

**CONNECTIONAL TABLE OF  
THE UNITED METHODIST CHURCH**

FINANCIAL STATEMENTS

*As of and for the Years Ended December 31, 2020 and 2019*

*And Report of Independent Auditor*

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THE UNITED METHODIST CHURCH  
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## Report of Independent Auditor

To the Board of Directors  
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

We have audited the accompanying financial statements of the Connectional Table of The United Methodist Church (a non-profit organization), which comprise the statements of financial position as of December 31, 2020 and 2019, the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

### 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.

### Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Connectional Table of The United Methodist Church as of December 31, 2020 and 2019, and the changes in its net assets and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

*Cherry Bekaert LLP*

Charlotte, North Carolina  
June 21, 2021

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

*DECEMBER 31, 2020 AND 2019*

	<u>2020</u>	<u>2019</u>
<b>ASSETS</b>		
Due from GCFA short-term pooled investment fund	\$ 423,344	\$ 278,422
Prepaid expenses	1,414	2,012
Equipment, net	5,100	-
<b>Total Assets</b>	<u>\$ 429,858</u>	<u>\$ 280,434</u>
<b>LIABILITIES AND NET ASSETS</b>		
Liabilities:		
Accounts payable	\$ 2,375	\$ 9,857
Accrued liabilities	11,034	13,146
Total Liabilities	<u>13,409</u>	<u>23,003</u>
Net Assets:		
Without Donor Restrictions:		
Undesignated	416,449	257,431
Total Net Assets	<u>416,449</u>	<u>257,431</u>
<b>Total Liabilities and Net Assets</b>	<u>\$ 429,858</u>	<u>\$ 280,434</u>

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

*YEARS ENDED DECEMBER 31, 2020 AND 2019*

	<b>2020</b>	<b>2019</b>
Revenue without Donor Restrictions:		
Allocation from World Service Fund	\$ 536,232	\$ 535,632
Services received from GCFA	28,389	27,704
Benefit Trust distribution	40,601	44,997
Interest income from GCFA short-term pooled investment fund	12,496	11,304
Total Revenue Without Donor Restrictions	<u>617,718</u>	<u>619,637</u>
Expenses:		
Program Services:		
Services for meetings	6,650	135,604
Management and general	452,050	515,401
Total Expenses	<u>458,700</u>	<u>651,005</u>
Change in net assets without donor restrictions	159,018	(31,368)
Net assets without donor restrictions, beginning of year	<u>257,431</u>	<u>288,799</u>
Net assets without donor restrictions, end of year	<u>\$ 416,449</u>	<u>\$ 257,431</u>

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

*YEAR ENDED DECEMBER 31, 2020*

	<u>Program Services</u> <u>Services for</u> <u>Meetings</u>	<u>Supporting Services</u> <u>Management</u> <u>and General</u>	<u>Total</u>
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	-	2,028	2,028
Promotional and informational material	-	16,242	16,242
Other expense	-	1,168	1,168
Total Expenses	<u>\$ 6,650</u>	<u>\$ 452,050</u>	<u>\$ 458,700</u>

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

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

*YEAR ENDED DECEMBER 31, 2019*

	<u>Program Services</u> <u>Services for</u> <u>Meetings</u>	<u>Supporting Services</u> <u>Management</u> <u>and General</u>	<u>Total</u>
Salaries and wages	\$ -	\$ 279,751	\$ 279,751
Employee benefits	-	82,050	82,050
Administration provided by GCFA	-	27,704	27,704
Rent and occupancy	-	19,575	19,575
Building management expense	-	11,320	11,320
Meetings	99,543	4,268	103,811
Staff travel	36,003	42,462	78,465
Professional fees	-	22,929	22,929
Supplies	-	6,708	6,708
Telephone and web service	-	6,649	6,649
Postage, shipping, and freight	-	17	17
Utilities	-	754	754
Repairs and maintenance	-	1,505	1,505
Insurance	-	5,042	5,042
Other expense	58	4,667	4,725
Total Expenses	<u>\$ 135,604</u>	<u>\$ 515,401</u>	<u>\$ 651,005</u>

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

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

*YEARS ENDED DECEMBER 31, 2020 AND 2019*

	<u>2020</u>	<u>2019</u>
<b>Cash flows from operating activities:</b>		
Change in net assets without donor restrictions	\$ 159,018	\$ (31,368)
Change in assets and liabilities:		
Due from GCFA short-term pooled investment fund	(144,922)	34,561
Prepaid expenses	598	(176)
Accounts payable	(7,482)	(8,945)
Accrued liabilities	(2,112)	5,928
Net cash flows from operating activities	<u>5,100</u>	<u>-</u>
<b>Cash flows from investing activities:</b>		
Purchase of equipment	(5,100)	-
Net cash flows from investing activities	<u>(5,100)</u>	<u>-</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>



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

DECEMBER 31, 2020 AND 2019

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## 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, 2020 and 2019, these allocations accounted for 87% and 86%, 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).

## 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. CT had no net assets that were board-designated as of December 31, 2020 and 2019.

*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, 2020 and 2019.

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, 2020 AND 2019

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## **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 4 and totaled \$28,389 and \$27,704 for the years ended December 31, 2020 and 2019, 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, 2020 and 2019, GCFA allocated \$12,496 and \$11,304 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, 2020 and 2019 was 3.63% and 4.17%, 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, 2020 AND 2019

**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:

	<u>2020</u>	<u>2019</u>
Texas Methodist Foundation loan fund	28.3%	18.4%
Mutual funds	13.2%	2.4%
Short-term collateralized loan fund	3.5%	0.4%
Fixed income	9.8%	15.1%
Corporate bonds	34.0%	46.1%
Cash	11.2%	17.6%
	<u>100.0%</u>	<u>100.0%</u>

*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 the Organization’s financial statements.

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

DECEMBER 31, 2020 AND 2019

**Note 3—Liquidity and availability of resources**

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

	<u>2020</u>	<u>2019</u>
Financial assets at year end:		
Due from GCFA short-term pooled investment fund	\$ 423,344	\$ 278,422
Financial assets available to meet general expenditures within one year	<u>\$ 423,344</u>	<u>\$ 278,422</u>

The Organization 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.

**Note 4—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:

	<u>2020</u>	<u>2019</u>
Statement of Financial Position:		
Due from GCFA short-term pooled investment fund	\$ 423,344	\$ 278,422
Statement of Activities:		
Revenue:		
Allocation from World Service Fund	536,232	535,632
Services received from GCFA	28,389	27,704
Benefit Trust distribution	40,601	44,997
Interest income from GCFA short-term pooled investment fund	12,496	11,304
Expenses:		
Administration provided by GCFA	28,389	27,704
Employee benefits - group insurance expense	32,078	49,224
Human resource services provided by GCFA	2,028	-

**Note 5—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 Wespith Benefits and Investments (“Wespith”) based on 9% of annual employee compensation. Total contributions made by CT during 2020 and 2019 were \$24,405 and \$27,603, respectively.

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

DECEMBER 31, 2020 AND 2019

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## Note 5—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.

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 \$2,100 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 \$32,078 and \$49,224 for the years ended December 31, 2020 and 2019, respectively. CT had no retiree benefit expense in 2020 or 2019.

The Plan’s unfunded accumulated postretirement benefit obligation (APBO) was approximately \$71,430,000 and \$76,725,000 and the Plan’s unfunded expected postretirement benefit obligation (EPBO) was approximately \$100,140,000 and \$106,750,000 as of December 31, 2020 and 2019, 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 2020 and 2019, 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 retiree employee benefits. The fair value of the Benefit Trust’s assets (not plan assets) for which GCFA is the beneficiary was approximately \$186,112,000 and \$167,449,000 as of December 31, 2020 and 2019, respectively. The total amount available for reimbursement in 2020 and 2019 was \$10,046,935 and \$8,797,702, respectively, of which CT’s share, excluding retiree health benefits, was \$40,601 and \$44,997 received in 2020 and 2019, respectively.

## Note 6—Contingencies

During 2020, an outbreak of a novel strain of coronavirus (“COVID-19”) emerged globally. As a result of the spread of COVID-19, economic uncertainties have arisen that could negatively impact the Organization’s revenue and operations for an indeterminable time period. Other financial impacts could occur that are unknown at this time.

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 2022, and the financial impact resulting from these potential separations on CT is unknown at this time.

## Note 7—Subsequent events

Management has evaluated subsequent events through June 21, 2021, the date the financial statements were available for issuance, and has determined that there are no subsequent events requiring disclosure.