

CONNECTIONAL TABLE OF THE UNITED METHODIST CHURCH

FINANCIAL STATEMENTS

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

And Report of Independent Auditor

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To the Board of Directors
Connectional Table of The United Methodist Church
Chicago, Illinois

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

Opinion

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of CT as of December 31, 2021, 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 CT 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 CT'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.

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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 CT'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 CT'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.

Charlotte, North Carolina
July 22, 2022

**CONNECTIONAL TABLE OF
THE UNITED METHODIST CHURCH
STATEMENTS OF FINANCIAL POSITION**

DECEMBER 31, 2021 AND 2020

2021 2020

ASSETS

Due from General Council on Finance and Administration

("GCFA") short-term pooled investment fund 676,251 \$ 423,344 \$ Prepaid expenses 1,388 1,414 Property
and equipment, net 4,456 5,100 **Total Assets** \$ 429,858 682,095 \$

LIABILITIES AND NET ASSETS

Liabilities:

Accounts payable 3,075 \$ 2,375 \$ Accrued liabilities 19,086 11,034

Total Liabilities 22,161 13,409

Net Assets:

Without Donor Restrictions:

Undesignated 153,006 416,449 Board-designated 506,928 -

Total Net Assets 659,934 416,449 **Total Liabilities and Net Assets** \$ 429,858 682,095 \$

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

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**CONNECTIONAL TABLE OF
THE UNITED METHODIST CHURCH
STATEMENTS OF ACTIVITIES**

YEARS ENDED DECEMBER 31, 2021 AND 2020

2021 2020

Revenue Without Donor Restrictions:

Allocation from World Service Fund	547,465	\$ 536,232	\$	Services received from GCFA	33,615	28,389
Benefit Trust distribution	46,844	40,601		Interest income from GCFA short-term pooled investment fund		
	14,962	12,496				

Total Revenue Without Donor Restrictions 642,886 617,718

Expenses:

Program Services:

Services for meetings 1,570 6,650 Supporting Services:

Management and general 397,831 452,050 Total Expenses 399,401 458,700

Change in net assets without donor restrictions 243,485 159,018 Net assets without donor restrictions,
beginning of year 416,449 257,431 Net assets without donor restrictions, end of year 659,934 \$ 416,449 \$

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

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**CONNECTIONAL TABLE OF
THE UNITED METHODIST CHURCH
STATEMENT OF FUNCTIONAL EXPENSES**

YEAR ENDED DECEMBER 31, 2021

**Program Services Supporting Services
Services for Management
Meetings and General Total**

Salaries and wages - \$ 241,239	\$ 241,239	\$	Employee benefits - 56,599	56,599	Administration provided by
GCFA - 33,615	33,615		Rent and occupancy - 2,496	2,496	Meetings 1,570 2,023 3,593
			Staff travel - 4,276	4,276	Professional fees - 27,128 27,128
			Supplies - 902	902	Telephone and web service - 5,148 5,148
			Postage, shipping, and freight - 9,177	9,177	Repairs and maintenance - 4,151 4,151
			Subscriptions and		memberships - 639 639
			Non capital assets - 382	382	Depreciation - 1,700 1,700
			Promotion and marketing		expense - 50 50
			Legal fees - 1,121	1,121	Insurance - 3,822 3,822
			Service fees paid to GCFA - 1,561	1,561	Promotional and information material - 573 573
			Other expense - 1,229	1,229	Total Expenses 1,570 \$
					397,831 \$ 399,401 \$

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

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**CONNECTIONAL TABLE OF
THE UNITED METHODIST CHURCH
STATEMENT OF FUNCTIONAL EXPENSES**

YEAR ENDED DECEMBER 31, 2020

**Program Services Supporting Services
Services for Management
Meetings and General Total**

Salaries and wages - \$ 244,696 \$ 244,696 \$ Employee benefits - 57,808 57,808 Administration provided by GCFA - 28,389 28,389 Rent and occupancy - 19,915 19,915 Building management expense - 10,657 10,657 Meetings 2,245 39 2,284 Staff travel 4,405 7,389 11,794 Professional fees - 43,273 43,273 Supplies - 3,132 3,132 Telephone and web service - 6,700 6,700 Postage, shipping, and freight - 388 388 Utilities - 115 115 Repairs and maintenance - 5,907 5,907 Insurance - 4,204 4,204 Service fees paid to GCFA - 2,028 2,028 Promotional and information material - 16,242 16,242 Other expense - 1,168 1,168 Total Expenses 6,650 \$ 452,050 \$ 458,700 \$

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

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**CONNECTIONAL TABLE OF
THE UNITED METHODIST CHURCH
STATEMENTS OF CASH FLOWS**

YEARS ENDED DECEMBER 31, 2021 AND 2020

2021 2020

Cash flows from operating activities:

Change in net assets without donor restrictions 243,485 \$ 159,018 \$ Change in assets and liabilities:

Depreciation 1,700 - Due from GCFA short-term pooled investment fund (252,907) (144,922) Prepaid
expenses 26 598 Accounts payable 700 (7,482) Accrued liabilities 8,052 (2,112)

Net cash flows from operating activities 1,056 5,100

Cash flows from investing activities:

Purchase of equipment (1,056) (5,100) Net cash flows from investing activities (1,056) (5,100)

Net change in cash and cash equivalents - - Cash and cash equivalents, beginning of year - - Cash and
cash equivalents, end of year - \$ - \$

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

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**CONNECTIONAL TABLE OF
THE UNITED METHODIST CHURCH
NOTES TO THE FINANCIAL STATEMENTS**

DECEMBER 31, 2021 AND 2020

Note 1—Nature of the organization

As stated in *The Book of Discipline of The United Methodist Church*, “the purpose of Connectional Table (“CT”) is for the discernment and articulation of the vision for the church and the stewardship of the mission, ministries, and resources of The United Methodist Church (the “Church”) as determined by the actions of the General Conference and in consultation with the Council of Bishops. As part of the total mission of the Church, CT is to serve as a steward of the vision and resources for mission and ministry, provide fiscal responsibility, and establish policies and procedures to carry out the mission of the Church”.

Funding for CT’s operations is significantly provided by allocations received from the General Funds of the Church based on a four-year budget developed from projections of expected program costs and from specified grants to be administered by CT. For the years ended December 31, 2021 and 2020, these allocations accounted for 85% and 87%, respectively, of CT’s total revenue. CT’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). While contributions from congregations can vary from year to year, Connectional Table receives a priority allocation from World Service Fund, referred to as “fixed charges”, that result in annual allocations that do not fluctuate significantly from year to year and are primarily impacted by the four-year budgets developed at each General Conference.

Note 2—Summary of significant accounting policies

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

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

For reporting purposes, however, CT'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 CT 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 CT. These net assets may be used at the discretion of CT's management and the board of directors. CT has chosen to provide further classification information about net assets without donor restrictions on the statements of financial position. The sub classifications are as follows:

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

Undesignated – Represents the cumulative net assets without donor restrictions excluding those net assets designated for specific activities.

Net Assets With Donor Restrictions – Net assets subject to stipulations imposed by donors and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of CT or by the passage of time. Other donor restrictions are perpetual in nature, where by the donor has stipulated the funds be maintained in perpetuity. CT had no net assets with donor restrictions at December 31, 2021 and 2020.

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.

CONNECTIONAL TABLE OF THE UNITED METHODIST CHURCH NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2021 AND 2020

Note 2—Summary of significant accounting policies (continued)

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

Contributions are recognized when cash, other assets or an unconditional promise to give is received. Conditional promises to give, that is, those with a measurable performance or other barrier, and a right of return or right of release, are not recognized until the conditions on which they depend have been substantially met. Contributions of assets other than cash are recorded at their estimated fair value.

Allocation from World Service Fund – The World Service Fund (the "Fund") is the basic benevolence fund of the

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

Services Received from Personnel of an Affiliate – Services received from personnel of the General Council on Finance and Administration (“GCFA”) for which GCFA does not charge CT have been measured at the cost recognized by GCFA in providing those services. The revenue and expense relating to those services received are presented in the related party Note 5 and totaled \$33,615 and \$28,389 for the years ended December 31, 2021 and 2020, respectively.

Use of Estimates – Management of CT has made estimates and assumptions relating to the reporting of assets and liabilities at the date of the financial statements, and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

Due from GCFA Short-Term Pooled Investment Fund – The amounts presented as due from GCFA short-term pooled investment fund in the accompanying financial statements represent CT’s portion of the short-term investment portfolio managed by GCFA on behalf of certain agencies and related organizations of the Church. The amount due from this fund effectively represents the amount of cash deposits that are available to CT 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 CT’s name, they are not classified as cash and cash equivalents, but rather are considered an amount due from GCFA. The short-term investment portfolio includes funds invested in demand deposits, corporate bonds, taxable municipal bonds, mutual funds, and notes from other United Methodist organizations. GCFA allocates interest earned on the portfolio to the participating entities. For the years ended December 31, 2021 and 2020, GCFA allocated \$14,962 and \$12,496 of interest income, respectively, to CT. While interest income can be earned based on the performance of the pooled investment funds, CT believes there is little to no risk exposure to losses due to the relationship with GCFA and policy under which the pooled funds are invested. The operating cash requirements of the general agencies are centrally managed by GCFA.

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

**CONNECTIONAL TABLE OF
THE UNITED METHODIST CHURCH
NOTES TO THE FINANCIAL STATEMENTS**

DECEMBER 31, 2021 AND 2020

Note 2—Summary of significant accounting policies (continued)

The allocation of funds in the short-term investment pool were as follows as of December 31:

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

Equipment – 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 and five years for furniture and office equipment. 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. CT capitalizes assets with a cost greater than \$1,000.

Functional Expenses – The costs of providing the various programs and other activities have been summarized on a functional basis in the statement of activities. The statement of functional expenses presents the natural classification detail of expenses by function. Direct identifiable expenses are charged to programs and supporting services.

Income Taxes – CT 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 "Code"). CT is also exempt from filing a Form 990 due to its affiliation with a religious organization as described in Section 509(a) of the Code.

CT 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 CT include, but are not limited to, the tax-exempt status and determination of whether income is subject to unrelated business income tax.

Future Pronouncement – In September 2020, FASB issued ASU 2020-07, *Presentation and Disclosures by Not for-Profit Entities for Contributed Nonfinancial Assets*. The standard requires presentation of contributed nonfinancial assets as a separate line item in the statement of activities, apart from contributions of cash and other financial assets. It also requires a disclosure of disaggregated contributions of nonfinancial assets by category that depicts the type of contributed nonfinancial assets. This distinction will increase transparency of contributions recognized. This standard will be effective for fiscal years beginning after June 15, 2021. Management is currently evaluating the impact the pending adoption will have on CT's financial statements.

**CONNECTIONAL TABLE OF
THE UNITED METHODIST CHURCH
NOTES TO THE FINANCIAL STATEMENTS**

DECEMBER 31, 2021 AND 2020

Note 3—Liquidity and availability of resources

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

2021 2020

Financial assets at year end:

Due from GCFA short-term pooled investment fund 676,251 \$ 423,344 \$ Total financial assets 676,251
423,344

Less amounts not available to be used for
general expenditure within one year:

Board-designated funds 506,928 - Financial assets available to meet

general expenditure within one year 169,323 \$ 423,344 \$

CT considers general expenditures to include program expenses, supporting services, and any commitments or liabilities to be paid in the subsequent year. As part of CT’s liquidity management plan, it structures its financial assets to be available as its obligations come due. Cash in excess of daily requirements are invested in GCFA’s short-term pooled investment fund. This fund established by CT may be drawn upon, if necessary, to meet unexpected liquidity needs.

CT has certain board-designated limited to use, which are more fully described in Note 4 and are not available for general expenditure within one year in the normal course of operations. However, board-designated assets established by the Board of Directors may be drawn upon, if necessary, to meet unexpected liquidity needs.

Note 4—Board-designated net assets

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

	2021	2020
General Conference	122,928 \$	-
Executive Committee Board Meeting	110,000	-
Operating reserves	274,000	-
Total board-designated net assets	506,928 \$	-

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

**CONNECTIONAL TABLE OF
THE UNITED METHODIST CHURCH
NOTES TO THE FINANCIAL STATEMENTS**

DECEMBER 31, 2021 AND 2020

Note 5—Related party transactions

CT receives World Service Fund allocations from the General Funds of the Church, which are administered by GCFA to support the activities of CT. In addition, GCFA provides various services to CT, such as general ledger processing and maintenance, cash management, and group insurance plan administration.

CT had the following transactions with GCFA:

	2021	2020
Statement of Financial Position:		
Due from GCFA short-term pooled investment fund	676,251 \$	423,344 \$
Statement of Activities:		
Revenue:		
Allocation from World Service Fund	547,465	536,232
Services received from GCFA	33,615	28,389
Benefit Trust distribution	46,844	40,601
Interest income from GCFA short-term pooled investment fund		

14,962 12,496 Expenses:

Administration provided by GCFA 33,615 28,389 Service fess paid to GCFA 1,561 2,028 Employee benefits - group insurance expense 26,378 32,078

Note 6—Employee benefits

Retirement Benefits – CT sponsors the United Methodist Personal Investment Plan (“UMPIP”), a Section 403(b) defined contribution church plan. UMPIP allows each plan sponsor to elect the employer contribution formula. CT makes semi-monthly contributions to each eligible employee’s account held by Wespath Benefits and Investments (“Wespath”) based on 9% of annual employee compensation. Total contributions made by CT during 2021 and 2020 were \$24,895 and \$24,405, 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.

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

All of CT’s active employees are covered by the Plan. The cost of the benefits is recognized as group insurance expense as premiums are paid. The total cost of benefits for active employees was \$26,378 and \$32,078 for the years ended December 31, 2021 and 2020, respectively. CT had no retiree benefit expense in 2021 or 2020.

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CONNECTIONAL TABLE OF THE UNITED METHODIST CHURCH NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2021 AND 2020

Note 6—Employee benefits (continued)

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

Wespath has transferred certain excess pension assets to the General Agency Benefit Trust (“Benefit Trust”) established by the 1996 General Conference as of December 31, 1996. Annually, the Benefit Trust allows a stated percentage, not to exceed 6% for 2021 and 2020, of the fair value of the Benefit Trust’s 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 retired employee benefits. The fair value of the Benefit Trust’s assets (not plan assets) for which GCFA is the beneficiary was approximately \$190,403,000 and \$186,112,000 as of December 31, 2021 and 2020, respectively. The total amount available for reimbursement in 2021 and 2020 was \$11,167,000 and \$10,047,000, respectively, of which CT’s share, excluding retiree health benefits, was \$46,844 and \$40,601 received in 2021 and 2020, respectively.

Note 7—Contingencies

The Protocol of Reconciliation and Grace Through Separation was introduced as legislation in early 2020 for the upcoming General Conference. This joins other legislative proposals that if adopted by the General Conference would provide an alternative way for churches to separate from the United Methodist Church. These proposals include a provision for new denominations to receive financial payments from the United Methodist Church and retain their real estate. The scheduled General Conference has been delayed until 2024, and the financial impact resulting from these potential separations on CT is unknown at this time.

Note 8—Subsequent events

Management has evaluated subsequent events through July 22, 2022, the date the financial statements were available for issuance, and has determined that there are no subsequent events requiring disclosure.