

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

FINANCIAL STATEMENTS

As of and for the Years Ended December 31, 2023 and 2022

And Report of Independent Auditor

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THE UNITED METHODIST CHURCH
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Report of Independent Auditor

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

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, 2023 and 2022, 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, 2023 and 2022, 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 Bekaert LLP

Charlotte, North Carolina
September 11, 2024

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

DECEMBER 31, 2023 AND 2022

	<u>2023</u>	<u>2022</u>
ASSETS		
Due from General Council on Finance and Administration ("GCFA")		
Cash Balance Pool ("CBP")	\$ 6,012,239	\$ 5,613,032
Investments in The United Methodist Church Foundation	220,057	197,079
Accrued World Service Fund allocation	497,787	553,055
Accounts receivable	27,709	15,584
Prepaid expenses	17,127	12,305
Other assets	6,518	6,518
Property and equipment, net	-	1,382
Finance lease right-of-use assets	8,223	-
Operating lease right-of-use assets	5,293	36,805
Total Assets	<u>\$ 6,794,953</u>	<u>\$ 6,435,760</u>
LIABILITIES AND NET ASSETS		
Liabilities:		
Accounts payable	\$ 72,408	\$ 177,713
Accrued expenses	127,479	104,139
Finance lease liabilities	8,387	-
Operating lease liabilities	5,405	37,381
Due to Disability Ministries	12,270	21,568
Total Liabilities	<u>225,949</u>	<u>340,801</u>
Net Assets:		
Without Donor Restrictions:		
Invested in property and equipment	-	1,382
Board-designated	1,500	-
Undesignated	4,017,132	3,786,296
Total Without Donor Restrictions	<u>4,018,632</u>	<u>3,787,678</u>
With Donor Restrictions:		
Subject to purpose restrictions	2,335,314	2,115,200
Endowments	215,058	192,081
Total With Donor Restrictions	<u>2,550,372</u>	<u>2,307,281</u>
Total Net Assets	<u>6,569,004</u>	<u>6,094,959</u>
Total Liabilities and Net Assets	<u>\$ 6,794,953</u>	<u>\$ 6,435,760</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, 2023 AND 2022

	2023			2022		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
Revenue and Support:						
Allocation from World Service Fund	\$ 1,279,274	\$ 432,911	\$ 1,712,185	\$ 1,371,042	\$ 463,966	\$ 1,835,008
Distribution from Benefit Trust	150,519	-	150,519	151,703	-	151,703
Services received from GCFA	46,006	-	46,006	50,272	-	50,272
Interest income from GCFA CBP	221,020	-	221,020	61,345	-	61,345
Investment return, net	-	29,817	29,817	-	(37,142)	(37,142)
Resource materials and program fees	37,703	-	37,703	28,077	-	28,077
Registration	202,744	-	202,744	8,416	-	8,416
Contributions	17,462	-	17,462	25,629	-	25,629
Other income	7,045	-	7,045	6,361	-	6,361
Net assets released from restrictions	219,637	(219,637)	-	195,591	(195,591)	-
Total Revenue and Support	2,181,410	243,091	2,424,501	1,898,436	231,233	2,129,669
Expenses:						
Program Services:						
Core action fund program	212,797	-	212,797	162,153	-	162,153
Ministry	929,932	-	929,932	862,865	-	862,865
Meeting services and other projects	206,572	-	206,572	-	-	-
Discerning the Nature of Racism	-	-	-	27,077	-	27,077
Other programs	6,840	-	6,840	6,361	-	6,361
Supporting Services:						
Management and general	594,315	-	594,315	584,213	-	584,213
Total Expenses	1,950,456	-	1,950,456	1,642,669	-	1,642,669
Change in net assets	230,954	243,091	474,045	255,767	231,233	487,000
Net assets, beginning of year	3,787,678	2,307,281	6,094,959	3,531,911	2,076,048	5,607,959
Net assets, end of year	\$ 4,018,632	\$ 2,550,372	\$ 6,569,004	\$ 3,787,678	\$ 2,307,281	\$ 6,094,959

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, 2023

	Program Services				Supporting Services	2023 Total
	Core Action Fund	Ministry	Other Programs	Meetings and Projects	Management and General	
Grants	\$ 192,160	\$ -	\$ 6,840	\$ -	\$ -	\$ 199,000
Salaries and wages	-	577,080	-	-	212,219	789,299
Employee benefits	-	121,273	-	-	88,090	209,363
Moving expense	-	-	-	-	5,000	5,000
Administration provided by GCFA	-	-	-	-	60,166	60,166
Administration paid to General Board of Church and Society	-	3,168	-	-	1,083	4,251
Rent and occupancy paid to General Board of Church and Society	-	-	-	-	30,312	30,312
Travel and meetings	20,637	105,160	-	174,506	160,299	460,602
Professional fees	-	79,366	-	29,435	4,699	113,500
Supplies	-	-	-	564	1,663	2,227
Printing	-	357	-	1,483	51	1,891
Telephone and web service	-	6,900	-	-	4,556	11,456
Repairs and maintenance	-	15,024	-	-	23	15,047
Equipment rent	-	-	-	-	7,064	7,064
Insurance	-	-	-	-	16,158	16,158
Depreciation	-	-	-	-	1,382	1,382
Product development	-	18,434	-	-	-	18,434
Promotional and informational material	-	2,281	-	-	-	2,281
Other	-	889	-	584	1,550	3,023
	<u>\$ 212,797</u>	<u>\$ 929,932</u>	<u>\$ 6,840</u>	<u>\$ 206,572</u>	<u>\$ 594,315</u>	<u>\$ 1,950,456</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, 2022

	Program Services			Discerning the Nature of Racism	Supporting Services	2022 Total
	Core Action Fund	Ministry	Other Programs		Management and General	
Grants	\$ 165,327	\$ -	\$ 6,361	\$ 27,077	\$ -	\$ 198,765
Salaries and wages	-	548,015	-	-	247,948	795,963
Employee benefits	-	139,353	-	-	93,519	232,872
Moving expense	-	-	-	-	5,082	5,082
Administration provided by GCFA	-	-	-	-	66,402	66,402
Administration paid to General Board of Church and Society	-	3,853	-	-	2,362	6,215
Rent and occupancy paid to General Board of Church and Society	-	-	-	-	33,276	33,276
Travel and meetings	373	67,167	-	-	95,233	162,773
Professional fees	(3,547)	49,316	-	-	6,282	52,051
Supplies	-	-	-	-	2,416	2,416
Printing	-	1,216	-	-	111	1,327
Telephone and web service	-	6,200	-	-	5,724	11,924
Repairs and maintenance	-	34,480	-	-	1,206	35,686
Equipment rent	-	-	-	-	6,712	6,712
Insurance	-	-	-	-	15,724	15,724
Depreciation	-	-	-	-	1,382	1,382
Product development	-	5,481	-	-	-	5,481
Promotional and informational material	-	2,893	-	-	-	2,893
Other	-	4,891	-	-	834	5,725
	<u>\$ 162,153</u>	<u>\$ 862,865</u>	<u>\$ 6,361</u>	<u>\$ 27,077</u>	<u>\$ 584,213</u>	<u>\$ 1,642,669</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, 2023 AND 2022

	<u>2023</u>	<u>2022</u>
Cash flows from operating activities:		
Change in net assets	\$ 474,045	\$ 487,000
Adjustments to reconcile change in net assets to net cash from operating activities:		
Depreciation	1,382	1,382
Noncash lease expense	2,029	576
Realized and unrealized (gains) losses on investments	(25,609)	39,890
Change in operating assets and liabilities:		
Due from GCFA CBP	(399,207)	(772,946)
Accrued World Service Fund allocation	55,268	24,007
Accounts receivable	(12,125)	(6,365)
Grants receivable	-	35,000
Prepaid expenses	(4,822)	6,661
Accounts payable	(105,305)	142,596
Accrued expenses	23,340	44,444
Due to Disability Ministries	(9,298)	(5,859)
Net cash flows from operating activities	<u>(302)</u>	<u>(3,614)</u>
Cash flows from investing activities:		
Net sale of investments in The United Methodist Church Foundation	<u>2,631</u>	<u>3,614</u>
Net cash flows from investing activities	<u>2,631</u>	<u>3,614</u>
Cash flows from financing activities:		
Principal payments on finance lease obligations	<u>(2,329)</u>	<u>-</u>
Net cash flows from financing activities	<u>(2,329)</u>	<u>-</u>
Net change in cash and cash equivalents	-	-
Cash and equivalents, beginning of year	-	-
Cash and equivalents, end of year	<u>\$ -</u>	<u>\$ -</u>
Supplemental disclosures of noncash financing information:		
Right-of-use assets obtained in exchange for new finance lease liabilities	<u>\$ 10,716</u>	<u>\$ -</u>
Right-of-use assets obtained in exchange for new operating lease liabilities	<u>\$ -</u>	<u>\$ 72,699</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, 2023 AND 2022

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 71% and 86% of the Commission’s total revenues in 2023 and 2022, 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, 2023 AND 2022

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.

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”) Cash Balance Pool (“CBP”) 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 \$46,006 and \$50,272 for the years ended December 31, 2023 and 2022, respectively.

Due from GCFA Cash Balance Pool – The amounts presented as due from GCFA Cash Balance Pool in the accompanying financial statements represent the Commission’s portion of the CBP portfolio managed by GCFA on behalf of certain agencies and related organizations of The United Methodist 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 CBP includes funds invested in demand deposits, corporate bonds, taxable municipal bonds, mutual funds, and notes from other United Methodist organizations.

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

DECEMBER 31, 2023 AND 2022

Note 2—Summary of significant accounting policies (continued)

Distributions of the investment return on the CBP are characterized as interest income and are based on GCFA’s policy in the following steps:

1. The net pool return for the month to be paid by GCFA to the beneficiary agencies is the 1-month US Treasury Bill Rate prevailing as of the 3 PM close of the first business day of the month plus a spread between 35 to 50 basis points. GCFA can modify the spread at its discretion, in which case the CBP beneficiaries will be notified of the new spread prior to the end of the prior month. This spread can be either an addition or subtraction from the 1-month U.S. Treasury Bill Rate. In months when the return of the CBP is less than 50 basis points, the payout to the CBP beneficiaries will be set at 50 basis points. In months when the return of the CBP is more than 50 basis points, the payout to the CBP Beneficiaries shall not exceed the return of the CBP.
2. The net pool return will be earned on all monies deposited up to the individual agency limit of 1.5 times the average cash pool balance for the previous two years. Above this limit, the agency will earn a net portfolio return of 1-month US Treasury Bill Rate minus 15 basis points.

GCFA allocates interest earned to the agencies invested monthly. For the years ended December 31, 2023 and 2022, GCFA allocated \$221,020 and \$61,345 of interest income, respectively. The overall return for the Cash Balance Pool for the years ended December 31, 2022 and 2021 was 3.83% and 1.09%, respectively. The overall rate of return for each agency will fluctuate based on balances throughout the year and the prevailing U.S. Treasury Bill Rates over time.

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. GCFA is the owner of the residual risk of the investment portfolio. The operating cash requirements of the general agencies are centrally managed by GCFA.

The allocation of funds in the cash balance pool as of December 31, 2023 and 2022 were as follows:

	<u>2023</u>	<u>2022</u>
Texas Methodist Foundation loan fund	14.4%	11.8%
Mutual funds	35.4%	19.6%
Short-term collateralized loan fund	0.2%	0.2%
Fixed income	5.5%	8.9%
Corporate bonds	42.2%	46.3%
Cash	2.3%	13.2%
	<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.

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

DECEMBER 31, 2023 AND 2022

Note 2—Summary of significant accounting policies (continued)

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, 2023 and 2022, there were no grants payable related to unconditional grants.

Property and Equipment – Property and equipment is 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 statements 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

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 “IRC”). 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 IRC.

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.

Changes in Accounting Principles – Accounting Standards Update (“ASU”) 2016-13, *Financial Instruments – Credit Losses (Topic 326)* guidance replaces the existing incurred loss impairment guidance and establishes a single allowance framework for financial assets carried at amortized cost based on expected credit losses. The estimate of expected credit losses requires the incorporation of historical information, current conditions, and reasonable and supportable forecasts. The Commission adopted this ASU effective January 1, 2023 using the modified retrospective approach. Adoption of the new standard had no material effect on the Commission’s financial statements or disclosures.

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

DECEMBER 31, 2023 AND 2022

Note 3—Liquidity and availability of resources

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

	<u>2023</u>	<u>2022</u>
Financial assets at year-end:		
Due from GCFA CBP	\$ 6,012,239	\$ 5,613,032
Investments in The United Methodist Church Foundation	220,057	197,079
Accrued World Service Fund allocation	497,787	553,055
Accounts receivable	<u>27,709</u>	<u>15,584</u>
Total financial assets	<u>6,757,792</u>	<u>6,378,750</u>
Less amounts not available to be used for general expenditures within one year:		
Subject to donor purpose restrictions	2,335,314	2,115,200
Funds to be held in perpetuity and accumulated earnings	215,058	192,081
Board-designated funds	<u>1,500</u>	<u>-</u>
Financial assets not available to be used within one year	<u>2,551,872</u>	<u>2,307,281</u>
Financial assets available to meet general expenditures within one year	<u>\$ 4,205,920</u>	<u>\$ 4,071,469</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 CBP. This fund established by the Commission may be drawn upon, if necessary, to meet unexpected liquidity needs. The Commission also has certain donor-restricted assets limited to use, which are more fully described in Note 10, 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>2023</u>	<u>2022</u>
Furniture	\$ 5,650	\$ 5,650
Equipment	<u>4,146</u>	<u>4,146</u>
	9,796	9,796
Less accumulated depreciation	<u>(9,796)</u>	<u>(8,414)</u>
Furniture, equipment, and leasehold improvements, net	<u>\$ -</u>	<u>\$ 1,382</u>

Depreciation expense for each of the years ended December 31, 2023 and 2022 totaled \$1,382.

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

DECEMBER 31, 2023 AND 2022

Note 5—Investments

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

	2023		2022	
	Fair Value	Cost	Fair Value	Cost
The UMC Foundation	\$ 220,057	\$ 225,677	\$ 197,079	\$ 229,222

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

	2023	2022
Dividend and interest income	\$ 4,208	\$ 2,748
Realized losses on investments	(914)	(1,476)
Unrealized gains (losses) on investments	26,523	(38,414)
Investment return, net	\$ 29,817	\$ (37,142)

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, 2023:

	Fair Value	Unfunded Commitments	Redemption Frequency	Redemption Notice Period
The UMC Foundation *	\$ 220,057	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 and 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.

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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>2023</u>	<u>2022</u>
Statements of Financial Position:		
Due from GCFA CBP	\$ 6,012,239	\$ 5,613,032
Investments in The UMC Foundation	220,057	197,079
Accrued World Service Fund allocation	497,787	553,055
Due to Disability Ministries	12,270	21,568
Statements of Activities:		
Revenue:		
Allocation from World Service Fund	1,712,185	1,835,008
Distribution from Benefit Trust	150,519	151,703
Services received from GCFA	46,006	50,272
Interest income from GCFA CBP	221,020	61,345
Investment return (The UMC Foundation)	29,817	(37,142)
Expenses:		
Employee Benefits - group insurance expense	90,157	92,064
Rent paid to General Board of Church and Society ("GBCS")	30,312	33,276
Administrative services donated by GCFA	46,006	50,272
Administrative services paid to GCFA	14,160	16,130
Administrative services paid to GBCS	4,251	6,215
Grants paid to affiliates	192,160	165,327

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, 2023 and 2022 were \$87,367 and \$84,632, 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.

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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 \$78,383 and \$80,048 in 2023 and 2022, respectively, and the total cost of benefits for retired employees was \$11,774 and \$12,016 in 2023 and 2022, respectively, exclusive of reimbursement from the General Agency Benefit Trust ("Benefit Trust").

The Plan's unfunded accumulated postretirement benefit obligation was approximately \$26,626,000 and \$25,007,000 as of December 31, 2023 and 2022, respectively. The Plan's unfunded expected postretirement benefit obligation was approximately \$36,004,000 and \$32,535,000 as of December 31, 2023 and 2022, 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% of the fair market 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. In December of 2022, the Benefit Trust agreement was amended to increase the annual distribution rate to a percentage not to exceed 8% beginning with Benefit Trust distributions on or after January of 2023. Subsequent to year-end, in May of 2023, the agreement was amended to change the fair value measurement date from December 31st of the prior year to June 30th of the previous year starting on June 1, 2023. The fair value of the Benefit Trust's assets (not plan assets) for which GCFA is the beneficiary was approximately \$156,194,000 and \$148,588,000 as of December 31, 2023 and 2022, respectively. The total amount available for reimbursement in 2023 and 2022 was \$11,887,000 and \$11,424,000, respectively, of which the Commission's share, including retiree health benefits, was \$150,519 and \$151,703, respectively.

Note 9—Leases

The Commission leases office space from the General Board of Church and Society ("GBCS"), a related party, and also leases certain equipment. The Commission determines whether a contract contains a lease at inception by determining if the contract conveys the right to control the use of identified property, plant, or equipment for a period of time in exchange for consideration. The Commission has lease agreements with lease and non-lease components, which are generally accounted for separately with amounts allocated to the lease and non-lease components based on relative stand-alone prices.

ROU assets and lease liabilities are recognized at the commencement date based on the present value of the future minimum lease payments over the lease term. Renewal and termination clauses that are factored into the determination of the lease term if it is reasonably certain that these options would be exercised by the Commission. Lease assets are amortized over the lease term unless there is a transfer of title or purchase option reasonably certain of exercise, in which case the asset life is used. The Commission has elected to utilize the risk-free discount rate to calculate lease assets and liabilities.

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Note 9—Leases (continued)

Our lease agreements do not contain any material residual value guarantees or material restrictive covenants. The Commission does not have leases where it is involved with the construction or design of an underlying asset. The Commission has no material obligation for leases signed but not yet commenced as of December 31, 2023 and 2022. The Commission does not have any sublease activities.

The Commission has elected the practical expedient not to recognize leases with terms of 12 months or less on the statement of financial position and instead recognize the lease payments on a straight-line basis over the term of the lease and variable lease payments in the period in which the obligation for the payments is incurred. Therefore, short-term lease expense for the period does not reflect ongoing short-term lease commitments. Lease expense for such short-term leases was not material for the years ended December 31, 2023 and 2022.

The following is a schedule of future minimum lease payments:

<u>Years Ending December 31,</u>	<u>Finance</u>	<u>Operating</u>
2024	\$ 2,964	\$ 5,408
2025	2,964	-
2026	2,964	-
Less present value discount	(505)	(3)
	<u>\$ 8,387</u>	<u>\$ 5,405</u>

Required supplemental information relating to leases are as follows for the year ended December 31:

	<u>2023</u>	<u>2022</u>
Lease expense		
Finance lease expense		
Amortization of ROU assets	\$ 2,741	\$ -
Interest on lease liabilities	388	-
Operating lease expense	31,776	36,576
	<u>\$ 34,905</u>	<u>\$ 36,576</u>

Other information

Cash paid for amounts included in the measurement of lease liabilities		
Operating cash flows from operating and finance leases	\$ 32,629	\$ 36,000
Financing cash flows from finance leases	\$ 2,329	\$ -
ROU assets obtained in exchange for new operating lease liabilities	\$ -	\$ 72,699
ROU assets obtained in exchange for new finance lease liabilities	\$ 10,716	\$ -
Weighted-average remaining lease term in years for operating leases	0.17	1.17
Weighted-average remaining lease term in years for finance leases	3	-
Weighted-average discount rate for operating leases	1.31%	1.31%
Weighted-average discount rate for finance leases	4.06%	-

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Note 10—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>2023</u>	<u>2022</u>
Subject to purpose restriction:		
Minority Group Self Determination Fund	\$ 2,335,314	\$ 2,115,200
Total subject to purpose restrictions	<u>2,335,314</u>	<u>2,115,200</u>
Endowments:		
Accumulated earnings on the Commission endowment fund	106,415	83,440
Commission endowment fund held in perpetuity	<u>108,643</u>	<u>108,641</u>
Total endowments	<u>215,058</u>	<u>192,081</u>
Total net assets with donor restrictions	<u>\$ 2,550,372</u>	<u>\$ 2,307,281</u>

Net assets with donor restrictions for the years ended December 31, 2023 and 2022 were released from donor restrictions by incurring expenses satisfying the restricted purposes or by occurrence of other events specified by donors.

	<u>2023</u>	<u>2022</u>
Satisfaction of purpose restriction	<u>\$ 219,637</u>	<u>\$ 195,591</u>

Note 11—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.

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Note 11—Endowments (continued)

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, 2023		
	Without Donor Restrictions	With Donor Restrictions	Total
Original donor-restricted gift amount and amounts required to be maintained in perpetuity by donor	\$ -	\$ 108,643	\$ 108,643
Accumulated investment gains	-	106,415	106,415
Endowment net assets, December 31, 2023	<u>\$ -</u>	<u>\$ 215,058</u>	<u>\$ 215,058</u>

	December 31, 2022		
	Without Donor Restrictions	With Donor Restrictions	Total
Original donor-restricted gift amount and amounts required to be maintained in perpetuity by donor	\$ -	\$ 108,643	\$ 108,643
Accumulated investment gains	-	83,438	83,438
Endowment net assets, December 31, 2022	<u>\$ -</u>	<u>\$ 192,081</u>	<u>\$ 192,081</u>

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Note 11—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, 2023 and 2022, the Commission had no underwater endowments. Changes in endowment net assets for the years ended December 31, 2023 and 2022 are as follows:

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Endowment net assets, December 31, 2021	\$ -	\$ 235,584	\$ 235,584
Investment return, net	-	(37,142)	(37,142)
Appropriation of endowment assets for expenditure and reclassifications	-	(6,361)	(6,361)
Endowment net assets, December 31, 2022	-	192,081	192,081
Investment return, net	-	29,817	29,817
Appropriated for expenditure	-	(6,840)	(6,840)
Endowment net assets, December 31, 2023	<u>\$ -</u>	<u>\$ 215,058</u>	<u>\$ 215,058</u>

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 12—Subsequent events

Management has evaluated subsequent events through September 11, 2024, the date the financial statements were available for issuance, and has determined that there are no subsequent events requiring disclosure.