

XVII. ACCOUNTANTS' REPORTS AND FINANCIAL STATEMENTS

JANUARY 1, 2020 through DECEMBER 31, 2020



**The Central Treasury of the
Virginia Conference of the United
Methodist Church**

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Financial Statements

Years Ended December 31, 2020 and 2019



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Independent Auditors' Report

Council on Finance and Administration
The Central Treasury of the Virginia Conference
of the United Methodist Church
Glen Allen, VA

We have audited the accompanying financial statements of The Central Treasury of the Virginia Conference of the United Methodist Church (a division of the Virginia Conference of the United Methodist Church), which comprise the statements of financial position as of December 31, 2020 and 2019, and 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.

Auditors' 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 auditors' 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 that 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 Central Treasury of the Virginia Conference of the United Methodist Church as of December 31, 2020 and 2019, 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.

Dixon Hughes Goodman LLP

Richmond, VA
January 11, 2022

The Central Treasury of the Virginia Conference
 Statements of Financial Position
 December 31, 2020 and 2019

	<u>2020</u>	<u>2019</u>
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 2,881,799	\$ 1,144,958
Church receivables, net	1,914,177	2,538,790
Other receivables	31,436	33,462
Other current assets	<u>74,538</u>	<u>99,385</u>
Total current assets	<u>4,901,950</u>	<u>3,816,595</u>
Investments	<u>6,400,627</u>	<u>6,243,417</u>
Noncurrent assets:		
Loans receivable	129,728	620,628
Funds held by United Methodist Church	1,302,459	1,169,670
Property and equipment, net	<u>4,117,383</u>	<u>4,298,757</u>
Total noncurrent assets	<u>5,549,570</u>	<u>6,089,055</u>
Total assets	<u>\$ 16,852,147</u>	<u>\$ 16,149,067</u>
LIABILITIES AND NET ASSETS		
Liabilities:		
Apportionments payable to other entities	\$ 2,404,634	\$ 2,903,874
Accounts payable and accrued expenses	1,385,197	1,204,120
Unearned revenue	8,657	86,553
Payroll Protection Program loan	<u>682,160</u>	<u>-</u>
Total liabilities	<u>4,480,648</u>	<u>4,194,547</u>
Net assets:		
Without donor restrictions	8,724,825	7,539,953
With donor restrictions	<u>3,646,674</u>	<u>4,414,567</u>
Total net assets	<u>12,371,499</u>	<u>11,954,520</u>
Total liabilities and net assets	<u>\$ 16,852,147</u>	<u>\$ 16,149,067</u>

See accompanying notes.

The Central Treasury of the Virginia Conference
Statements of Activities
Years Ended December 31, 2020 and 2019

	<u>2020</u>	<u>2019</u>
Support and revenue without donor restrictions:		
Apportionments from churches:		
Current year	\$ 22,846,828	\$ 24,919,907
Prior years	72,284	-
Total apportionments from churches	<u>22,919,112</u>	<u>24,919,907</u>
Second mile giving from churches	806,331	1,284,909
Other income	761,446	209,244
Investment income, net	395,648	701,052
Miscellaneous program income	158,927	187,342
Contributions	118,570	53,764
Release from restrictions	<u>1,685,623</u>	<u>2,402,223</u>
Total support and revenue without donor restrictions	<u>26,845,657</u>	<u>29,758,441</u>
Expenses:		
Program services	21,427,742	25,375,083
Management and general	<u>4,233,043</u>	<u>4,270,483</u>
Total expenses	<u>25,660,785</u>	<u>29,645,566</u>
Change in net assets without donor restrictions	1,184,872	112,875
Support and revenue with donor restrictions:		
Apportionments from churches	514,539	1,738,155
Investment income	132,787	168,251
Contribution of Richmond Area Episcopal Fund net assets	119,959	-
Grants and scholarships	78,471	107,063
Contributions	28,397	147,246
Second mile giving from churches	23,328	80,285
Other income	16,317	14,954
Registrations	2,562	240,696
Miscellaneous program income	1,370	29,888
Release from restrictions	<u>(1,685,623)</u>	<u>(2,402,223)</u>
Change in net assets with donor restrictions	<u>(767,893)</u>	<u>124,315</u>
Change in net assets	416,979	237,190
Net assets, beginning of year	<u>11,954,520</u>	<u>11,717,330</u>
Net assets, end of year	<u>\$ 12,371,499</u>	<u>\$ 11,954,520</u>

See accompanying notes.

The Central Treasury of the Virginia Conference
Statements of Functional Expenses
Years Ended December 31, 2020 and 2019

	2020		
	Program Services	Management and General	Total
Remittances of apportionment income	\$ 16,744,209	\$ -	\$ 16,744,209
Costs of ministry	1,552,116	1,615,210	3,167,326
Donations and grants	1,617,288	64,925	1,682,213
Personnel costs, lay employees	221,940	747,128	969,068
Professional fees	75,661	574,129	649,790
Other expenses	58,531	539,342	597,873
Distributions of second mile giving	588,281	-	588,281
Distributions of church apportionment income	314,960	-	314,960
Conference activities	132,707	97,891	230,598
Depreciation	39,966	176,370	216,336
Travel and meetings	44,079	138,358	182,437
Utilities	7,778	168,146	175,924
Office expenses	13,358	77,575	90,933
Training	16,868	33,969	50,837
	<u>\$ 21,427,742</u>	<u>\$ 4,233,043</u>	<u>\$ 25,660,785</u>
	2019		
	Program Services	Management and General	Total
Remittances of apportionment income	\$ 18,956,329	\$ -	\$ 18,956,329
Costs of ministry	1,686,960	1,669,079	3,356,039
Donations and grants	1,828,079	51,800	1,879,879
Personnel costs, lay employees	235,324	678,771	914,095
Professional fees	59,676	316,622	376,298
Other expenses	401,825	417,911	819,736
Distributions of second mile giving	899,918	-	899,918
Distributions of church apportionment income	669,527	-	669,527
Conference activities	238,240	280,743	518,983
Depreciation	41,254	200,772	242,026
Travel and meetings	238,253	357,367	595,620
Utilities	8,541	129,009	137,550
Office expenses	88,640	117,862	206,502
Training	22,517	50,547	73,064
	<u>\$ 25,375,083</u>	<u>\$ 4,270,483</u>	<u>\$ 29,645,566</u>

See accompanying notes.

The Central Treasury of the Virginia Conference
Statements of Cash Flows
Years Ended December 31, 2020 and 2019

	<u>2020</u>	<u>2019</u>
Cash flows from operating activities:		
Change in net assets	\$ 416,979	\$ 237,190
Adjustments to reconcile change in assets to net cash provided (used) by operating activities:		
Net realized and unrealized gains on investments	(348,912)	(649,345)
Loss on sale of property plant and equipment	1,188	-
Depreciation expense	216,336	242,026
Change in assets and liabilities:		
Church receivables	624,613	67,829
Other receivables	2,026	-
Other current assets	24,847	(5,613)
Apportionments payable to other entities	(499,240)	57,957
Accounts payable and accrued expenses	181,077	(52,039)
Unearned revenue	(77,896)	12,653
	<u>541,018</u>	<u>(89,342)</u>
Net cash provided (used) by operating activities		
Cash flows from investing activities:		
Proceeds from the sale of investments	1,525,708	2,453,071
Purchase of investments	(1,334,006)	(2,350,099)
Purchase of property and equipment	(36,150)	(196,801)
Increase in funds held by the United Methodist Church	(132,789)	(147,004)
Loans receivable issued	-	(479,900)
Repayments received on loans receivable	490,900	9,120
	<u>513,663</u>	<u>(711,613)</u>
Net cash provided (used) by investing activities		
Cash flows from financing activities:		
Proceeds from Payroll Protection Program loan	682,160	-
	<u>1,736,841</u>	<u>(800,955)</u>
Net increase (decrease) in cash and cash equivalents		
Cash and cash equivalents, beginning of year	<u>1,144,958</u>	<u>1,945,913</u>
Cash and cash equivalents, end of year	<u>\$ 2,881,799</u>	<u>\$ 1,144,958</u>

See accompanying notes.

The Central Treasury of the Virginia Conference of the United Methodist Church
Notes to Financial Statements

Notes to the Financial Statements

1. Organization and Nature of Activities

The Central Treasury of the Virginia Conference of the United Methodist Church (Central Treasury) is a division within the Virginia Conference of the United Methodist Church (Conference). The Central Treasury receives and disburses, in accordance with the actions of the Conference, remittances from local church treasurers for all duly authorized general, jurisdictional, Conference, and district causes. It also implements administrative and fiscal policies and procedures as directed by the Council of Finance and Administration.

The purpose of the Council on Finance and Administration is to develop, maintain, and administer a comprehensive and coordinated plan of fiscal and administrative policies, procedures and management services for the Annual Conference.

The purpose of the Conference is to coordinate the relationship between the general program boards and commissions and the conference, districts, and Virginia United Methodist churches.

These financial statements include only the accounts of the Central Treasury and are not intended to present the financial position and results of the whole Conference.

2. Summary of Significant Accounting Policies

Classes of net assets

The financial statements of the Central Treasury have been prepared in accordance with U.S. generally accepted accounting principles ("U.S. GAAP"), which require the Central Treasury to report information regarding its financial position and activities according to the following net asset classifications:

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 organization. These net assets may be used at the discretion of the Central Treasury's management and the Council on Finance and Administration for use in the Central Treasury's operations.

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 Central Treasury or by the passage of time. Other donor restrictions are perpetual in nature, whereby the donor has stipulated the funds be maintained in perpetuity.

Revenues and support are 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-imposed stipulation or by law. Expirations of restrictions on net assets with donor restrictions (i.e., the donor stipulated purposes have been fulfilled and/or the stipulated time period has elapsed) are reported as reclassifications between the applicable classes of net assets.

**The Central Treasury of the Virginia Conference of the United Methodist Church
Notes to Financial Statements**

Estimates

The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expense during the reporting period. Actual results could differ from those estimates.

Cash and cash equivalents

Cash and cash equivalents includes items such as short-term, highly liquid investments with maturities of three months or less at the date of purchase.

Investments

All investments in marketable securities with readily determinable fair values are valued at fair value as determined by the investment management firm holding the assets. Purchases and sales of securities are recorded on a trade-date basis. Unrealized gains and losses are recognized in the period in which they occur. Interest and dividends are recognized in the period earned, and realized gains or losses on securities are recorded in the period of sale.

Church receivables and bad debts

Church receivables are reported at their estimated realizable value, net of an estimated allowance for doubtful accounts. The allowance is based on management's estimate of the amount of receivables that will actually be collected. It is the Central Treasury's policy to charge off uncollectable accounts receivable when management determines the receivable will not be collected. As of December 31, 2020 and 2019, management determined that no allowance was necessary.

Loans receivable

Loans receivable are stated at their principal amount outstanding less the related allowance for loan losses and are collateralized by buildings and land. Interest rates on loans are subject to review and adjustment on a periodic basis.

Allowance of loan losses

The allowance for doubtful loans is maintained at a level that, in management's judgment, is adequate to absorb probable loan losses. The amount is based upon an analysis of the loan portfolio by management including, but not limited to, review of the collectability of the loan portfolio, adverse situations that may affect the borrower's ability to repay, estimated value of any underlying collateral and prevailing economic conditions. The analysis is also based on a periodic review of payments and other factors based on the Central Treasury's historical experiences. To date, no loans have been in arrears or default and no loan has required modification to acclimate to a borrower's adverse circumstances or ability to repay. This process is based on estimates and ultimate losses may vary from current estimates. As changes in estimates occur, adjustments to the level of the allowance are recorded in the provision for loan losses in the period in which they become known. In addition, the net realizable value of the property serving as collateral for delinquent loans will be assessed on an annual basis.

A loan is considered impaired when, based upon current information and events, it is probable that the Central Treasury will be unable to collect all amounts due according to the contractual terms of the loan agreement. Loans are classified as delinquent when payments are 30 days overdue. Loans will continue to accrue interest when a loan is delinquent; however, all accrued interest may be included in the allowance for doubtful loans. Payments for delinquent or impaired loans are treated as a payment of interest due until all accrued interest has been paid. Interest income on delinquent loans is recognized according to the original amortization schedule (accrual method). The accrual of interest income is discontinued when, in management's judgment, the scheduled interest may not be collectible within the stated term of the loan. Interest income is recognized on a cash basis for loans classified

The Central Treasury of the Virginia Conference of the United Methodist Church

Notes to Financial Statements

as nonaccrual loans, with subsequent payments applied first to interest and fees, if any, and then to principal. Loans classified as nonaccrual loans are returned to accrual status when all the principal and interest amounts contractually due are brought current and future payments are reasonably assured. At December 31, 2020 and 2019, the Central Treasury has no loans it considered impaired. As a result, management has elected not to record an allowance for loan losses.

Property and equipment

Property and equipment are stated at cost or the estimates fair value at the date of contribution. Depreciation is computed using the straight-line method over estimated useful lives as follows:

Buildings and improvements	15 - 40 years
Furniture, fixtures, and equipment	5 - 7 years
Computer equipment and software	3 - 5 years

Maintenance, repairs, and minor renewals are expensed when incurred. When property and equipment are sold or otherwise disposed of, the asset account and related accumulated depreciation account are relieved, and any gain or loss is included in the current year's operations.

The Central Treasury reviews its long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of assets held and used is measured by a comparison of the carrying amount of an asset to undiscounted expected cash flows. Future events could cause the Central Treasury to conclude that impairment indicators exist and that long-lived assets may be impaired. To date, no impairment losses have been recorded.

Recognition of contributions

Contributions are recorded at their estimated fair value when the donor makes a promise to give that is, in substance, unconditional.

Revenue recognition

Revenues accounted for under Topic 606 include registrations and administrative service fees. The nature of the Central Treasury's exchange contracts generally do not include variable consideration that require significant judgments to estimate the transaction price or related constraints due to risk of significant reversal.

Registrations

The Central Treasury organizes and hosts various events and trainings for United Methodist churches and members. Fees are charged to attendees at the time of registration. In some cases, the Central Treasury may receive payment prior to the recognition of revenue. These contract liabilities are reported as unearned revenue on the statements of financial position. Revenue is recognized at a point in time, upon completion of the event.

Administrative services revenue

The Central Treasury provides accounting and bookkeeping services for various related and affiliated entities. The Central Treasury bills these entities in equal monthly installments based upon the annual agreed upon fee. As the Central Treasury has agreed to perform these activities throughout the year, revenue is recognized over time, ratably per month. As this recognition corresponds with billings, there are no amounts recorded as contract liabilities or assets related to administrative services revenue. Administrative services revenue is included in miscellaneous program income on the accompanying statements of activities.

**The Central Treasury of the Virginia Conference of the United Methodist Church
Notes to Financial Statements**

Subscription and advertising

The Central Treasury produced a monthly publication to which individuals could subscribe for an annual fee. Payment for these subscriptions was received in full at the start of an individual's subscription, which was offered in one, two, and three-year increments. Upon receipt of funds, unearned revenue was recorded. As the monthly publications were issued, the Central Treasury recorded revenue over time, ratably per month as each magazine was published. This publication was discontinued at the end of 2019 and therefore there is no unearned subscription revenue recorded at December 31, 2020 or 2019.

Advertising revenue was earned from various other church related organizations which advertised within this monthly publication. Revenue was recognized when the publication was mailed to subscribers. Subscription and advertising revenue was included in other income on the accompanying statement of activities.

Disaggregation of revenue from contracts with customers

The following table disaggregates the Central Treasury's revenue based on the timing of satisfaction of performance obligations for the years ended December 31:

	<u>2020</u>	<u>2019</u>
Over time	\$ 133,807	\$ 155,317
Point-in-time	<u>166,836</u>	<u>275,906</u>
	<u>\$ 300,643</u>	<u>\$ 431,223</u>

Performance obligations

For registration revenue, the Central Treasury's obligation is completed at the time of the event.

For performance obligations related to administrative services revenue, completion of the Central Treasury's obligation occurs over time throughout the term of the agreements. The Central Treasury uses the output method measured by a month of service delivered compared to the total months agreed to under the contract to recognize revenue over time.

Income taxes

The Central Treasury is a division of the Conference, which is a not-for-profit organization and is exempt from federal and state income taxes under Internal Revenue Code, Section 501(c)(3) and the tax statutes of the Commonwealth of Virginia. Accordingly, no provision for income taxes has been made in the accompanying financial statements.

Reclassifications

Certain items from the prior year financial statements have been reclassified to conform to current year presentation. Such reclassifications had no effect on change in net assets or ending net assets.

Advertising costs

Advertising costs are expensed when incurred. Advertising costs were \$384 and \$1,673 for the years ended December 31, 2020 and 2019, respectively.

Concentration

Financial instruments which potentially subject the Central Treasury to concentrations of credit risk consist primarily of investments and cash. The Central Treasury places its investments and its cash and cash equivalents with

The Central Treasury of the Virginia Conference of the United Methodist Church

Notes to Financial Statements

creditworthy institutions and diversifies its holdings among entities, thereby limiting the amount of credit exposure to any one entity. As of December 31, 2020, the Central Treasury had \$2,633,612 of cash deposits in excess of federally insured limits being held by a federally insured financial depository institution.

The Central Treasury's investments, in general, are exposed to various risks, such as interest rate, credit and overall market volatility risks. In addition, due to the level of risk associated with certain investment securities, it is reasonably possible that changes in the values of investment securities will occur in the near term and that such changes could materially affect the amounts reported in the statements of financial position.

Functional expenses

The Central Treasury allocates its expenses on a functional basic among its program and supporting services. Expenses that can be identified with a specific program or supporting service are allocated directly. Other expenses that are common to several functions are allocated between program and administrative expenses based on an estimate of time expended. The Central Treasury has no fundraising expenses.

New accounting pronouncements

In August 2018, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") 2018-13, *Fair Value Measurement (Topic 820): Disclosure Framework-Changes to the Disclosure Requirements for Fair Value Measurement*. The ASU removes, modifies, and adds certain disclosures required under Topic 820, Fair Value Measurement. The ASU is effective for fiscal years beginning after December 15, 2019, with early adoption permitted. The amendments to disclosure requirements on changes in unrealized gains and losses, the range and weighted average of significant observable inputs used to develop Level 3 fair value measurements, and the narrative description of measurement uncertainty should be applied prospectively. All other amendments should be applied retrospectively to all periods presented. The Central Treasury has adopted this guidance for the year ended December 31, 2020. The adoption of this ASU did not have a impact on the Central Treasury's financial statements.

Subsequent events

In preparing these financial statements, the Central Treasury has evaluated events and transactions for potential recognition or disclosure through January 11, 2022, the date the financial statements were available to be issued.

3. Availability and Liquidity

The following represents the Central Treasury's financial assets at December 31:

	<u>2020</u>	<u>2019</u>
Financial assets at year-end:		
Cash and cash equivalents	\$ 2,881,799	\$ 1,144,958
Church receivables, net	1,914,177	2,538,790
Other receivables	31,436	33,462
Investments	<u>6,400,627</u>	<u>6,243,417</u>
Financial assets at year-end	11,228,039	9,960,627
Less:		
Financial assets with donor restrictions	<u>(3,646,674)</u>	<u>(4,414,567)</u>
Financial assets available to meet general expenditures over the next twelve months	<u>\$ 7,581,365</u>	<u>\$ 5,546,060</u>

**The Central Treasury of the Virginia Conference of the United Methodist Church
Notes to Financial Statements**

The Central Treasury's policy is to structure its financial assets to be available as its general expenditures and other obligations come due. Included in the available financial assets shown above are board-designated funds totaling approximately \$1.1 million of net assets at December 31, 2020 that would require approval by the Council on Finance and Administration to be made available.

4. Investments

Investments are carried at fair value and consist of the following at December 31:

	<u>2020</u>		<u>2019</u>	
	<u>Amortized Cost</u>	<u>Fair Value</u>	<u>Amortized Cost</u>	<u>Fair Value</u>
Alternative investments	<u>\$ 4,796,910</u>	<u>\$ 6,400,627</u>	<u>\$ 4,988,613</u>	<u>\$ 6,243,417</u>

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

	<u>2020</u>	<u>2019</u>
Interest and dividend income	\$ 205,112	\$ 247,104
Realized and unrealized gains	348,912	649,345
Investment management fees	<u>(25,589)</u>	<u>(27,146)</u>
Investment income, net	<u>\$ 528,435</u>	<u>\$ 869,303</u>

Alternative investments are valued using the practical expedient at the Central Treasury's pro-rata interest in the net assets of these entities. Investments held by these entities are valued at prices which approximate fair value. The fair value of certain investments in the underlying entities, which may include private placements and other securities for which values are not readily available, are determined in good faith by the investment advisors of the respective entities and may not reflect amounts that could be realized upon immediate sale, nor amounts that may be ultimately realized. Net asset valuations are provided daily, monthly, or quarterly by these entities. Appreciation of investments in these entities is net of all allocations to the investment advisors. The Central Treasury invests for the long-term, guided by its investment policy which reflects its macroeconomic views and expectations regarding the drivers of future economic growth.

5. Funds Held by United Methodist Church

Funds held by United Methodist Church is comprised of funds collected to establish an education fund named the Francis Asbury Fund. The United Methodist Church, through its General Board of Higher Education, controls the investments and directs the use of the funds, which are used primarily for extending Francis Asbury Educational Loans to qualifying United Methodist students. At December 31, 2020 and 2019, the fund had loans outstanding of \$436,721 and \$501,016, respectively. Loan terms require payment of principal and interest (at 4%) within six years of graduation or withdrawal.

The Central Treasury of the Virginia Conference of the United Methodist Church
Notes to Financial Statements

6. Property and Equipment

Major classes of property and equipment consist of the following at December 31:

	<u>2020</u>	<u>2019</u>
Land	\$ 793,019	\$ 793,019
Buildings	5,132,247	5,132,247
Furniture, fixtures, and equipment	1,165,685	1,141,413
Software	<u>21,735</u>	<u>21,735</u>
	7,112,686	7,088,414
Accumulated depreciation	<u>(2,995,303)</u>	<u>(2,789,657)</u>
	Property and equipment, net	Property and equipment, net
	<u>\$ 4,117,383</u>	<u>\$ 4,298,757</u>

7. Loans Receivable

Loans receivable consist of the following as of December 31:

	<u>2020</u>	<u>2019</u>
Arlington District	\$ -	\$ 479,900
Charlottesville District	<u>129,728</u>	<u>140,728</u>
	<u>\$ 129,728</u>	<u>\$ 620,628</u>

The Church Development Team of the Conference makes loans to districts of the Conference for acquisitions and improvements. The loan due from the Charlottesville District is non-interest bearing and there is no set maturity date. The loan due from the Arlington District bears a 5.25% interest rate with interest only payments beginning January 1, 2020. The loan was paid in full before December 31, 2020.

The Central Treasury provides an allowance for doubtful collections that is based upon a review of outstanding receivables, historical collection information, and existing economic conditions. Delinquent receivables are written off based on individual credit evaluation and specific circumstances of the borrower. No allowance for doubtful collections is deemed necessary by management as of December 31, 2020 and 2019.

8. Payroll Protection Program Loan

In response to the COVID-19 pandemic, the Coronavirus Aid, Relief and Economic Security (CARES) Act was signed into law on March 27, 2020. The CARES Act provides for the establishment of the Payroll Protection Program (PPP), a new loan program under the Small Business Administration's 7(a) program providing loans to qualifying businesses. Additionally, loans originated under this program may be forgiven, in whole or in part, if certain criteria are met.

The Central Treasury of the Virginia Conference of the United Methodist Church

Notes to Financial Statements

In May 2020, the Central Treasury received PPP loans totaling \$682,160 which were accounted for in accordance with ASC Topic 470, *Debt*. In order to be forgiven, funds from these loans may only be used to satisfy payroll costs, costs used to continue health care benefits, mortgage payments, rent, utilities, and interest on certain other debt obligations. The Central Treasury believes it has used the proceeds of the loan for qualifying expenses under the PPP, prepared a forgiveness calculation, and submitted an application of forgiveness to its lender. On September 26, 2021, the Central Treasury received a notice of Paycheck Protection Program forgiveness payment from the Small Business Administration approving forgiveness of the entire loan balance. At December 31, 2020, the Central Treasury has elected to classify the outstanding balance of the loan as a current liability in the accompanying statement of financial position given it has received forgiveness subsequent to year-end.

9. Commitments

At December 31, 2020, the Church Development Team of the Conference has committed grants to churches for approximately \$822,000 in connection with the Church Development Team Church Extension and Development Fund, which will be funded with Central Treasury assets.

10. Retirement Plans

Ministerial and lay employees of the Conference are eligible to participate in pension plans offered by the United Methodist Church through Wespath, Inc. Conference clergy members and local pastors under Episcopal appointment are eligible for pension coverage under the Clergy Retirement Security Program (CRSP).

In addition to the CRSP, certain ministerial employees are provided disability and death benefits as well as certain minimum benefits related to pension coverage through participation in the Comprehensive Protection Plan (CPP).

CRSP and CPP are defined contribution plans which currently encourage a one percent employee contribution and call for a 16.4 percent employer contribution (12 percent for CRSP and 4.4 percent for CPP). The contribution is limited to approximately \$66,300 of employee wages. CRSP and CPP pension expense for the Central Treasury amounted to approximately \$361,619 and \$388,000 for the years ended December 31, 2020 and 2019, respectively.

Conference lay employees are eligible for pension coverage under the United Methodist Personal Investment Plan (UMPIP). UMPIP is a defined contribution plan which calls for a nine percent employer contribution but does not currently call for an employee contribution. UMPIP pension expense for the Central Treasury amounted to approximately \$112,271 and \$103,015 for the years ended December 31, 2020 and 2019, respectively.

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11. Net Assets with Donor Restrictions

Net assets with donor restrictions consist of the following at December 31:

	<u>2020</u>	<u>2019</u>
Donor-restricted	\$ 1,669,741	\$ 1,565,891
Church Extension Fund	1,309,567	1,439,764
Ministerial Education Fund	512,913	608,972
Richmond Area Episcopal Fund	116,841	-
Miscellaneous Connectional Funds	37,612	45,039
CFA	-	192,092
Common Table	-	342,149
Clergy Excellence	-	167,097
Emerging Funds	-	53,563
	<u>\$ 3,646,674</u>	<u>\$ 4,414,567</u>

There were no net assets with donor restrictions under permanent restriction at December 31, 2020 and 2019.

12. Related Party Transactions

The following is a summary of transactions with the Foundation, which is affiliated with the Central Treasury, for the years ended December 31:

	<u>2020</u>	<u>2019</u>
Rent income	\$ 30,900	\$ 30,900
Administrative services revenue	78,000	78,000
	<u>\$ 108,900</u>	<u>\$ 108,900</u>

As of December 31, 2020 and 2019, \$4,366,667 and \$3,982,160, respectively, of the investments of the Central Treasury are administered by the Foundation.

The Central Treasury holds congregation savings certificates with the Virginia United Methodist Development Company in the amount of \$2,033,960 and \$2,261,257 at December 31, 2020 and 2019, respectively. These savings certificates earned \$11,141 and \$32,401 during the years ended December 31, 2020 and 2019, respectively.

13. Richmond Area Episcopal Fund

Historically, the Richmond Area Episcopal Fund (Episcopal Fund), which operates the Bishop's office for the United Methodist Church for the Richmond area, has operated separate from the Central Treasury. Effective January 1, 2020, those charged with governance of the Episcopal Fund contributed the net assets of the Episcopal Fund to the Central Treasury to operate as a fund within the Central Treasury. As no consideration was transferred in exchange for these net assets, the Central Treasury has recorded a contribution of \$119,959, which represents the

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fair value of assets received. As these funds are restricted for the purposes of the Episcopal Fund, this has been reported on the statement of activities as a contribution with donor restrictions.

The financial activity of the Episcopal Fund is recorded in the Central Treasury's financial statements; however, as requested by the General Council on Finance and Administration (GCFA), the table below represents the transactions of the Episcopal Fund during the year ended December 31, 2020:

Beginning Episcopal Fund net assets, January 1, 2020	\$ 119,959
Income:	
GCFA quarterly allowance	75,471
Central Treasury support	26,500
GCFA expense reimbursement	8,231
Interest income	<u>119</u>
Total income	110,321
Expenses:	
Personnel	77,769
Travel	8,196
Rent and occupancy	15,600
Office expenses	8,974
Audit	<u>2,900</u>
Total expenses	113,439
Change in net assets	(3,118)
Ending Episcopal Fund net assets, December 31, 2020	<u>\$ 116,841</u>

Central Treasury support is eliminated as interfund activity in the overall financial statements.