

**GENERAL COMMISSION ON
UNITED METHODIST MEN 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 Trustees
General Commission on United Methodist Men of
The United Methodist Church
Nashville, Tennessee

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

Opinion

We have audited the accompanying financial statements of the General Commission on United Methodist Men of The United Methodist Church (the “UMMen”), 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 UMMen 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 audit 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 UMMen 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.

Management’s Responsibility for the Financial Statements

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

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 UMMen’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 UMMen'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 UMMen'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 UNITED METHODIST MEN 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")	\$ 688,418	\$ 1,038,338
Accrued World Service Fund allocation	74,692	82,985
Contributions receivable	30,614	28,795
Investments held at Wespath Benefits and Investments	3,445,800	-
Prepaid expenses	2,612	-
Accounts receivable	12,597	12,134
Finance lease right-of-use assets	19,414	28,898
Property and equipment, net	94,440	770,421
Total Assets	<u>\$ 4,368,587</u>	<u>\$ 1,961,571</u>
LIABILITIES AND NET ASSETS		
Liabilities:		
Accounts payable	\$ 1,795	\$ 7,465
Accrued liabilities	63,546	66,446
Finance lease liabilities	19,663	29,078
Total Liabilities	<u>85,004</u>	<u>102,989</u>
Net Assets:		
Without Donor Restrictions:		
Invested in property and equipment	94,440	770,421
Board-designated	205,537	250,000
Undesignated	3,980,863	835,576
Total Without Donor Restrictions	<u>4,280,840</u>	<u>1,855,997</u>
With Donor Restrictions:		
Subject to purpose restrictions	2,743	2,585
Total Net Assets	<u>4,283,583</u>	<u>1,858,582</u>
Total Liabilities and Net Assets	<u>\$ 4,368,587</u>	<u>\$ 1,961,571</u>

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

**GENERAL COMMISSION ON UNITED METHODIST MEN OF
THE UNITED METHODIST CHURCH
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
Operating Revenues:						
World Service Fund allocation	\$ 256,912	\$ -	\$ 256,912	\$ 275,341	\$ -	\$ 275,341
Charters	56,120	-	56,120	153,385	-	153,385
Special gifts / contributions income	1,880	-	1,880	2,800	-	2,800
Office of Civic Youth-Serving Agencies	11,230	116,250	127,480	9,085	115,100	124,185
Every Man Shares / Legacy Fund	67,831	-	67,831	78,655	-	78,655
Conference Presidents Fund	5,153	-	5,153	20,133	-	20,133
Distribution from Benefit Trust	130,518	-	130,518	109,152	-	109,152
Service to God and Country	20,321	-	20,321	25,000	-	25,000
Services received from GCFA	29,474	-	29,474	28,790	-	28,790
Contributions of nonfinancial assets	114,000	-	114,000	-	-	-
Investment return from GCFA CBP	47,648	-	47,648	16,116	-	16,116
Amending through Faith	-	162	162	-	89	89
Other	21,972	-	21,972	21,422	-	21,422
Net assets released from restrictions	116,254	(116,254)	-	115,104	(115,104)	-
Total Operating Revenues	879,313	158	879,471	854,983	85	855,068
Operating Expenses:						
Program services	693,531	-	693,531	627,243	-	627,243
Management and general	434,525	-	434,525	315,101	-	315,101
Total Operating Expenses	1,128,056	-	1,128,056	942,344	-	942,344
Excess (Deficit) of Operating Revenues over Operating Expenses	(248,743)	158	(248,585)	(87,361)	85	(87,276)
Nonoperating Items:						
Investment return, net	326,199	-	326,199	-	-	-
Net gain on sale of property and equipment	2,347,387	-	2,347,387	-	-	-
Change in net assets	2,424,843	158	2,425,001	(87,361)	85	(87,276)
Net assets, beginning of year	1,855,997	2,585	1,858,582	1,943,358	2,500	1,945,858
Net assets, end of year	\$ 4,280,840	\$ 2,743	\$ 4,283,583	\$ 1,855,997	\$ 2,585	\$ 1,858,582

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

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

YEAR ENDED DECEMBER 31, 2023

	Program Services	Management and General	Total
Contributions and grants to other organizations	\$ 90,770	\$ 1,000	\$ 91,770
Salaries and fringe benefits	414,180	102,195	516,375
Employee benefits	118,212	27,304	145,516
Retiree benefits	-	22,629	22,629
Administration provided by GCFA	-	29,474	29,474
Administration paid to GCFA	-	9,599	9,599
Postage	10,073	12,806	22,879
Printing	975	3,308	4,283
Meetings	6,219	41,645	47,864
Travel	20,654	19,562	40,216
Professional fees	24,000	2,347	26,347
Telephone	8,312	896	9,208
Office supplies	131	6,747	6,878
Utilities	-	7,913	7,913
Equipment, repairs, and maintenance	-	8,379	8,379
Building repairs and maintenance	-	450	450
Equipment rent	-	9,956	9,956
Donated office space	-	114,000	114,000
Insurance	-	6,154	6,154
Depreciation	-	5,577	5,577
Interest expense	-	298	298
Other	5	2,286	2,291
Total Expenses	<u>\$ 693,531</u>	<u>\$ 434,525</u>	<u>\$ 1,128,056</u>

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

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

YEAR ENDED DECEMBER 31, 2022

	Program Services	Management and General	Total
Contributions and grants to other organizations	\$ 88,247	\$ -	\$ 88,247
Salaries and fringe benefits	360,401	85,466	445,867
Employee benefits	101,727	22,126	123,853
Retiree benefits	-	15,847	15,847
Administration provided by GCFA	-	28,790	28,790
Postage	10,128	-	10,128
Meetings	21,038	31,286	52,324
Travel	14,629	11,464	26,093
Professional fees	24,000	10,037	34,037
Telephone	6,104	3,153	9,257
Office supplies	82	7,551	7,633
Utilities	-	17,782	17,782
Equipment, repairs, and maintenance	-	11,997	11,997
Building repairs and maintenance	-	1,058	1,058
Equipment rent	-	711	711
Insurance	-	9,464	9,464
Depreciation	-	42,718	42,718
Financing lease amortization	-	9,484	9,484
Interest expense	-	410	410
Other	887	5,757	6,644
Total Expenses	<u>\$ 627,243</u>	<u>\$ 315,101</u>	<u>\$ 942,344</u>

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

**GENERAL COMMISSION ON UNITED METHODIST MEN OF
THE UNITED METHODIST CHURCH
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	\$ 2,425,001	\$ (87,276)
Adjustments to reconcile change in net assets to net cash flows from operating activities:		
Depreciation	5,577	42,718
Net gain on sale of fixed assets	(2,347,387)	-
Unrealized and realized gains on investments	(276,260)	-
Amortization of right of use assets	9,484	9,484
Change in operating assets and liabilities:		
Due from GCFA CBP	349,920	(407,163)
Accrued World Service Fund allocation	8,293	3,603
Contributions receivable	(1,819)	260,654
Grants receivable	-	171,636
Accounts receivable	(463)	(2,056)
Prepaid expenses	(2,612)	-
Accounts payable	(5,670)	7,415
Accrued liabilities	(2,900)	10,289
Net cash flows from operating activities	<u>161,164</u>	<u>9,304</u>
Cash flows from investing activities:		
Purchase of investments	(3,169,540)	-
Purchase of fixed assets	(88,848)	-
Net proceeds from sale of fixed assets	<u>3,106,639</u>	<u>-</u>
Net cash flows from investing activities	<u>(151,749)</u>	<u>-</u>
Cash flows from financing activities:		
Payments on finance lease obligation	<u>(9,415)</u>	<u>(9,304)</u>
Net cash flows from financing activities	<u>(9,415)</u>	<u>(9,304)</u>
Net change in cash and cash equivalents	-	-
Cash and cash equivalents, beginning of year	-	-
Cash and cash equivalents, end of year	<u>\$ -</u>	<u>\$ -</u>
Supplemental disclosures of noncash financing information:		
Right-of-use assets obtained in exchange for new finance lease liabilities	<u>\$ -</u>	<u>\$ 38,382</u>

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

GENERAL COMMISSION ON UNITED METHODIST MEN OF THE UNITED METHODIST CHURCH

NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2023 AND 2022

Note 1—Nature of organization

The General Commission on United Methodist Men of The United Methodist Church (“UMMen”) was created to advise, encourage, and aid the United Methodist men fellowships throughout the denomination. Through an action of the 1996 General Conference, UMMen was established as an independent agency of The United Methodist Church effective January 1, 1997. Prior to that action, UMMen operated as a division of the General Board of Discipleship of The United Methodist Church.

Funding for UMMen’s operations is significantly provided by allocations received from The General Funds of The United Methodist Church (the “Church”) based on a four-year budget developed from projections of expected program costs. The allocation accounts for 24% and 32% of UMMen’s total revenue, exclusive of the gain on sale of fixed assets, in 2023 and 2022, respectively. The UMMen’s continued existence is partially dependent upon the Church’s future support. The Church’s future support is dependent upon contributions from its congregations (i.e., congregational participation in the apportionment covenant).

In consultation with the General Council on Finance and Administration of The United Methodist Church (“GCFA”), UMMen formed in November 2012, Strength for Service, Inc. (“SFS”), a separate non-profit organization registered in the state of Tennessee for the purpose of raising and providing funds for the publishing of Service to God and Country and other potential future devotional materials as part of UMMen’s mission. Although UMMen has an economic interest in SFS, it does not have control as determined under Accounting Standards Codification (“ASC”) Topic 958-810-25 and, therefore, SFS is not consolidated in these financial statements. Effective for the year beginning January 1, 2015, all SFS operations have been transferred to the separate entity. As part of the continued partnership, UMMen receives \$1 from SFS for every book copy sold. There were revenues of \$-0- for the each of the years ended December 31, 2023 and 2022.

Note 2—Summary of significant accounting policies

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

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

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

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

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

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.

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

DECEMBER 31, 2023 AND 2022

Note 2—Summary of significant accounting policies (continued)

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

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

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

Services Received from Personnel of an Affiliate – Services received from personnel of an affiliate for which the affiliate does not charge the UMMen have been measured at the cost recognized by the affiliate in providing those services. The revenue and expense relating to those services received are presented in the related party Note 5 and totaled \$29,474 and \$28,790 for the years ended December 31, 2023 and 2022, respectively.

Contributions of nonfinancial assets – Beginning in 2023, UMMen was provided office space from United Methodist Communications of The United Methodist Church (“UMCom”) at no cost. The office space is used for general and administrative activities. The fair value of the office space based on the current market conditions at the time of the rental agreement was \$114,000 for the year ended December 31, 2023.

Use of Estimates – Management of UMMen has made a number of estimates and assumptions relating to the reporting of assets and liabilities, and the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenue and expenses during the reporting period to prepare these financial statements in conformity with U.S. generally accepted accounting principles. Actual results could differ from those estimates.

Due from GCFA Cash Balance Pool – The amounts presented as due from GCFA Cash Balance Pool in the accompanying financial statements represent UMMen’s portion of the Cash Balance Pool (“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 UMMen to be disbursed out of GCFA’s centralized cash management system. Since these deposits are legally invested in GCFA’s name and not in a separate demand account in UMMen’s name, they are not classified as cash and cash equivalents, but rather are considered an amount due from GCFA. CBP includes funds invested in demand deposits, corporate bonds, taxable municipal bonds, mutual funds, and notes from other United Methodist organizations.

**GENERAL COMMISSION ON UNITED METHODIST MEN 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 U.S. Treasury Bill Rate prevailing as of the 3:00 p.m. 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 CBP is less than 50 basis points, the payout to CBP beneficiaries will be set at 50 basis points. In months when the return of CBP is more than 50 basis points, the payout to the CBP beneficiaries shall not exceed the return of 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 U.S. 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 \$47,648 and \$16,116 of interest income, respectively. The overall return for the CBP for the years ended December 31, 2023 and 2022 was 3.83% and 1.09%, respectively. The overall rate of return for each agency may vary due to fluctuating balances throughout the year and the timing of investment gains and losses.

While interest income can be earned based on the performance of the pooled investment funds, UMMen believes there is little to no risk exposure to losses due to the relationship with GCFA and policy under which the pooled funds are invested. 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 CBP 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>

Contributions – Contributions are recognized when cash, other assets, or an unconditional promise to give is received. Conditional promises to give, that is, those with a measurable performance or other barrier, and a right-of-return or right-of-release, are not recognized until the conditions on which they depend have been substantially met. Contributions of assets other than cash are recorded at their estimated fair value. Contribution revenue includes revenue related to World Service Fund allocations, Charters, Every Man Shares / Legacy Fund, and the Conference President’s Fund on the accompanying statements of activities.

Unconditional promises to give in future years are recorded at the present value using risk-adjusted rates applicable to the years in which the promises to give are to be received. Unconditional promises to give relating to future years as of December 31, 2023 and 2022 were \$30,614 and \$28,795, respectively, and were due within one year. Contributions made by UMMen are recognized as expenses in the period made.

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

DECEMBER 31, 2023 AND 2022

Note 2—Summary of significant accounting policies (continued)

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

Financial Instruments – Assets recorded at fair value in the statements of financial position are categorized based on the level of judgment associated with the inputs used to measure their fair value. Level inputs, as defined by the 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. The inputs used by the manager in estimating the value of Level 3 investments include the original transaction price.

Functional Expenses – The costs of providing program and other activities have been summarized on a functional basis in the statements of activities. The statement of functional expenses presents 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 fringe benefits	Time and effort
Professional fees	Full-time equivalent

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

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

DECEMBER 31, 2023 AND 2022

Note 2—Summary of significant accounting policies (continued)

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

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. UMMen adopted this ASU effective January 1, 2023 using the modified retrospective approach. Adoption of the new standard had no material effect on UMMen’s financial statements or disclosures.

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	\$ 688,418	\$ 1,038,338
Accrued World Service Fund allocation	74,692	82,985
Investments held at Wespath Benefits and Investments	3,445,800	-
Contributions receivable	30,614	28,795
Accounts receivable	12,597	12,134
Total financial assets	<u>4,252,121</u>	<u>1,162,252</u>
Less amounts not available to be used for general expenditures within one year:		
Subject to purpose restrictions	2,743	2,585
Board-designated funds	205,537	250,000
Financial assets not available to be used within one year	<u>208,280</u>	<u>252,585</u>
Financial assets available to meet general expenditures within one year	<u>\$ 4,043,841</u>	<u>\$ 909,667</u>

UMMen has assets limited to use for donor-restricted purposes. Additionally, certain other board-designated assets are designated for future capital expenditures and other specific purposes. These assets limited to use, which are more fully described in Notes 10 and 11, are not available for general expenditure within the next year. However, the board-designated amounts could be made available, if necessary.

UMMen considers general expenditures to include program expenses, supporting services, and any other commitments or liabilities to be paid in the subsequent year. As part of UMMen’s liquidity management plan, it structures its financial assets to be available as its obligations come due. Cash in excess of daily requirements is invested in GCFA’s CBP. Management of UMMen believes the financial assets available within one year of the statement of financial position are sufficient to meet cash needs to fund general expenditures as they become due in the normal course of business.

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

DECEMBER 31, 2023 AND 2022

Note 4—Property and equipment, net

Property and equipment at December 31 consists of the following:

	<u>2023</u>	<u>2022</u>
Land	\$ -	\$ 520,800
Building and improvements	45,925	712,362
Equipment and furniture	66,321	142,243
	<u>112,246</u>	<u>1,375,405</u>
Less accumulated depreciation	<u>(17,806)</u>	<u>(604,984)</u>
Total property and equipment, net	<u>\$ 94,440</u>	<u>\$ 770,421</u>

Depreciation expense for the years ended December 31, 2023 and 2022 was \$5,577 and \$42,718, respectively. In June 2023, the land and building owned by UMMen was sold for \$4,100,000, which was netted against \$279,361 of closing costs and \$714,000 paid to GCFA as part of the original purchase agreement between UMMen and GCFA executed in 2005 for net proceeds received of \$3,106,639. The net proceeds of \$3,106,639 netted against the net book value of the land and building as of the date of the sale of \$759,252 resulted in a net gain on sale of \$2,347,387.

Note 5—Investments

Investments consist of the following at December 31, 2023 and 2022:

	<u>2023</u>		<u>2022</u>	
	<u>Fair Value</u>	<u>Cost</u>	<u>Fair Value</u>	<u>Cost</u>
International Equity Fund - I Series (Wespath)	\$ 983,111	\$ 882,533	\$ -	\$ -
U.S. Equity Fund - I Series (Wespath)	1,190,798	1,071,647	-	-
Short Term Investment fund - I Series (Wespath)	159,724	155,980	-	-
Fixed Income Fund - I Series (Wespath)	814,285	756,457	-	-
Inflation Protection Fund - I Series (Wespath)	297,882	283,671	-	-
	<u>\$ 3,445,800</u>	<u>\$ 3,150,288</u>	<u>\$ -</u>	<u>\$ -</u>

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

International Equity Fund I Series (Wespath) – A broadly diversified portfolio of foreign equities. The fund holds real estate investment trusts (“REIT”) and interests in private real estate and private equity partnerships located in foreign countries.

U.S. Equity Fund I Series (Wespath) – A broadly diversified portfolio of primarily U.S. stocks. Holds securities of publicly traded U.S. based REITs, limited partnership interests in private U.S. real estate, and other private investments of U.S. companies and equity index futures of U.S. stock indexes.

Short Term Investment Fund (Wespath) - The investments in Wespath's Investment Fund which holds primarily short-term fixed income instruments including U.S. govt bonds, agency bonds, corporate bonds, and other similar types of investments.

Fixed Income Fund I Series (Wespath) – A broadly diversified portfolio of fixed-income instruments. The fund holds publicly traded U.S. fixed income securities, and fixed income securities denominated in currencies other than the U.S. dollar.

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Note 5—Investments (continued)

Inflation Protection Fund I Series (Wespath) – The Fund holds a combination of U.S. and foreign fixed income securities. The Fund also invests in commodity futures contracts and holds senior secured loans.

Return on investments for the years ended December 31, 2023 and 2022 were as follows:

	<u>2023</u>	<u>2022</u>
Interest and dividends	\$ 54,257	\$ -
Gain on investments:		
Realized gains on sales of investments	30,686	-
Unrealized gains on investments	245,574	-
Net gains on investments	276,260	-
Less investment management expenses	(4,318)	-
Investment return, net	<u>\$ 326,199</u>	<u>\$ -</u>

All investments may be redeemed without advance notice and there are no limitations as to the frequency of redemptions for any investment pool. UMMen has no unfunded commitments to invest in any investment pool.

Note 6—Fair value of financial instruments

Required disclosures concerning the estimated fair value of financial instruments are presented below. The estimated fair value amounts have been determined based on UMMen’s assessment of available market information and appropriate valuation methodologies. The following table summarizes required fair value disclosures and measurements at December 31, 2023 and 2022 for assets measured at fair value on a recurring basis under ASC 820, *Fair Value Measurements and Disclosures*. The assets measured at fair value in the table below use one of three levels for defining their fair value:

	<u>Total Assets Measured at Fair Value</u>	<u>Fair Value Measurements at Reporting Date</u>		
		<u>Quoted Prices in Active Markets for Identical Assets Level 1</u>	<u>Significant Other Observable Inputs Level 2</u>	<u>Significant Unobservable at Fair Value Level 3</u>
December 31, 2023				
Investments:				
Investments reported at NAV:				
Wespath*	\$ 3,445,800			
Total Investments	<u>\$ 3,445,800</u>			
December 31, 2022				
Investments:				
Investments reported at NAV:				
Wespath*	\$ -			
Total Investments	<u>\$ -</u>			

* In accordance with ASC Subtopic 820-10, certain investments that are measured at fair value using NAV per share (or its equivalent) practical expedient have not been classified in the fair value hierarchy. The fair value amounts presented in this table are intended to permit reconciliation of the fair value hierarchy to the amounts presented in the consolidated statements of financial position.

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Note 7—Related party transactions

UMMen receives World Service Fund allocations from the General Funds of The United Methodist Church, which are administered by GCFA to support the activities of the agency. In addition, GCFA provides various services to UMMen, such as general ledger processing and maintenance, cash management, and group insurance plan administration. UMMen had the following transactions with or through GCFA, the United Methodist Men’s Foundation and SFS:

	<u>2023</u>	<u>2022</u>
Statements of Financial Position:		
Investments held at Wespath Benefits and Investments	\$ 3,445,800	\$ -
Due from GCFA CBP	688,418	1,038,338
Accrued World Service Fund allocation	74,692	82,985
Contributions receivable	30,614	28,795
Accounts receivable	12,597	12,134
Statements of Activities - Revenues:		
World Service Fund allocation	256,912	275,341
United Methodist Men Foundation grant	116,250	115,100
Distribution from Benefit Trust	130,518	109,152
Service to God and Country	20,321	25,000
Services received from GCFA	29,474	28,790
Donated office space from UMCOM	114,000	-
Investment return from GCFA CBP	47,648	16,116
Investment return, net	326,199	-
Statements of Activities - Expenses:		
Employee benefits - group insurance expense	84,795	70,499
Office space provided by UMCOM	114,000	-
Administration provided by GCFA	29,474	28,790
United Methodist Men Foundation contribution	16,549	19,360

Note 8—Employee benefits

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

UMMen makes semi-monthly contributions to each eligible employee’s account held by Wespath based on 8% of annual employee compensation. Additionally, UMMen matches up to 2% of each employee’s contribution to their United Methodist Personal Investment Plan. Total contributions made by UMMen for both components during 2023 and 2022 were \$53,342 and \$43,321, respectively.

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Note 8—Employee benefits (continued)

Health, Life, and Other Employee Benefits – The General Agencies of The United Methodist Church Benefit Plan (the “Plan”), which qualifies for treatment as a multiemployer plan under 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.

UMMen provides health, dental, life, and other employee benefits for its active employees and health, dental, and life benefits to non-Medicare eligible retirees through the Plan. Retirees who are Medicare eligible, and who elect to enroll, are eligible for a Health Reimbursement Account 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 UMMen’s active and retired 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 \$62,166 and \$54,652 in 2023 and 2022, respectively. The cost of benefits for retired employees was \$22,629 and \$15,847 in 2023 and 2022, respectively, exclusive of reimbursement from the General Agency Benefit Trust (the “Benefit Trust”).

The Plan’s unfunded accumulated postretirement benefit obligation was approximately \$26,626,000 and \$25,007,000 and 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) 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 UMMen’s share, excluding retiree health benefits, was \$130,518 and \$109,152, respectively.

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Note 9—Program services

Program services expenses for the years ended December 31, 2023 and 2022 are for the following programs:

	<u>2023</u>	<u>2022</u>
Civic Youth Fund	\$ 157,057	\$ 146,700
Every Man Shares Fund	94,667	85,911
Conference Presidents Fund	15,272	24,346
UMMen leader training	96,008	82,192
Specialty items	1,223	2,820
Men's magazine	49,567	41,540
Charters	215,252	173,003
Service to God and Country	29,213	24,754
Films and video tapes	34,350	25,641
Prison Ministry	918	20,332
Amending through Faith	4	4
Total program services expenses	<u>\$ 693,531</u>	<u>\$ 627,243</u>

Note 10—Board-designated net assets

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

	<u>2023</u>	<u>2022</u>
Capital expense for property, plant, and equipment	\$ 105,537	\$ 150,000
International ministries	50,000	50,000
National men's event(s)	50,000	50,000
Total board-designated net assets	<u>\$ 205,537</u>	<u>\$ 250,000</u>

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

Capital Expense for Property, Plant, and Equipment – These funds are set aside for maintenance and upgrades of property, plant, and equipment.

International Ministries – To provide resources for travel to international men's events, ministries.

National Men's Event(s) – To help fund and provide seed money for UMMen events.

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Note 11—Net assets with donor restrictions

Net assets with donor restrictions at December 31, 2023 and 2022 have been restricted by the donors for the following purpose restrictions:

	<u>2023</u>	<u>2022</u>
Subject to purpose restriction:		
Amending through Faith	\$ 2,743	\$ 2,585

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 as follows:

	<u>2023</u>	<u>2022</u>
Satisfaction of purpose restrictions:		
Amending through Faith	\$ 4	\$ 4
Civic Youth-Serving agencies	116,250	115,100
Total net assets released from restrictions	<u>\$ 116,254</u>	<u>\$ 115,104</u>

Note 12—United Methodist Men Foundation

The United Methodist Men’s Foundation (the “Foundation”) was formed in 1981 by the men of the National Association of Conference Presidents of United Methodist Men to raise and provide funds for the scouting ministry and other ministries of UMMen. The activities of the Foundation have not been consolidated in these financial statements as the Foundation is not controlled or financially supported by UMMen. UMMen received \$116,250 and \$115,100 from the Foundation during 2023 and 2022, respectively, which is included in the Office of Civic Youth revenue on the statements of activities.

UMMen also allocates contributions to the Foundation under the Every Man Shares / Legacy Fund. This program stipulates that legacy gifts from individuals exceeding \$50 in any calendar year will be allocated and remitted to the Foundation as contributions from UMMen. Total donations collected by UMMen and distributed to the Foundation were \$16,549 and \$19,360 for the years ended December 31, 2023 and 2022, respectively. There were no amounts due to the Foundation as of December 31, 2023 and 2022.

Note 13—Contingencies

Various lawsuits, claims, and other contingent liabilities arise in the course of UMMen’s activities. While the ultimate disposition of these contingencies is not determinable at this time, management believes that any resulting liability will not materially affect the financial position, changes in net assets, and cash flows of UMMen.

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Note 14—Leases

UMMen leases certain office equipment. UMMen 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. UMMen 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 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 are factored into the determination of the lease term if it is reasonably certain that these options would be exercised. 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. In order to determine the present value of lease payments, UMMen uses the risk-free discount rate to determine the present value of lease payments.

Future minimum lease payments as of December 31, 2023:

2024	\$	9,714
2025		4,566
2026		4,566
2027		1,142
2028		-
Total undiscounted cash flows		<u>19,988</u>
Less present value discount		<u>(325)</u>
Total lease liabilities	\$	<u><u>19,663</u></u>

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

	<u>2023</u>	<u>2022</u>
Lease expense		
Finance lease expense		
Amortization of ROU assets	\$ 9,484	\$ 9,484
Interest on lease liabilities	299	410
Total	<u><u>\$ 9,783</u></u>	<u><u>\$ 9,894</u></u>
Other information		
Cash paid for amounts included in the measurement of lease liabilities		
Operating cash flows from finance leases (i.e. Interest)	\$ 318	\$ 337
Financing cash flows from finance leases (i.e. principal portion)	9,396	9,304
Weighted-average remaining lease term in years for finance leases	2.66	3.46
Weighted-average discount rate for finance leases	1.29%	1.26%

Note 15—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.