

XVII. ACCOUNTANTS' REPORTS AND FINANCIAL STATEMENTS

JANUARY 1, 2022 through DECEMBER 31, 2022

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

Financial Statements

Years Ended December 31, 2021 and 2020

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Independent Auditor's Report

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

Opinion

We have audited the 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, 2021 and 2020, and 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 accompanying financial statements 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, 2021 and 2020, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of The Central Treasury of the Virginia Conference of the United Methodist Church and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about The Central Treasury of the Virginia Conference of the United Methodist Church'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 GAAS 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 are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of The Central Treasury of the Virginia Conference of the United Methodist Church's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about The Central Treasury of the Virginia Conference of the United Methodist Church'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.

FORVIS,LLP**Richmond, VA
December 5, 2022**

The Central Treasury of the Virginia Conference
Statements of Financial Position
December 31, 2021 and 2020

	<u>2021</u>	<u>2020</u>
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 5,858,613	\$ 2,881,799
Church receivables	1,798,868	1,914,177
Other receivables	75,080	31,436
Other current assets	<u>18,078</u>	<u>74,538</u>
Total current assets	<u>7,750,639</u>	<u>4,901,950</u>
Investments	<u>4,158,103</u>	<u>6,400,627</u>
Noncurrent assets:		
Loans receivable	127,728	129,728
Funds held by United Methodist Church	1,462,994	1,302,459
Property and equipment, net	<u>3,932,005</u>	<u>4,117,383</u>
Total noncurrent assets	<u>5,522,727</u>	<u>5,549,570</u>
Total assets	<u>\$ 17,431,469</u>	<u>\$ 16,852,147</u>
LIABILITIES AND NET ASSETS		
Liabilities:		
Apportionments payable to other entities	\$ 2,394,699	\$ 2,404,634
Accounts payable and accrued expenses	1,233,182	1,385,197
Unearned revenue	41,023	8,657
Payroll Protection Program loan	<u>-</u>	<u>682,160</u>
Total liabilities	<u>3,668,904</u>	<u>4,480,648</u>
Net assets:		
Without donor restrictions	9,953,634	8,724,825
With donor restrictions	<u>3,808,931</u>	<u>3,646,674</u>
Total net assets	<u>13,762,565</u>	<u>12,371,499</u>
Total liabilities and net assets	<u>\$ 17,431,469</u>	<u>\$ 16,852,147</u>

See accompanying notes.

**The Central Treasury of the Virginia Conference
Statements of Functional Expenses
Years Ended December 31, 2021 and 2020**

	2021			
	Program Services	Management and General	Fundraising	Total
Remittances of apportionment income	\$ 16,118,348	\$ -	\$ -	\$ 16,118,348
Personnel costs, ministry and lay employees	1,696,358	2,080,423	79,095	3,855,876
Donations, grants, and scholarships	1,594,548	-	-	1,594,548
Distributions of second mile giving	876,107	-	-	876,107
Professional fees	40,692	511,243	26	551,961
Other expenses	198,883	226,820	-	425,703
Distributions of church apportionment income	229,244	-	-	229,244
Depreciation	-	219,301	-	219,301
Office expenses	66,622	135,045	-	201,667
Utilities	9,463	185,994	-	195,457
Conference activities	3,143	145,445	-	148,588
Travel and meetings	14,138	113,672	4	127,814
Training	5,131	25,957	-	31,088
	<u>\$ 20,852,677</u>	<u>\$ 3,643,900</u>	<u>\$ 79,125</u>	<u>\$ 24,575,702</u>
	2020			
	Program Services	Management and General	Fundraising	Total
Remittances of apportionment income	\$ 16,744,209	\$ -	\$ -	\$ 16,744,209
Personnel costs, ministry and lay employees	1,774,056	2,362,338	-	4,136,394
Donations, grants, and scholarships	1,617,288	64,925	-	1,682,213
Distributions of second mile giving	588,281	-	-	588,281
Professional fees	75,661	574,129	-	649,790
Other expenses	58,531	539,342	-	597,873
Distributions of church apportionment income	314,960	-	-	314,960
Depreciation	39,966	176,370	-	216,336
Office expenses	13,358	77,575	-	90,933
Utilities	7,778	168,146	-	175,924
Conference activities	132,707	97,891	-	230,598
Travel and meetings	44,079	138,358	-	182,437
Training	16,868	33,969	-	50,837
	<u>\$ 21,427,742</u>	<u>\$ 4,233,043</u>	<u>\$ -</u>	<u>\$ 25,660,785</u>

See accompanying notes.

The Central Treasury of the Virginia Conference
Statements of Functional Expenses
Years Ended December 31, 2021 and 2020

	2021			Total
	Program Services	Management and General	Fundraising	
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Personnel costs, ministry and lay employees	1,774,056	2,362,338	-	4,136,394
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Distributions of second mile giving	588,281	-	-	588,281
Professional fees	75,661	574,129	-	649,790
Other expenses	58,531	539,342	-	597,873
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Training	16,868	33,969	-	50,837
	<u>\$ 21,427,742</u>	<u>\$ 4,233,043</u>	<u>\$ -</u>	<u>\$ 25,660,785</u>

See accompanying notes.

The Central Treasury of the Virginia Conference
Statements of Cash Flows
Years Ended December 31, 2021 and 2020

	<u>2021</u>	<u>2020</u>
Cash flows from operating activities:		
Change in net assets	\$ 1,391,066	\$ 416,979
Adjustments to reconcile change in assets to net cash provided (used) by operating activities:		
Net realized and unrealized gains on investments	(469,334)	(348,912)
Loss on sale of property plant and equipment	651	1,188
Gain on extinguishment of debt	(682,160)	-
Depreciation expense	219,301	216,336
Change in assets and liabilities:		
Church receivables	115,309	624,613
Other receivables	(43,644)	2,026
Other current assets	56,460	24,847
Apportionments payable to other entities	(9,935)	(499,240)
Accounts payable and accrued expenses	(152,015)	181,077
Unearned revenue	32,366	(77,896)
	<u>458,065</u>	<u>541,018</u>
Net cash provided by operating activities		
Cash flows from investing activities:		
Proceeds from the sale of investments	2,778,076	1,525,708
Purchase of investments	(66,218)	(1,334,006)
Purchase of property and equipment	(34,574)	(36,150)
Increase in funds held by the United Methodist Church	(160,535)	(132,789)
Repayments received on loans receivable	2,000	490,900
	<u>2,518,749</u>	<u>513,663</u>
Net cash provided by investing activities		
Cash flows from financing activities:		
Proceeds from Payroll Protection Program loan	-	682,160
	<u>2,976,814</u>	<u>1,736,841</u>
Net increase in cash and cash equivalents		
Cash and cash equivalents, beginning of year	<u>2,881,799</u>	<u>1,144,958</u>
Cash and cash equivalents, end of year	<u>\$ 5,858,613</u>	<u>\$ 2,881,799</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. Approximately \$6.5 million and \$1.1 million of these net assets at December 31, 2021 and 2020, respectively are board-designated funds.

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

Purchased investments are initially recorded at cost. Investments received by gift are initially recorded at fair value at the date of the donation. The Central Treasury's investments are pooled into larger investment funds. The Central Treasury's pooled investments are valued at fair value based on net asset value of each fund as provided by the investment holder or other observable information.

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, 2021 and 2020, 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.

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

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 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, 2021 and 2020, 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 from contracts with customers 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. Registrations revenue is included in other income on the accompanying statements of activities.

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

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.

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>2021</u>	<u>2020</u>
Over time	\$ 142,752	\$ 133,807
Point-in-time	<u>293,924</u>	<u>166,836</u>
	<u>\$ 436,676</u>	<u>\$ 300,643</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. There were no advertising costs for the year ended December 31, 2021. Advertising costs were \$384 for the year ended December 31, 2020.

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 creditworthy institutions and diversifies its holdings among entities, thereby limiting the amount of credit exposure to any one entity. As of December 31, 2021, the Central Treasury had \$5,708,699 of cash deposits in excess of federally insured limits being held by a federally insured financial depository institution.

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

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 basis 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.

Subsequent events

In preparing these financial statements, the Central Treasury has evaluated events and transactions for potential recognition or disclosure through December 5, 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>2021</u>	<u>2020</u>
Financial assets at year-end:		
Cash and cash equivalents	\$ 5,858,613	\$ 2,881,799
Church receivables, net	1,798,868	1,914,177
Other receivables	75,080	31,436
Investments	<u>4,158,103</u>	<u>6,400,627</u>
Financial assets at year-end	11,890,664	11,228,039
Less:		
Financial assets with donor restrictions	<u>(3,808,931)</u>	<u>(3,646,674)</u>
Financial assets available to meet general expenditures over the next twelve months	<u>\$ 8,081,733</u>	<u>\$ 7,581,365</u>

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 \$6.5 million and \$1.1 million of net assets at December 31, 2021 and 2020, respectively 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>2021</u>		<u>2020</u>	
	<u>Amortized Cost</u>	<u>Fair Value</u>	<u>Amortized Cost</u>	<u>Fair Value</u>
Alternative investments	<u>\$ 2,962,218</u>	<u>\$ 4,158,103</u>	<u>\$ 4,796,910</u>	<u>\$ 6,400,627</u>

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

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

	<u>2021</u>	<u>2020</u>
Interest and dividend income	\$ 199,932	\$ 205,112
Realized and unrealized gains	469,334	348,912
Investment management fees	<u>(28,076)</u>	<u>(25,589)</u>
Investment income, net	<u>\$ 641,190</u>	<u>\$ 528,435</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 (depreciation) 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, 2021 and 2020, the fund had loans outstanding of \$351,802 and \$436,721, respectively. Loan terms require payment of principal and interest (at 4%) within six years of graduation or withdrawal.

6. Property and Equipment

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

	<u>2021</u>	<u>2020</u>
Land	\$ 793,019	\$ 793,019
Buildings and improvements	5,132,247	5,132,247
Furniture, fixtures, and equipment	372,943	1,165,685
Computer equipment and software	<u>11,985</u>	<u>21,735</u>
	7,043,588	7,112,686
Accumulated depreciation	<u>(3,111,583)</u>	<u>(2,995,303)</u>
Property and equipment, net	<u>\$ 3,932,005</u>	<u>\$ 4,117,383</u>

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

7. Loans Receivable

The Church Development Team of the Conference makes loans to districts of the Conference for acquisitions and improvements. Loans receivable consist of a Charlottesville District loan of \$127,728 and \$129,728 as of December 31, 2021 and 2020, respectively. The loan due from the Charlottesville District is non-interest bearing and there is no set maturity date.

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, 2021 and 2020.

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.

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. In September 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, which has been recognized as a gain on extinguishment of debt in the accompanying financial statements.

9. Commitments/Subsequent Events

At December 31, 2021, the Church Development Team of the Conference has committed grants to churches for approximately \$807,000 in connection with the Church Development Team Church Extension and Development Fund, which will be funded with Central Treasury assets.

In February 2022, the Central Treasury committed support of \$966,456 to the Conference.

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).

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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 \$327,796 and \$361,619 for the years ended December 31, 2021 and 2020, 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 \$99,804 and \$112,271 for the years ended December 31, 2021 and 2020, respectively.

11. Net Assets with Donor Restrictions

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

	<u>2021</u>	<u>2020</u>
Donor-restricted	\$ 1,746,337	\$ 1,669,741
Church Extension Fund	1,638,866	1,309,567
Ministerial Education Fund	306,268	512,913
Richmond Area Episcopal Fund	117,460	116,841
Miscellaneous Connectional Funds	<u>-</u>	<u>37,612</u>
	<u>\$ 3,808,931</u>	<u>\$ 3,646,674</u>

There were no net assets with donor restrictions under permanent restriction at December 31, 2021 and 2020.

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>2021</u>	<u>2020</u>
Rent income	\$ 31,500	\$ 30,900
Administrative services revenue	<u>72,000</u>	<u>78,000</u>
	<u>\$ 103,500</u>	<u>\$ 108,900</u>

As of December 31, 2021 and 2020, \$2,114,462 and \$4,366,667, 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 \$2,043,641 and \$2,033,960 at December 31, 2021 and 2020, respectively. These savings certificates earned \$9,681 and \$11,141 during the years ended December 31, 2021 and 2020, respectively.

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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 in 2020, which represents the 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, 2021:

Beginning Episcopal Fund net assets, January 1, 2021	\$ 116,841
Income:	
GCFA quarterly allowance	75,470
Central Treasury support	23,670
GCFA expense reimbursement	<u>4,364</u>
Total income	103,504
Expenses:	
Personnel	72,773
Travel	6,601
Rent and occupancy	15,600
Office expenses	<u>7,911</u>
Total expenses	102,885
Change in net assets	619
Ending Episcopal Fund net assets, December 31, 2021	<u>\$ 117,460</u>

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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.

