

**GENERAL COMMISSION ON  
ARCHIVES AND HISTORY OF  
THE UNITED METHODIST CHURCH**

FINANCIAL STATEMENTS

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

*And Report of Independent Auditor*

**GENERAL COMMISSION ON ARCHIVES AND HISTORY OF  
THE UNITED METHODIST CHURCH  
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## Report of Independent Auditor

To the Board of Trustees  
General Commission on Archives and History of  
The United Methodist Church  
Madison, New Jersey

To the Committee on Audit and Review  
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 Archives and History 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 audits. 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 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 ARCHIVES AND HISTORY OF  
THE UNITED METHODIST CHURCH  
STATEMENTS OF FINANCIAL POSITION**

DECEMBER 31, 2023 AND 2022

	<u>2023</u>	<u>2022</u>
<b>ASSETS</b>		
Cash and cash equivalents	\$ 960	\$ 1,239
Due from General Council on Finance and Administration ("GCFA")		
Cash Balance Pool ("CBP")	1,103,733	1,181,204
Accounts receivable	7,657	13,383
Grants receivable	-	20,000
Investments held at:		
The United Methodist Church Foundation	268,862	230,871
The United Methodist Church Foundation - Forman	86,381	81,741
The United Methodist Church Foundation - A&H Endowment Fund	77,860	67,418
Wespath Benefits and Investments	171,487	150,005
Total Investments	<u>604,590</u>	<u>530,035</u>
Accrued General Administration Fund allocation	205,778	236,849
Inventory	1,096	1,227
Prepaid expense	29,657	19,827
Operating lease right-of-use assets	193,790	385,510
Property and equipment, net	59,944	33,093
<b>Total Assets</b>	<u><u>\$ 2,207,205</u></u>	<u><u>\$ 2,422,367</u></u>
<b>LIABILITIES AND NET ASSETS</b>		
Liabilities:		
Accounts payable and accrued liabilities	\$ 200,867	\$ 183,640
Grants payable	15,000	2,000
Deferred subscription revenue	-	59
Operating lease liabilities	204,215	399,994
Deferred library services	2,585	3,412
Total Liabilities	<u>422,667</u>	<u>589,105</u>
Net Assets:		
Without Donor Restrictions:		
Invested in property and equipment	59,944	33,093
Board-designated	187,085	221,320
Undesignated	1,091,360	1,114,715
Total Without Donor Restrictions	<u>1,338,389</u>	<u>1,369,128</u>
With Donor Restrictions:		
Subject to purpose restrictions	219,469	266,920
Endowments	226,680	197,214
Total With Donor Restrictions	<u>446,149</u>	<u>464,134</u>
Total Net Assets	<u>1,784,538</u>	<u>1,833,262</u>
<b>Total Liabilities and Net Assets</b>	<u><u>\$ 2,207,205</u></u>	<u><u>\$ 2,422,367</u></u>

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

**GENERAL COMMISSION ON ARCHIVES AND HISTORY 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:						
General Administrative Fund:						
General operating budget	\$ 740,330	\$ -	\$ 740,330	\$ 802,309	\$ -	\$ 802,309
<i>Methodist History</i> subscriptions	2,433	-	2,433	4,705	-	4,705
Investment return from GCFA CBP	44,168	-	44,168	12,456	-	12,456
Investment return, net	43,387	31,165	74,552	(71,876)	(30,885)	(102,761)
Other Revenue:						
Heritage landmarks and historical sites	225	-	225	225	-	225
Printed materials	41	-	41	-	-	-
Gifts and grants	21,515	68,685	90,200	53,294	9,935	63,229
Distributions from Benefit Trust	108,424	-	108,424	107,775	-	107,775
Services received from GCFA	44,421	-	44,421	45,081	-	45,081
Sand Creek	-	3,307	3,307	-	4,046	4,046
Other income	16,739	-	16,739	5,895	-	5,895
Net assets released from restrictions	121,142	(121,142)	-	39,061	(39,061)	-
Total Revenue	<u>1,142,825</u>	<u>(17,985)</u>	<u>1,124,840</u>	<u>998,925</u>	<u>(55,965)</u>	<u>942,960</u>
Expenses:						
Program Services:						
Archives	377,515	-	377,515	265,220	-	265,220
Research and publications	2,341	-	2,341	3,533	-	3,533
Supporting Services:						
Management and general	793,708	-	793,708	691,986	-	691,986
Total Expenses	<u>1,173,564</u>	<u>-</u>	<u>1,173,564</u>	<u>960,739</u>	<u>-</u>	<u>960,739</u>
Change in net assets	(30,739)	(17,985)	(48,724)	38,186	(55,965)	(17,779)
Net assets, beginning of year	1,369,128	464,134	1,833,262	1,330,942	520,099	1,851,041
Net assets, end of year	<u>\$ 1,338,389</u>	<u>\$ 446,149</u>	<u>\$ 1,784,538</u>	<u>\$ 1,369,128</u>	<u>\$ 464,134</u>	<u>\$ 1,833,262</u>

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

**GENERAL COMMISSION ON ARCHIVES AND HISTORY OF  
THE UNITED METHODIST CHURCH  
STATEMENT OF FUNCTIONAL EXPENSES**

YEAR ENDED DECEMBER 31, 2023

	Program Services		Supporting Services	Total
	Archives	Research and Publications	Management and General	
Grants and scholarships	\$ 59,687	\$ -	\$ 10,000	\$ 69,687
Salaries and wages	229,287	-	235,662	464,949
Employee benefits	63,658	-	71,149	134,807
Administration provided by GCFA	-	-	44,421	44,421
Rent and occupancy	10,213	-	-	10,213
Pro rata share of lease - building	-	-	195,121	195,121
Pro rata share library expense	-	-	57,740	57,740
Travel and meetings	1,835	-	23,514	25,349
Retiree benefit expense	-	-	13,096	13,096
Supplies	2,566	-	1,501	4,067
Publications	-	2,295	70	2,365
Postage, shipping, and freight	501	46	2,975	3,522
Telephone/internet	-	-	13,411	13,411
Repairs and maintenance	(224)	-	92,781	92,557
Insurance	2,093	-	12,087	14,180
Depreciation	7,817	-	8,116	15,933
Professional and consulting fees	-	-	3,063	3,063
Promotional events and information material	-	-	8,230	8,230
Other expenses	82	-	771	853
	<u>\$ 377,515</u>	<u>\$ 2,341</u>	<u>\$ 793,708</u>	<u>\$ 1,173,564</u>

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

**GENERAL COMMISSION ON ARCHIVES AND HISTORY OF  
THE UNITED METHODIST CHURCH  
STATEMENT OF FUNCTIONAL EXPENSES**

*YEAR ENDED DECEMBER 31, 2022*

	<b>Program Services</b>		<b>Supporting Services</b>	<b>Total</b>
	<b>Archives</b>	<b>Research and Publications</b>	<b>Management and General</b>	
Grants and scholarships	\$ 35,977	\$ -	\$ 10,000	\$ 45,977
Salaries and wages	171,968	-	222,050	394,018
Employee benefits	38,562	-	83,658	122,220
Administration provided by GCFA	-	-	45,081	45,081
Rent and occupancy	6,600	-	-	6,600
Pro rata share of lease - building	-	-	188,553	188,553
Pro rata share library expense	-	-	57,740	57,740
Travel and meetings	1,636	-	14,140	15,776
Retiree benefit expense	-	-	13,741	13,741
Supplies	1,814	-	2,322	4,136
Publications	-	3,455	420	3,875
Postage, shipping, and freight	300	78	997	1,375
Telephone/internet	-	-	12,002	12,002
Repairs and maintenance	73	-	22,810	22,883
Insurance	2,672	-	11,455	14,127
Depreciation	5,581	-	2,920	8,501
Professional and consulting fees	-	-	552	552
Promotional events and information material	-	-	1,942	1,942
Other expenses	37	-	1,603	1,640
	<u>\$ 265,220</u>	<u>\$ 3,533</u>	<u>\$ 691,986</u>	<u>\$ 960,739</u>

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



**GENERAL COMMISSION ON ARCHIVES AND HISTORY OF  
THE UNITED METHODIST CHURCH  
STATEMENTS OF CASH FLOWS**

YEARS ENDED DECEMBER 31, 2023 AND 2022

	<u>2023</u>	<u>2022</u>
<b>Cash flows from operating activities:</b>		
Change in net assets	\$ (48,724)	\$ (17,779)
Adjustments to reconcile change in net assets to net cash flows from operating activities:		
Depreciation expense	15,933	8,501
Noncash lease expense	(4,059)	14,484
Realized and unrealized losses (gains) on investments	(63,507)	111,428
Changes in operating assets and liabilities:		
Due to GCFA CBP	77,471	(82,627)
Accounts receivable	5,726	(3,146)
Grants receivable	20,000	-
Accrued General Administration Fund allocation	31,071	10,753
Inventory	131	131
Prepaid expense	(9,830)	(3,589)
Accounts payable and accrued liabilities	17,227	20,051
Grants payable	13,000	2,000
Deferred subscription revenue	(59)	(1,367)
Deferred library services	(827)	(18,054)
Net cash flows from operating activities	<u>53,553</u>	<u>40,786</u>
<b>Cash flows from investing activities:</b>		
Purchase of property and equipment	(42,784)	(33,736)
Net purchases of investments	<u>(11,048)</u>	<u>(7,298)</u>
Net cash flows from investing activities	<u>(53,832)</u>	<u>(41,034)</u>
Net change in cash and cash equivalents	(279)	(248)
Cash and cash equivalents, beginning of year	<u>1,239</u>	<u>1,487</u>
Cash and cash equivalents, end of year	<u>\$ 960</u>	<u>\$ 1,239</u>
<b>Supplemental disclosures of noncash financing information:</b>		
Right-of-use assets obtained in exchange for new operating lease liabilities	<u>\$ -</u>	<u>\$ 587,608</u>

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

**GENERAL COMMISSION ON ARCHIVES AND HISTORY OF  
THE UNITED METHODIST CHURCH  
NOTES TO THE FINANCIAL STATEMENTS**

DECEMBER 31, 2023 AND 2022

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**Note 1—Nature of the organization**

The General Commission on Archives and History of The United Methodist Church (the “Commission”) was established to gather, preserve, hold title to, and disseminate materials on the history of The United Methodist Church (the “Church”).

Funding for the Commission’s operations is principally provided by allocations received from the General Funds of The United Methodist Church which are administered by the General Council on Finance and Administration of The United Methodist Church (“GCFA”) and allocated to the Commission based on a four-year budget developed from projections of expected program costs. The General Administrative Fund allocation accounts for 66% and 85% of the Commission’s total revenue in 2023 and 2022, respectively. The Commission’s continued existence is 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).

**Note 2—Summary of significant accounting policies**

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

*Basis of Presentation* – To ensure the observance of limitations and restrictions placed on the use of resources, the Commission maintains its accounts 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 trustees. 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:

*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 Trustees to be used for specific activities within guidelines established by the board.

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

*Net Assets With Donor Restrictions* – Net assets subject to stipulations imposed by donors and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of the 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.

**GENERAL COMMISSION ON ARCHIVES AND HISTORY OF  
THE UNITED METHODIST CHURCH  
NOTES TO THE FINANCIAL STATEMENTS**

*DECEMBER 31, 2023 AND 2022*

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**Note 2—Summary of significant accounting policies (continued)**

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

Revenue 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 restrictions. Gains and losses on investments and other assets or liabilities are reported as increases or decreases in net assets without donor restrictions unless their use is restricted by explicit 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.

*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 4 and totaled \$44,421 and \$45,081 for the years ended December 31, 2023 and 2022, respectively.

*Use of Estimates* – Management of the Commission has made 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 or 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.

*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.

**GENERAL COMMISSION ON ARCHIVES AND HISTORY OF  
THE UNITED METHODIST CHURCH  
NOTES TO THE FINANCIAL STATEMENTS**

*DECEMBER 31, 2023 AND 2022*

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**Note 2—Summary of significant accounting policies (continued)**

*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 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 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.

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 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 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 \$44,168 and \$12,456 and of interest income, respectively. The overall return for the Cash Balance Pool for the years ended December 31, 2023 and 2022 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.

**GENERAL COMMISSION ON ARCHIVES AND HISTORY OF  
THE UNITED METHODIST CHURCH  
NOTES TO THE FINANCIAL STATEMENTS**

DECEMBER 31, 2023 AND 2022

**Note 2—Summary of significant accounting policies (continued)**

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>

*Inventory* – Inventory consists of historical markers to be sold to support activities of the Commission and is stated at lower of cost or net realizable value.

*Valuation of Historical Records and Materials* – Historical records and materials are part of a library collection at Drew University and are not reflected in the accompanying financial statements due to the nature of the items. The Commission does not purchase or sell such items. Contributions of historical items are accepted by the Commission but, due to the fact that they are not revenue-producing assets, no contribution revenue is recognized at the date of gift.

*Property and Equipment* – Property and equipment, which consists primarily of computer and office equipment, are reported at cost at date of acquisition, or fair value at date of donation in the case of gifts. The Commission capitalizes assets with a cost greater than \$1,000. Depreciation is computed using the straight-line method with a modified half-year convention over the estimated useful lives of three to six years. 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.

*Income Taxes* – The Commission is covered under GCFA's group determination letter from the Internal Revenue Service, indicating that it is a nonprofit corporation and, except for taxes pertaining to unrelated business income, is exempt from federal and state income taxes under Section 501(c)(3) of the Internal Revenue Code (the "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.

*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.

**GENERAL COMMISSION ON ARCHIVES AND HISTORY OF  
THE UNITED METHODIST CHURCH  
NOTES TO THE FINANCIAL STATEMENTS**

DECEMBER 31, 2023 AND 2022

**Note 2—Summary of significant accounting policies (continued)**

*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’ 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:		
Cash and cash equivalents	\$ 960	\$ 1,239
Due from GGFA CBP	1,103,733	1,181,204
Accounts receivable	7,657	13,383
Grants receivable	-	20,000
Investments	604,590	530,035
Accrued General Administration Fund allocation	205,778	236,849
Total financial assets	<u>1,922,718</u>	<u>1,982,710</u>
Less amounts not available to be used for general expenditures within one year:		
Purpose restrictions	219,469	266,920
Endowment funds held in perpetuity and accumulated earnings	226,680	197,214
Board-designated funds	187,085	221,320
Financial assets not available to be used within one year	<u>633,234</u>	<u>685,454</u>
Financial assets available to meet general expenditures within one year	<u>\$ 1,289,484</u>	<u>\$ 1,297,256</u>

The Commission has assets limited to use for donor-restricted purposes. Additionally, certain other board-designated assets are designated for future capital expenditures and other specific purposes. These assets limited to use, which are more fully described in Notes 8, 9, and 10 are not available for general expenditure within the next year. However, the board-designated amounts could be made available, if necessary.

The Commission considers general expenditures to include program expenses, supporting services, and any other commitments or liabilities to be paid in the subsequent year. As part of the Commission’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 Cash Balance Pool. The fund established by the Commission may be drawn upon, if necessary, to meet unexpected liquidity needs.

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**Note 4—Related party transactions**

The Commission receives the majority of its revenue through apportionments from the General Funds of The 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 plan administration. The Commission had the following transactions with GCFA and related entities:

	<u>2023</u>	<u>2022</u>
Statements of Financial Position:		
Investment in:		
The United Methodist Church Foundation ("UMCF")	\$ 433,103	\$ 380,030
Wespath Benefits and Investments ("Wespath")	171,487	150,005
Accrued General Administration Fund allocation	205,778	236,849
Due from GCFA CBP	1,103,733	1,181,204
Accounts receivable - Historical Society of the UMC	1,240	1,520
Statements of Activities:		
Revenue:		
General Administrative Fund:		
General operating budget	740,330	802,309
Distributions from Benefit Trust	108,424	107,775
Services provided by GCFA	44,421	45,081
Investment return from GCFA CBP	44,168	12,456
Investment return, net	74,552	(102,761)
Expenses:		
Administration provided by GCFA	44,421	45,081
Employee benefits - group insurance expense	68,094	65,024
Reimbursement of consulting services - United Methodist Communications (contra-expense)	-	(23,000)

The Commission is located at Drew University, a related United Methodist organization. Drew University provides the Commission with approximately 16,000 square feet of space for operations. Under an agreement with Drew University, the Commission pays maintenance fees and a pro rata share of library expense to Drew University. These expenses totaled \$252,861 and \$246,293 for the years ended December 31, 2023 and 2022, respectively.

**Note 5—Investments**

The Commission's investments at December 31, 2023 and 2022 consist of the following:

	<u>2023</u>		<u>2022</u>	
	<u>Fair Value</u>	<u>Cost</u>	<u>Fair Value</u>	<u>Cost</u>
The UMCF	\$ 268,862	\$ 276,033	\$ 230,871	\$ 270,549
The UMCF - Forman	86,381	104,444	81,741	100,608
The UMCF - A&H Endowment Fund	77,860	79,859	67,418	78,417
Wespath Benefits and Investments	171,487	71,159	150,005	71,159
	<u>\$ 604,590</u>	<u>\$ 531,495</u>	<u>\$ 530,035</u>	<u>\$ 520,733</u>

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**Note 5—Investments (continued)**

The following is a summary of the primary funds in which the Commission's investments are held:

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

*The UMCF – Forman* – The UMCF – Forman fund is within the Fixed Income Fund. The Fixed Income Fund's objective is to provide current income and preservation of nominal capital. No provision is made for protection against inflation. The fund is primarily invested in government and corporate bonds, commercial paper, mortgage-backed securities, and collateralized mortgage securities. The fund is permitted to invest up to 10% in securities with "BB" or "B" ratings. The fund may invest up to 5% of portfolio market value in bank loans, interest-only or principal only securities as conditions warrant. The fund is designed for investors whose main objective is current income.

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

*Wespath* – Wespath Benefits and Investments ("Wespath") investment is within the Multiple Asset Fund - Institutional. The Wespath Multiple Asset Fund - Institutional is invested as follows: 34.2% in U.S. equity funds, 24.9% in fixed income funds, 30.6% in international equity funds, 10.0% in inflation protection funds, 0.10% in alternative investments, and 0.20% in cash.

Investment return, net consist of the following for the years ended December 31, 2023 and 2022:

	<b>2023</b>	<b>2022</b>
Dividends and interest	\$ 12,576	\$ 10,277
Realized losses on investments	(285)	(212)
Unrealized gains (losses) on investments	63,792	(111,216)
Investment expense	(1,531)	(1,610)
	<u>\$ 74,552</u>	<u>\$ (102,761)</u>



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**Note 6—Fair value of financial instruments**

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:

	<u>Fair Value</u>	<u>Unfunded Commitments</u>	<u>Redemption Frequency</u>	<u>Redemption Notice Period</u>
The UCMF	\$ 268,862	none	daily	3 days
The UCMF - Forman	86,381	none	daily	3 days
The UCMF - A&H Endowment Fund	77,860	none	daily	3 days
Wespath Benefits and Investments	171,487	none	daily	daily
	<u>\$ 604,590</u>			

**Note 7—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 the 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 compensation to their United Methodist Personal Investment Plan. Total contributions made by the Commission for both components during 2023 and 2022 were \$46,081 and \$41,234, respectively.

*Health, Life, and Other Employee Benefits* – The General Agencies of The United Methodist Church Benefit Plan (the “Plan”), which qualifies for treatment as a multiemployer plan under ASC 715, *Compensation – Retirement Benefits*, provides medical, dental, life, and long- and short-term disability defined benefits to participants of the 11 general agencies, all Bishops covered by the Episcopal Fund, and employees of other United Methodist related organizations. Effective January 1, 2004, Plan amendments were made to change the retiree benefits offered and increase the related premiums paid by retirees.

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 benefits is recognized as an expense as premiums are paid. The total cost of benefits for active employees was \$54,998 and \$51,283 in 2023 and 2022, respectively, and the cost of benefits for retired employees was \$13,096 and \$13,741 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.

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**Note 7—Employee benefits (continued)**

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, excluding retiree health benefits, was \$108,424 and \$107,775, respectively.

**Note 8—Board-designated net assets**

Certain net assets without donor restrictions at December 31, 2023 and 2022 have been designated by the Board of Directors for the following purposes:

	<u>2023</u>	<u>2022</u>
Ethnic History fund	\$ 9,000	\$ 9,000
Women's History fund	8,600	8,800
Josephine Forman fund	69,999	79,999
A&H quasi-endowment	36,773	31,922
AAMHC	60,000	90,000
John Ness	2,713	1,599
Total board-designated net assets	<u>\$ 187,085</u>	<u>\$ 221,320</u>

The board-designated quasi endowment was established by the board of trustees and its purpose and use are more fully described in Note 10.

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

*Ethnic History Fund* – The purpose of this fund is to grant research grants (awards) to individuals or organizations to promote excellence in research and writing in the history of the following four groups Asian, Black, Hispanic, and Native American in The United Methodist Church or its antecedents.

*Women's History Fund* – The purposes of this fund are to provide seed money for research projects or reward excellence in research and writing relating specifically to the history of women in The United Methodist Church or its antecedents. The grant money is not to be used for equipment, publication costs, or researcher salaries.

*Josephine Forman Fund* – To provide racial/ethnic scholarships in Archival Studies in order to attract racially and ethnically diverse individuals to pursue professional careers in archival studies.

*African American Methodist Heritage Center* – To ensure five years of financial support for the African American Heritage Center.

*John Ness* – To support the Ness Award.

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**Note 9—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 restrictions:		
Committee on Latino Church History	\$ 36,423	\$ 31,063
Sand Creek	51,599	48,292
Ethnic Minority Summit	15,000	15,000
Website Update	14,746	71,933
Hardware and Equipment	32	12,140
Server Migration	8,815	49,975
Data Archiving	4,883	14,000
Rev K & Rev R Boggan	12,971	9,517
History People of Color	15,000	15,000
Gulfside Assembly	60,000	-
Total subject to purpose restrictions	<u>219,469</u>	<u>266,920</u>
Endowments:		
Accumulated earnings on endowment funds	43,813	14,347
Endowment funds held in perpetuity	182,867	182,867
Total endowments	<u>226,680</u>	<u>197,214</u>
Total net assets with donor restrictions	<u>\$ 446,149</u>	<u>\$ 464,134</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.

**Note 10—Endowments**

The Commission has established a pooled endowment fund comprised of six donor-restricted funds and one fund that is comprised of both board-designated and donor restricted funds. These funds were established for various charitable purposes of the Church, with its principal objectives being the promotion and development of religious, charitable, and educational activities that benefit the mission and ministry of the Commission.

The board of trustees 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 10—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:

	<b>December 31, 2023</b>		
	<b>Without Donor Restrictions</b>	<b>With Donor Restrictions</b>	<b>Total</b>
Board-designated endowment funds	\$ 36,773	\$ -	\$ 36,773
Donor-restricted endowment funds:			
Original donor-restricted gift amount and amounts required to be maintained in perpetuity by donor	-	182,867	182,867
Accumulated investment gains	-	43,813	43,813
Endowment net assets, December 31, 2023	<u>\$ 36,773</u>	<u>\$ 226,680</u>	<u>\$ 263,453</u>
	<b>December 31, 2022</b>		
	<b>Without Donor Restrictions</b>	<b>With Donor Restrictions</b>	<b>Total</b>
Board-designated endowment funds	\$ 31,922	\$ -	\$ 31,922
Donor-restricted endowment funds:			
Original donor-restricted gift amount and amounts required to be maintained in perpetuity by donor	-	182,867	182,867
Accumulated investment gains	-	14,347	14,347
Endowment net assets, December 31, 2022	<u>\$ 31,922</u>	<u>\$ 197,214</u>	<u>\$ 229,136</u>

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 UPMIFA to permit spending from underwater endowments in accordance with prudent measures required under law. At December 31, 2023 and 2022, the Commission had \$871 and \$16,816 in underwater endowments, respectively.

*Investment and Spending Policies* – The Commission may choose to make distributions of the income to any proper recipient, including the Commission itself. Distributions may only be made after the corpus of the endowment has reached \$50,000 with the exception of special approval by the Board of Trustees to distribute earnings prior to reaching \$50,000. 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.

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**Note 10—Endowments (continued)**

*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 or for a donor-specified period(s). Under this policy, as approved by the board of trustees, 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.

Changes in endowment net assets for the years ended December 31, 2023 and 2022 are as follows:

	<b>Without Donor Restrictions</b>	<b>With Donor Restrictions</b>	<b>Total</b>
Endowment net assets, December 31, 2021	\$ 37,588	\$ 228,601	\$ 266,189
Investment return, net	(5,666)	(30,967)	(36,633)
Appropriation of endowment assets for expenditure	-	(420)	(420)
Endowment net assets, December 31, 2022	31,922	197,214	229,136
Investment return, net	4,851	29,536	34,387
Appropriation of endowment assets for expenditure	-	(70)	(70)
Endowment net assets, December 31, 2023	<u>\$ 36,773</u>	<u>\$ 226,680</u>	<u>\$ 263,453</u>

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**Note 11—Leases**

The Commission leases office and library space from Drew University and certain office equipment. The Commission determines whether a contract contains a lease at inception by determining if the contract conveys the right of 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 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, the Commission uses the risk-free discount rate to determine the present value of lease payments.

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:

<b><u>Year Ending December 31,</u></b>	
2024	\$ 205,545
Total undiscounted cash flows	205,545
Less present value discount	(1,330)
Total lease liabilities	<u>\$ 204,215</u>

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

	<u>2023</u>	<u>2022</u>
Cash paid for amounts included in the measurement of lease liabilities		
Operating cash flows from operating leases	\$ 199,180	\$ 193,000
ROU assets obtained in exchange for new operating lease liabilities	-	587,608
Weighted-average remaining lease term in years for operating leases	1.00	2.00
Weighted-average discount rate for operating leases	1.04%	1.04%

**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.