit payments are expected to be paid. Because the Special Unfunded Pension Aid programs involve a small number of lives, actual experience can vary dramatically from mortality assumption. Therefore, the following table includes forecasts without anticipating mortality, as well as those that do anticipate mortality.

<u>Years Ending December 31,</u>	<u>No Mortality Assumptions</u>	<u>With Mortality Assumptions</u>
2022	\$ 87,999	\$ 84,587
2023	90,514	79,444
2024	92,230	73,501
2025	93,981	67,639
2026	95,766	61,924
2027-2031	506,888	231,859

**THE GENERAL FUNDS OF
THE UNITED METHODIST CHURCH
NOTES TO THE FINANCIAL STATEMENTS**

DECEMBER 31, 2021 AND 2020

Note 4—Employee benefits (continued)

Health Care 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.

The Episcopal Fund (a fund of the General Funds) 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 \$2,250 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.

The Plan’s unfunded accumulated postretirement benefit obligation (APBO) was approximately \$38,036,000 and \$71,430,000 and the Plan’s unfunded expected postretirement benefit obligation (EPBO) was approximately \$56,169,000 and \$100,140,000 as of December 31, 2021 and 2020, respectively.

All active and retired bishops are covered by the Plan. The cost of the benefits is recognized as expense as premiums are paid. The total costs of benefits for active and retired bishops were approximately \$1,465,000 and \$1,555,000 in 2021 and 2020, respectively, and are included in episcopal expenses on the statements of activities.

Note 5—Investments

The Pacific Homes Corpus (PHC) was transferred to the General Funds in 1998 following the resolution of a legal dispute. The Executive Committee of GCFA has designated these funds to be held intact indefinitely. Consistent with Executive Committee resolutions, certain amounts are distributed from the earnings on these investments to support the litigation reserve fund. The Bridges of Unity Endowment Fund (“BoU”), the Pastoral Ministry Fund and the Hope for Children of Africa Fund are endowment funds invested through The United Methodist Church Foundation (“The UMC Foundation”). BoU exists to support ecumenical and interreligious ministries of the Church. The purpose of the Pastoral Ministry Fund is to meet the pastoral needs of bishops and their families not met under the provisions of the Episcopal Fund or Courtesy Fund and the purpose of the Hope for Children of Africa Fund is to assist in providing relief and reconciliation to innocent children that are victims of war, famines and the destruction of schools and hospitals on the continent of Africa.

The following table illustrates the composition of the investments held at The UMC Foundation:

	<u>2021</u>	<u>2020</u>
Investments held at The UMC Foundation:		
Pacific Homes Corpus	\$ 2,351,688	\$ 2,576,556
Bridges of Unity Endowment	103,779	93,755
Pastoral Ministry	114,661	87,217
Hope for Children of Africa	<u>207,122</u>	<u>160,785</u>
Total investments	<u>\$ 2,777,250</u>	<u>\$ 2,918,313</u>

Amounts at The UMC Foundation are carried at fair value and invested in its Methodist Socially Principled Fund (see Note 6).

**THE GENERAL FUNDS OF
THE UNITED METHODIST CHURCH
NOTES TO THE FINANCIAL STATEMENTS**

DECEMBER 31, 2021 AND 2020

Note 5—Investments (continued)

The following table presents investment return for the years ended December 31, 2021 and 2020:

	<u>2021</u>	<u>2020</u>
Investment return - Pacific Homes Corpus		
Dividends and interest income	\$ 40,262	\$ 50,403
Realized gains	187,016	13,471
Unrealized gains	199,441	263,178
Total investment return - Pacific Homes Corpus	<u>426,719</u>	<u>327,052</u>
Investment return - Bridges of Unity		
Dividends and interest income	1,201	2,006
Realized gains	22,046	851
Unrealized gains (losses)	(10,835)	4,072
Total investment return - Bridges of Unity	<u>12,412</u>	<u>6,929</u>
Investment return - Pastoral Ministry		
Dividends and interest income	1,303	2,035
Realized gains (losses)	26,084	(19)
Unrealized gains	57	5,063
Total investment return - Pastoral Ministry	<u>27,444</u>	<u>7,079</u>
Investment return - Hope for Children of Africa		
Dividends and interest income	2,353	3,675
Realized gains	43,032	-
Unrealized gains	952	9,111
Total investment return - Hope for Children of Africa	<u>46,337</u>	<u>12,786</u>
Total investment return	<u>\$ 512,912</u>	<u>\$ 353,846</u>

**THE GENERAL FUNDS OF
THE UNITED METHODIST CHURCH
NOTES TO THE FINANCIAL STATEMENTS**

DECEMBER 31, 2021 AND 2020

Note 6—Fair value measurements

For entities that calculate the 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:

	<u>Fair Value</u>	<u>Unfunded Commitments</u>	<u>Redemption Frequency</u>	<u>Redemption Notice Period</u>
Investments held at Wespath ^(a)	\$ 9,281,089	none	-	-
The UMC Foundation ^(b)	<u>2,777,250</u>	none	daily	3 days
Total	<u>\$ 12,058,339</u>			

(a) Investments held at Wespath consist of investments in its Multiple Asset Fund. The Multiple Asset Fund seeks to maximize long-term investment returns, including current income and capital appreciation, while reducing short-term risk by investing in a broad mix of investments. The fund holds a pre-specified allocation of units of the following Wespath funds: Fixed Income Fund (“FIF”), Inflation Protection Fund (IPF), International Equity Fund (IEF), and U.S. Equity Fund (USEF). The Multiple Asset Fund, through its investment in the four other Wespath funds, participates in the management styles of more than 40 different investment management firms. These managers provide the fund with broad diversification of holdings in a variety of U.S. and non-U.S. securities. These include stocks, traditional bonds, inflation-linked bonds, real estate investment trusts, securities, commodities, and interests in private equity and private real estate partnerships. In addition, through FIF, Multiple Asset Fund holds participation interests in loans originated through Wespath’s Positive Social Purpose Lending Program.

(b) The General Funds is invested in The UMC Foundation’s Methodist Socially Principled Fund. The objective of the Methodist Socially Principled Model is to provide a reasonable level of current income and simultaneously to protect the purchasing power of the principal against inflation, while following the underlying benchmarks investments. There is no guarantee that these objectives will be reached. The targeted allocation of the fund is 35% invested in a fixed income fund, 30% in a domestic large capitalization equity portfolio, 10% in a domestic small/mid-capitalization equity portfolio, and 25% in an international equity portfolio. This model is designed for those investors who are seeking a single asset allocation to provide broad diversification, reasonable income, and protection against inflation.

Note 7—Related party transactions

The activities of the General Funds for all related party transactions are administered by GCFA which provides various services to the General Funds, such as general ledger processing and maintenance, cash management, and group insurance plan administration. GCFA, the United Methodist Communication, and the Connectional Table each receive an allocation of income, known as Fixed Charges, from certain funds included in the General Funds for the support it provides. The General Funds had the following transactions with related parties:

	<u>2021</u>	<u>2020</u>
Statements of Financial Position:		
Investments:		
Investments held at UMC Foundation	\$ 2,777,250	\$ 2,918,313
Due from GCFA	63,702,770	60,354,931
Grants payable and amounts held for affiliated organizations	33,635,393	36,948,446
Statements of Activities:		
Special gifts	45,200,641	32,625,304
Investment return on investments held at The UMC Foundation	512,912	353,846
Fixed charges	3,963,671	4,061,880
On-ratio allocations	91,311,104	94,610,071
Employee benefits - group insurance expense	1,538,315	1,631,051

**THE GENERAL FUNDS OF
THE UNITED METHODIST CHURCH
NOTES TO THE FINANCIAL STATEMENTS**

DECEMBER 31, 2021 AND 2020

Note 8—Description of board-designated net assets

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

	<u>2021</u>	<u>2020</u>
Contingency funds for particular administrative purposes	\$ 4,847,127	\$ 4,518,546
General Conference	6,502,326	4,698,193
Central Conference Matters	56,280	-
Litigation reserve	207,221	307,220
Pacific Homes Corpus	2,509,472	2,682,753
Pension and retirement support	9,102,916	8,768,766
Total board-designated net assets	<u>\$ 23,225,342</u>	<u>\$ 20,975,478</u>

The contingency funds for particular administrative purposes includes World Service contingency (“WS”), General Administration contingency (“GA”) and Inter-denominational Cooperation contingency (“ICF”) funds. The WS provides funding for emerging needs in the World Service Fund areas that occur during a quadrennium. These funds are allocated to program agencies for new programs to address unanticipated needs. Contingency fund allocations must be approved by the Connectional Table and GCFA. The GA provides funding for unforeseen or emergency situations that fall within the scope of general administration. The ICF provides for unseen or emerging issues that fall within the scope of the Inter-denominational Cooperation Fund, allocations are distributed by GCFA in concurrence with recommendations received from the Council of Bishops. The General Conference fund provides funding for General Conference delegate expenses, meeting operation costs, language services, expenses of the office of the secretary, business manager, and treasurer and other costs in support of the event. If the full amount of the provided funding is not utilized by the recipient during the quadrennium, the unused funds are returned to the applicable contingency fund.

The litigation reserve provides funding for unforeseen and emerging litigious issues.

Amounts designated for the Pacific Homes Corpus are more fully described in Note 5.

Pension and retirement support provides for funding of various pension and retirement benefits.

Note 9—Net assets with donor restrictions

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

	<u>2021</u>	<u>2020</u>
Subject to purpose restriction:		
Episcopal Fund	\$ 28,376	\$ 27,962
Endowments:		
Accumulated earnings on BoU endowment	50,399	40,487
Accumulated earnings on Pastoral Ministry endowment	45,311	17,867
Accumulated earnings on Hope for Children of Africa endowment	96,454	50,117
BoU endowment fund held in perpetuity	55,980	55,368
Pastoral Ministry endowment fund held in perpetuity	69,350	69,350
Hope for Children of Africa endowment fund held in perpetuity	110,668	110,668
Total endowments	<u>428,162</u>	<u>343,857</u>
Total net assets with donor restrictions	<u>\$ 456,538</u>	<u>\$ 371,819</u>

**THE GENERAL FUNDS OF
THE UNITED METHODIST CHURCH
NOTES TO THE FINANCIAL STATEMENTS**

DECEMBER 31, 2021 AND 2020

Note 9—Net assets with donor restrictions (continued)

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

	<u>2021</u>	<u>2020</u>
Satisfaction of purpose restriction	<u>\$ 46,104,055</u>	<u>\$ 33,213,761</u>

Note 10—Endowment

As discussed in Note 5, The General Funds hold three endowment funds invested through The UMC Foundation.

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

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

**THE GENERAL FUNDS OF
THE UNITED METHODIST CHURCH
NOTES TO THE FINANCIAL STATEMENTS**

DECEMBER 31, 2021 AND 2020

Note 10—Endowment (continued)

As of December 31, 2021 and 2020, the General Funds had the following endowment net asset composition by type of fund:

	December 31, 2021		
	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	\$ -	\$ 235,998	\$ 235,998
Accumulated investment gains	-	192,164	192,164
Endowment net assets, December 31, 2021	<u>\$ -</u>	<u>\$ 428,162</u>	<u>\$ 428,162</u>
	December 31, 2020		
	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	\$ -	\$ 235,386	\$ 235,386
Accumulated investment gains	-	108,471	108,471
Endowment net assets, December 31, 2020	<u>\$ -</u>	<u>\$ 343,857</u>	<u>\$ 343,857</u>

Investment and Spending Policies – The General Funds may choose to make distributions of the income to any proper recipient including the General Funds itself. Distributions may only be made after the corpus of the endowment has reached \$50,000. Pursuant to the endowment resolution, distributions from the endowment will follow the distribution policy of The UMC Foundation which is based on a policy of total long-term return of 6.5%. The following percentages may be used to guide The UMC Foundation's distributions policy: 3.5% for 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 UMC Foundation 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 General Funds 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 General Funds must hold in perpetuity or for a donor-specified period(s). 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 General Funds expects its endowment funds, over time, to produce current income within the total return strategy. Actual returns may vary.

**THE GENERAL FUNDS OF
THE UNITED METHODIST CHURCH
NOTES TO THE FINANCIAL STATEMENTS**

DECEMBER 31, 2021 AND 2020

Note 10—Endowment (continued)

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

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

	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets, December 31, 2019	\$ -	\$ 320,923	\$ 320,923
Endowment funds received	-	40	40
Appropriation of endowment assets for expenditure	-	(3,900)	(3,900)
Investment return, net	-	26,794	26,794
Endowment net assets, December 31, 2020	-	343,857	343,857
Endowment funds received	-	612	612
Appropriation of endowment assets for expenditure	-	(2,500)	(2,500)
Investment return, net	-	86,193	86,193
Endowment net assets, December 31, 2021	\$ -	\$ 428,162	\$ 428,162

Note 11—Contingencies

The Protocol of Reconciliation and Grace Through Separation was introduced as legislation in early 2020 for the upcoming General Conference. This joins other legislative proposals that if adopted by the General Conference would provide an alternative way for churches to separate from the Church. These proposals include a provision for new denominations to receive financial payments from the 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 General Funds is unknown at this time.

Note 12—Paycheck protection program

The General Funds received a Paycheck Protection Program loan (“PPP”) in the amount of \$1,355,818 in April 2020. The PPP loan is granted by the Small Business Administration under the Coronavirus Aid, Relief, and Economic Security Act (“CARES Act”). PPP loans are considered conditional contributions under ASC 958-605, *Not-for-Profit Entities – Revenue Recognition*. The loan must be repaid if the General Funds do 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 General Funds received full forgiveness of this \$1,355,818 loan during 2021 and has therefore recorded the funds received as grant income in the statement of activities for the year ended December 31, 2021.

Note 13—Subsequent events

Management has evaluated subsequent events through July 27, 2022, the date the financial statements were available for issuance, and has determined that there are no subsequent events requiring disclosure.

SUPPLEMENTAL SCHEDULES

Draft

**THE GENERAL FUNDS OF
THE UNITED METHODIST CHURCH
SCHEDULE OF FINANCIAL POSITION INFORMATION BY FUND**

DECEMBER 31, 2021

	<u>General Administration</u>								<u>Subtotal</u>
	<u>World Service</u>	<u>Episcopal</u>	<u>General Conference</u>	<u>General Admin. Other</u>	<u>Inter-Denominational Cooperation</u>	<u>Ministerial Education</u>	<u>Black College</u>	<u>Africa University</u>	
ASSETS									
Due from General Council on Finance and Administration	\$ 19,407,624	\$ 19,155,461	\$ 5,639,141	\$ 3,153,963	\$ 6,736,129	\$ 4,809,727	\$ 2,631,174	\$ 626,715	\$ 62,159,934
Accounts receivable	-	13,921	-	-	-	-	-	-	13,921
Prepaid expenses	-	67,924	1,392,178	-	-	-	-	-	1,460,102
Investments held at The United Methodist Church Foundation	-	425,562	-	2,351,688	-	-	-	-	2,777,250
Net pension plan assets held at Wespath Benefits and Investments	-	9,281,089	-	-	-	-	-	-	9,281,089
Property and equipment, net	-	17,099	336,476	-	-	-	-	-	353,575
Total Assets	\$ 19,407,624	\$ 28,961,056	\$ 7,367,795	\$ 5,505,651	\$ 6,736,129	\$ 4,809,727	\$ 2,631,174	\$ 626,715	\$ 76,045,871
LIABILITIES AND NET ASSETS									
Liabilities:									
Accounts payable and accrued expenses	\$ -	\$ 416,683	\$ 528,993	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 945,676
Grants payable to and amounts held for affiliated organizations	17,547,673	-	-	255,814	6,221,467	4,809,727	2,631,174	626,715	32,092,570
Net unfunded pension obligation	182,523	-	-	-	-	-	-	-	182,523
Total Liabilities	17,730,196	416,683	528,993	255,814	6,221,467	4,809,727	2,631,174	626,715	33,220,769
Net Assets:									
Without Donor Restrictions:									
Invested in property and equipment	-	17,099	336,476	-	-	-	-	-	353,575
Board-designated	1,677,428	9,281,089	6,502,326	5,249,837	514,662	-	-	-	23,225,342
Undesignated	-	18,789,647	-	-	-	-	-	-	18,789,647
Total Without Donor Restrictions	1,677,428	28,087,835	6,838,802	5,249,837	514,662	-	-	-	42,368,564
With Donor Restrictions:									
Subject to purpose restrictions	-	28,376	-	-	-	-	-	-	28,376
Endowment	-	428,162	-	-	-	-	-	-	428,162
Total With Donor Restrictions	-	456,538	-	-	-	-	-	-	456,538
Total Net Assets	1,677,428	28,544,373	6,838,802	5,249,837	514,662	-	-	-	42,825,102
Total Liabilities and Net Assets	\$ 19,407,624	\$ 28,961,056	\$ 7,367,795	\$ 5,505,651	\$ 6,736,129	\$ 4,809,727	\$ 2,631,174	\$ 626,715	\$ 76,045,871

**THE GENERAL FUNDS OF
THE UNITED METHODIST CHURCH
SCHEDULE OF FINANCIAL POSITION INFORMATION BY FUND (CONTINUED)**

DECEMBER 31, 2021

	<u>Special Gifts</u>										<u>Grand</u>
	<u>World</u>	<u>Bishops</u>	<u>One Great</u>	<u>World</u>	<u>Youth</u>	<u>Human</u>	<u>United</u>	<u>Native</u>	<u>Peace</u>	<u>Total</u>	<u>Total</u>
	<u>Service</u>	<u>Special</u>	<u>Hour of</u>	<u>Communion</u>	<u>Services</u>	<u>Relations</u>	<u>Methodist</u>	<u>American</u>	<u>with</u>		<u>General and</u>
	<u>Specials</u>	<u>Appeals</u>	<u>Sharing</u>	<u>Day</u>		<u>Day</u>	<u>Student</u>	<u>Day</u>	<u>Justice</u>		<u>Special Days</u>
							<u>Day</u>		<u>Sunday</u>		
ASSETS											
Due from General Council on Finance and Administration	\$ 427,240	\$ 13	\$ 490,953	\$ 291,059	\$ 6,604	\$ 46,561	\$ 191,826	\$ 49,949	\$ 38,631	\$ 1,542,836	\$ 63,702,770
Accounts receivable	-	-	-	-	-	-	-	-	-	-	13,921
Prepaid expenses	-	-	-	-	-	-	-	-	-	-	1,460,102
Investments held at The United Methodist Church Foundation	-	-	-	-	-	-	-	-	-	-	2,777,250
Net pension plan assets held at Wespath Benefits and Investments	-	-	-	-	-	-	-	-	-	-	9,281,089
Property and equipment, net	-	-	-	-	-	-	-	-	-	-	353,575
Total Assets	\$ 427,240	\$ 13	\$ 490,953	\$ 291,059	\$ 6,604	\$ 46,561	\$ 191,826	\$ 49,949	\$ 38,631	\$ 1,542,836	\$ 77,588,707
LIABILITIES AND NET ASSETS											
Liabilities:											
Accounts payable and accrued expenses	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 945,676
Grants payable to and amounts held for affiliated organizations	427,240	-	490,953	291,059	6,604	46,561	191,826	49,949	38,631	1,542,823	33,635,393
Net unfunded pension obligation	-	-	-	-	-	-	-	-	-	-	182,523
Total Liabilities	427,240	-	490,953	291,059	6,604	46,561	191,826	49,949	38,631	1,542,823	34,763,592
Net Assets:											
Without Donor Restrictions:											
Invested in property and equipment	-	-	-	-	-	-	-	-	-	-	353,575
Board-designated	-	-	-	-	-	-	-	-	-	-	23,225,342
Undesignated	-	13	-	-	-	-	-	-	-	-	18,789,660
Total Without Donor Restrictions	-	13	-	-	-	-	-	-	-	13	42,368,577
With Donor Restrictions:											
Subject to purpose restrictions	-	-	-	-	-	-	-	-	-	-	28,376
Endowment	-	-	-	-	-	-	-	-	-	-	428,162
Total With Donor Restrictions	-	-	-	-	-	-	-	-	-	-	456,538
Total Net Assets	-	13	-	-	-	-	-	-	-	13	42,825,115
Total Liabilities and Net Assets	\$ 427,240	\$ 13	\$ 490,953	\$ 291,059	\$ 6,604	\$ 46,561	\$ 191,826	\$ 49,949	\$ 38,631	\$ 1,542,836	\$ 77,588,707

**THE GENERAL FUNDS OF
THE UNITED METHODIST CHURCH
SCHEDULE OF ACTIVITIES INFORMATION BY FUND**

YEAR ENDED DECEMBER 31, 2021

										Special Gifts		
	World Service	Episcopal		General Administration		Inter- Denominational Cooperation	Ministerial Education	Black College	Africa University	Subtotal	World Service Specials	
		Without Donor Restrictions	With Donor Restrictions	General Conference	GA Other						Without Donor Restrictions	With Donor Restrictions
Operating Revenue and Support:												
Contributions	\$ 58,205,424	\$ 22,741,768	\$ 4,862	\$ 2,286,334	\$ 7,677,899	\$ 864,198	\$ 14,684,617	\$ 8,474,232	\$ 2,034,033	\$ 116,973,367	\$ -	\$ 897,078
Special gifts	-	-	-	-	-	-	-	-	-	-	-	-
Total Contributions	58,205,424	22,741,768	4,862	2,286,334	7,677,899	864,198	14,684,617	8,474,232	2,034,033	116,973,367	-	897,078
Grant income	-	1,355,818	-	25,352	100,000	-	-	-	-	1,481,170	-	-
Investment return on investments held at The United Methodist Church Foundation	-	-	86,193	-	426,719	-	-	-	-	512,912	-	-
Other income	-	13,022	-	351	-	-	-	-	-	13,373	-	-
Net assets released from restrictions	-	6,337	(6,337)	-	-	-	-	-	-	-	897,078	(897,078)
Total Operating Revenue and Support	58,205,424	24,116,945	84,718	2,312,037	8,204,618	864,198	14,684,617	8,474,232	2,034,033	118,980,822	897,078	-
Operating Expenses:												
Management and General:												
Fixed Charges:												
The Connectional Table	547,464	-	-	-	-	-	-	-	-	547,464	-	-
General Council on Finance and Administration	2,004,624	549,996	-	-	-	29,763	-	-	-	2,584,383	-	-
United Methodist Communications Division of Program and Benevolence Interpretation	366,336	-	-	-	-	-	-	-	-	366,336	-	-
Total Management and General	2,918,424	549,996	-	-	-	29,763	-	-	-	3,498,183	-	-
Program Services:												
Distributions:												
On-ratio allocations	55,286,999	-	-	-	7,135,596	824,079	14,684,617	8,474,232	2,034,033	88,439,556	-	-
Grants	115,201	-	-	-	1,040,000	-	-	-	-	1,155,201	-	-
General conference support	-	-	-	626,128	-	-	-	-	-	626,128	-	-
Special gifts distributed	-	-	-	-	-	-	-	-	-	-	897,078	-
Total Distributions	55,402,200	-	-	626,128	8,175,596	824,079	14,684,617	8,474,232	2,034,033	90,220,885	897,078	-
Episcopal expenses, excluding administrative charges and net changes in benefit plan obligations	-	18,942,276	-	-	-	-	-	-	-	18,942,276	-	-
Total Program Services	55,402,200	18,942,276	-	626,128	8,175,596	824,079	14,684,617	8,474,232	2,034,033	109,163,161	897,078	-
Total Operating Expenses	58,320,624	19,492,272	-	626,128	8,175,596	853,842	14,684,617	8,474,232	2,034,033	112,661,344	897,078	-
Operating income (loss)	(115,200)	4,624,673	84,718	1,685,909	29,022	10,356	-	-	-	6,319,478	-	-
Nonoperating Activities:												
Net changes in benefit plan obligations	155,059	366,493	-	-	-	-	-	-	-	521,552	-	-
Change in net assets	39,859	4,991,166	84,718	1,685,909	29,022	10,356	-	-	-	6,841,030	-	-
Net assets, beginning of year	1,637,569	23,096,669	371,820	5,152,893	5,220,815	504,306	-	-	-	35,984,072	-	-
Net assets, end of year	\$ 1,677,428	\$ 28,087,835	\$ 456,538	\$ 6,838,802	\$ 5,249,837	\$ 514,662	\$ -	\$ -	\$ -	\$ 42,825,102	\$ -	\$ -

**THE GENERAL FUNDS OF
THE UNITED METHODIST CHURCH
SCHEDULE OF ACTIVITIES INFORMATION BY FUND (CONTINUED)**

YEAR ENDED DECEMBER 31, 2021

	Special Gifts			One Great Hour of Sharing	World Communion Day	Youth Services	Human Relations Day	United Methodist Student Day	Native American Ministries	Peace with Justice Sunday	Total Special Gifts and Special Sundays	Grand Total
	General Advance Specials		Bishops' Appeals									
	Without Donor Restrictions	With Donor Restrictions	Without Donor Restrictions									
Operating Revenue and Support:												
Contributions	\$ -	\$ -	\$ -	\$ 1,921,619	\$ 473,970	\$ 13,154	\$ 265,324	\$ 272,159	\$ 226,578	\$ 164,232	\$ 4,234,114	\$ 121,207,481
Special gifts	-	45,200,641	-	-	-	-	-	-	-	-	45,200,641	45,200,641
Total Contributions	-	45,200,641	-	1,921,619	473,970	13,154	265,324	272,159	226,578	164,232	49,434,755	166,408,122
Grant income	-	-	-	-	-	-	-	-	-	-	-	1,481,170
Investment return on investments held at The United Methodist Church Foundation	-	-	-	-	-	-	-	-	-	-	-	512,912
Other income	-	-	-	-	-	-	-	-	-	-	-	13,373
Net assets released from restrictions	45,200,641	(45,200,641)	-	-	-	-	-	-	-	-	-	-
Total Operating Revenue and Support	45,200,641	-	-	1,921,619	473,970	13,154	265,324	272,159	226,578	164,232	49,434,755	168,415,577
Operating Expenses:												
Management and General:												
Fixed Charges:												
The Connectional Table	-	-	-	-	-	-	-	-	-	-	-	547,464
General Council on Finance and Administration	-	-	-	66,182	16,324	-	9,138	9,373	7,803	5,656	114,476	2,698,859
United Methodist Communications Division of Program and Benevolence Interpretation	-	-	-	104,004	62,004	-	51,996	47,004	39,000	47,004	351,012	717,348
Total Management and General	-	-	-	170,186	78,328	-	61,134	56,377	46,803	52,660	465,488	3,963,671
Program Services:												
Distributions:												
On-ratio allocations	-	-	-	1,751,433	395,642	13,154	204,190	215,782	179,775	111,572	2,871,548	91,311,104
Grants	-	-	-	-	-	-	-	-	-	-	-	1,155,201
General conference support	-	-	-	-	-	-	-	-	-	-	-	626,128
Special gifts distributed	45,200,641	-	-	-	-	-	-	-	-	-	46,097,719	46,097,719
Total Distributions	45,200,641	-	-	1,751,433	395,642	13,154	204,190	215,782	179,775	111,572	48,969,267	139,190,152
Episcopal expenses, excluding administrative charges and net changes in benefit plan obligations	-	-	-	-	-	-	-	-	-	-	-	18,942,276
Total Program Services	45,200,641	-	-	1,751,433	395,642	13,154	204,190	215,782	179,775	111,572	48,969,267	158,132,428
Total Operating Expenses	45,200,641	-	-	1,921,619	473,970	13,154	265,324	272,159	226,578	164,232	49,434,755	162,096,099
Operating income (loss)	-	-	-	-	-	-	-	-	-	-	-	6,319,478
Nonoperating Activities:												
Net changes in benefit plan obligations	-	-	-	-	-	-	-	-	-	-	-	521,552
Change in net assets	-	-	-	-	-	-	-	-	-	-	-	6,841,030
Net assets, beginning of year	-	-	13	-	-	-	-	-	-	-	13	35,984,085
Net assets, end of year	\$ -	\$ -	\$ 13	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 13	\$ 42,825,115

**THE GENERAL FUNDS OF
THE UNITED METHODIST CHURCH**
EPISCOPAL FUND CONSOLIDATING STATEMENT OF FUNCTIONAL EXPENSES BY NATURAL ACCOUNT

YEAR ENDED DECEMBER 31, 2021

	Management and Administration	Council of Bishops	Interpreters	Ecumenical	Jurisdictional Conferences	Central Conferences	Retired Bishops	Total
Operating Expenses:								
Salaries	\$ 539,781	\$ -	\$ -	\$ -	\$ 7,312,071	\$ 1,990,333	\$ -	\$ 9,842,185
Employee benefits	121,016	-	-	-	1,868,766	258,962	510,631	2,759,375
Continuing education	1,720	-	-	-	5,825	973	-	8,518
Moving expenses	150	-	-	-	7,429	-	61,260	68,839
Office allowance	-	-	-	-	3,471,620	1,660,704	-	5,132,324
Grants	-	-	-	10,505	-	-	-	10,505
Rent	88,976	-	-	-	-	-	-	88,976
Telephone	17,475	-	-	-	-	-	-	17,475
Postage and freight	598	-	-	-	-	-	-	598
Printing	75	-	-	-	-	-	-	75
Office supplies	4,230	-	-	-	-	-	-	4,230
Subscriptions/memberships	9,843	-	-	-	-	-	-	9,843
Equipment replacement/maintenance	4,083	-	-	-	53,958	44,812	-	102,853
Software support and maintenance	267	-	-	-	-	-	-	267
Promotional materials/other office expense	2,227	-	-	-	-	-	-	2,227
Depreciation	450	-	-	-	-	-	-	450
Professional fees	60,482	30,000	64,767	-	-	-	-	155,249
Legal fees	-	67,900	-	-	-	-	-	67,900
Meeting expense	4,451	44,473	-	-	-	-	-	48,924
Travel	15,732	4,117	-	-	232,886	216,579	3,436	472,750
Insurance	-	-	-	-	130,047	-	-	130,047
Other	6,435	1,471	-	435	9,576	749	-	18,666
Episcopal expenses excluding administrative charges and net changes in benefit plan obligations	877,991	147,961	64,767	10,940	13,092,178	4,173,112	575,327	18,942,276
Administrative charges (GCFA/UMCOM)	-	549,996	-	-	-	-	-	549,996
Total Operating Expenses	877,991	697,957	64,767	10,940	13,092,178	4,173,112	575,327	19,492,272
Nonoperating Expenses:								
Change in benefit plan obligations	-	366,493	-	-	-	-	-	366,493
Total Expenses	\$ 877,991	\$ 1,064,450	\$ 64,767	\$ 10,940	\$ 13,092,178	\$ 4,173,112	\$ 575,327	\$ 19,858,765