

**THE CENTRAL TREASURY OF THE VIRGINIA  
CONFERENCE OF THE UNITED METHODIST CHURCH**

**Glen Allen, Virginia**

**FINANCIAL REPORT**

**December 31, 2023**

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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, Virginia

### **Opinion**

We have audited the financial statements of The Central Treasury of the Virginia Conference of the United Methodist Church (the "Central Treasury"), which comprise the statement of financial position as of December 31, 2023, and the related statements of activities, functional expenses, and cash flows for the year 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, 2023, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### **Basis for Opinion**

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (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 issued or 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.

*Yount, Hyde & Barbour, P.C.*

Winchester, Virginia  
August 2, 2024

**THE CENTRAL TREASURY OF THE VIRGINIA  
CONFERENCE OF THE UNITED METHODIST CHURCH**

**Statement of Financial Position**

December 31, 2023

<b>Assets</b>	
<b>Current Assets</b>	
Cash and cash equivalents	\$ 4,055,319
Church receivables	1,791,903
Other receivables	46,472
Certificates of deposit at face value	834,000
Other current assets	<u>111,820</u>
Total current assets	<u>6,839,514</u>
<b>Investments</b>	<u>17,115,154</u>
<b>Noncurrent Assets</b>	
Loan receivable	120,612
Property and equipment, net	<u>6,891,712</u>
Total noncurrent assets	<u>7,012,324</u>
Total assets	<u>\$ 30,966,992</u>
<b>Liabilities and Net Assets</b>	
<b>Current Liabilities</b>	
Accounts payable and accrued expenses	\$ 3,325,011
Current portion of note payable	131,338
Unearned revenue	<u>1,301</u>
Total current liabilities	<u>3,457,650</u>
<b>Note Payable</b> , less current portion	<u>978,254</u>
Total liabilities	<u>4,435,904</u>
<b>Net Assets</b>	
Without donor restrictions	21,619,373
With donor restrictions	<u>4,911,715</u>
Total net assets	<u>26,531,088</u>
Total liabilities and net assets	<u>\$ 30,966,992</u>

See Notes to Financial Statements.

**THE CENTRAL TREASURY OF THE VIRGINIA  
OF THE UNITED METHODIST CHURCH CONFERENCE**

**Statement of Activities**

For the Year Ended December 31, 2023

	<b>Without Donor Restrictions</b>	<b>With Donor Restrictions</b>	<b>Total</b>
<b>Support and Revenue</b>			
Apportionments from churches	\$ 24,723,564	\$ 700,420	\$ 25,423,984
Second mile giving from churches	856,092	152,745	1,008,837
Donations, grants, and scholarships	226,204	193,085	419,289
Disaffiliation and closed church income	14,830,094	925,814	15,755,908
Miscellaneous program income	156,033	- -	156,033
Investment return, net	887,121	39,608	926,729
Registration income	52,881	13,183	66,064
Rental income	64,200	- -	64,200
Other income	134,995	393,054	528,049
Release from restrictions	<u>1,184,682</u>	<u>(1,184,682)</u>	<u>- -</u>
Total support and revenue	<u>43,115,866</u>	<u>1,233,227</u>	<u>44,349,093</u>
<b>Expenses</b>			
Program services	24,620,848	- -	24,620,848
Management and general	5,802,602	- -	5,802,602
Fundraising	<u>85,334</u>	<u>- -</u>	<u>85,334</u>
Total expenses	<u>30,508,784</u>	<u>- -</u>	<u>30,508,784</u>
Change in net assets	12,607,082	1,233,227	13,840,309
<b>Net Assets, beginning of year</b>	<u>9,012,291</u>	<u>3,678,488</u>	<u>12,690,779</u>
<b>Net Assets, end of year</b>	<u><u>\$ 21,619,373</u></u>	<u><u>\$ 4,911,715</u></u>	<u><u>\$ 26,531,088</u></u>

See Notes to Financial Statements.

**THE CENTRAL TREASURY OF THE VIRGINIA  
CONFERENCE OF THE UNITED METHODIST CHURCH**

**Statement of Functional Expense**  
For the Year Ended December 31, 2023

	<b>Program Services</b>	<b>Management and General</b>	<b>Fundraising</b>	<b>Total</b>
Building expense	\$ --	\$ 4,874	\$ --	\$ 4,874
Conference activities	8,743	10,167	--	18,910
Depreciation	--	231,867	--	231,867
Distributions of church apportionment income	248,815	--	--	248,815
Distributions of second mile giving	2,794,313	--	--	2,794,313
Donations, grants, and scholarships	1,862,950	72,520	--	1,935,470
Equipment rental	31,546	61,014	--	92,560
Events	74,309	45,885	--	120,194
Honorarium	9,100	15,250	--	24,350
Licenses and dues	18,334	13,398	--	31,732
Ministry expenses	101,813	997,753	--	1,099,566
Miscellaneous services	--	62,196	--	62,196
Office expenses	49,451	185,887	277	235,615
Other expenses	747,512	338,204	596	1,086,312
Personnel costs, ministry and lay employees	1,557,091	1,922,653	80,314	3,560,058
Professional fees	98,275	1,191,393	4,125	1,293,793
Remittances of apportionment income	16,852,098	--	--	16,852,098
Repairs and maintenance	6,177	64,363	--	70,540
Training	103,088	96,837	--	199,925
Travel and meetings	52,295	326,033	22	378,350
Utilities	4,938	162,308	--	167,246
Total expenses	<u>\$ 24,620,848</u>	<u>\$ 5,802,602</u>	<u>\$ 85,334</u>	<u>\$ 30,508,784</u>

See Notes to Financial Statements.

**THE CENTRAL TREASURY OF THE VIRGINIA  
CONFERENCE OF THE UNITED METHODIST CHURCH**

**Statement of Cash Flows**

For the Year Ended December 31, 2023

**Cash Flows from Operating Activities**

Changes in net assets	\$ 13,840,309
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Net realized and unrealized (gains) on investments	(486,822)
Depreciation expense	231,867
(Gain) on acquisition of property of closed churches	(2,160,549)
Change in assets and liabilities:	
Decrease in church receivables	151,283
Decrease in other receivables	1,722,679
(Increase) in other current assets	(20,646)
(Decrease) in accounts payable and accrued expenses	(565,260)
(Decrease) in unearned revenue	<u>(33,072)</u>
Net cash provided by operating activities	<u>12,679,789</u>

**Cash Flows from Investing Activities**

Change in certificates of deposit, net	1,166,000
Purchase of investments	(13,783,672)
Purchase of property and equipment	(53,830)
Issuance of new loans receivable	(20,000)
Repayments received on loans receivable	<u>17,503</u>
Net cash (used in) investing activities	<u>(12,673,999)</u>

**Cash Flows from Financing Activities,**

payments on note payable	<u>(28,559)</u>
Net (decrease) in cash and cash equivalents	(22,769)

**Cash and Cash Equivalents**

Beginning of year	<u>4,078,088</u>
End of year	<u>\$ 4,055,319</u>

**Supplemental Noncash Operating, Investing and Financing Activities**

Assets acquired through closed church transactions	\$ 3,298,700
Note payable acquired through closed church transactions	<u>\$ 1,138,151</u>

See Notes to Financial Statements.



**THE CENTRAL TREASURY OF THE VIRGINIA  
CONFERENCE OF THE UNITED METHODIST CHURCH**

**Notes to Financial Statements**

**Note 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.

**Note 2.      Summary of Significant Accounting Policies**

**Classification 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 \$19.7 million of these net assets at December 31, 2023 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.

## **Notes to Financial Statements**

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.

### **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, 2023, 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.

## Notes to Financial Statements

### 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 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, 2023, 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.

## Notes to Financial Statements

### 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 statement 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.

#### 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 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, 2023:

Over time	\$ 156,033
Point-in-time	<u>589,972</u>
	<u>\$ 746,005</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.

## **Notes to Financial Statements**

### **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.

### **Advertising Costs**

Advertising costs are expensed when incurred. There were no advertising costs for the year ended December 31, 2023.

### **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, 2023, the Central Treasury had \$3,555,319 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 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.

### **Recently Adopted Accounting Pronouncement**

The Foundation adopted ASC 326, Financial Instruments--Credit Losses, as of January 1, 2023, with the cumulative-effect transition method with the required prospective approach. The measurement of expected credit losses under the current expected credit loss ("CECL") methodology is applicable to financial assets measured at amortized cost, which include loan receivable. An allowance for credit losses under the CECL methodology is determined using the loss-rate approach and measured on a collective (pool) basis when similar risk characteristics exist. Where financial instruments do not share risk characteristics, they are evaluated on an individual basis. The CECL allowance is based on relevant available information, from internal and external sources, relating to past events, current conditions and reasonable and supportable forecasts. The allowance for credit losses as of December 31, 2023, and change in the allowance for credit losses during the year ended December 31, 2023, was not material to the financial statements.

## Notes to Financial Statements

### Note 3. Availability and Liquidity

The following represents the Central Treasury's financial assets at December 31, 2023:

Financial assets at year-end:

Cash and cash equivalents	\$ 4,055,319
Church receivables	1,791,903
Other receivables	46,472
Certificates of deposit at face value	834,000
Investments	<u>17,115,154</u>
Financial assets at year-end	<u>23,842,848</u>

Less those unavailable for general expenditure within one year:

Financial assets with donor restrictions	4,911,715
Board-designated	<u>19,678,526</u>
Financial assets not available to be used within one year	<u>24,590,241</u>

Financial assets available to meet general cash needs

expenditures within one year	<u>\$ (747,393)</u>
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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 \$19.7 million of net assets at December 31, 2023 that could be made available if necessary. Release of these board-designated funds would require approval by the Council on Finance and Administration to be made available.

### Note 4. Investments

Investments are carried at fair value and consist of the following at December 31, 2023:

	<u>Cost</u>	<u>Fair Value</u>
Cash and cash equivalents	\$ 8,270,497	\$ 8,270,497
Exchange traded products	4,370,867	4,636,434
Alternative investments	<u>2,989,566</u>	<u>4,208,223</u>
	<u>\$ 15,630,930</u>	<u>\$ 17,115,154</u>

## Notes to Financial Statements

Investment income consisted of the following for the years ended December 31, 2023:

Interest and dividend income	\$ 452,510
Realized and unrealized gains	486,822
Investment management fees	<u>(12,603)</u>
Investment return, net	<u>\$ 926,729</u>

### Note 4. Fair Value Measurements

Accounting standards establish a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurements) and the lowest priority to unobservable inputs (level 3 measurements). The three levels of the fair value hierarchy are described below:

**Level 1** Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Organization has the ability to access.

**Level 2** Inputs to the valuation methodology include:

- quoted prices for similar assets or liabilities in active markets;
- quoted prices for identical or similar assets or liabilities in inactive markets;
- inputs other than quoted prices that are observable for the asset or liability;
- inputs that are derived principally from or corroborated by observable market data by correlation or other means.

If the asset or liability has a specified (contractual) term, the level 2 input must be observable for substantially the full term of the asset or liability.

**Level 3** Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs. The following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in the methodologies used at December 31, 2023.

Money market funds, mutual funds, U.S. government securities, corporate and municipal bonds, and equity securities are valued at the closing price reported on the active market on which the individual or similar securities are traded.

## Notes to Financial Statements

The following table sets forth by level, within the fair value hierarchy, the Central Treasury's assets at fair value as of December 31, 2023:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Cash and cash equivalents	\$ 8,270,497	\$ --	\$ --	\$ 8,270,497
Exchange traded products	<u>4,636,434</u>	<u>--</u>	<u>--</u>	<u>4,636,434</u>
Total assets at fair value	<u>\$ 12,906,931</u>	<u>\$ --</u>	<u>\$ --</u>	12,906,931
Alternative investments (a)				<u>4,208,223</u>
				<u>\$ 17,115,154</u>

- (a) 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.

### Note 6. Property and Equipment

Major classes of property and equipment consist of the following at December 31, 2023:

Land	\$ 2,522,219
Building and improvements	6,721,985
Furniture, fixtures, and equipment	393,388
Computer equipment and software	<u>758,667</u>
	10,396,259
Accumulated depreciation	<u>(3,504,547)</u>
Property and equipment, net	<u>\$ 6,891,712</u>

### Note 7. Loan 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 \$120,612 as of December 31, 2023. 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, 2023.



## Notes to Financial Statements

### Note 8. Commitments

The Church Development Team of the Conference committed grants to churches for approximately \$435,000 at December 31, 2023, in connection with the Church Extension Fund, which will be funded with Central Treasury assets. The Conference committed from their District Support Fund \$280,000 in 2024 and \$200,000 in 2025 to each of the 8 new districts.

### Note 9. Retirement Plans

Ministerial and lay employees of the Conference are eligible to participate in pension plans offered by the United Methodist Church through Wespeth, 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 \$304,414 for the year ended December 31, 2023.

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 \$97,190 for the year ended December 31, 2023.

### Note 10. Net Assets with Donor Restrictions

Net assets with donor restrictions consist of the following at December 31, 2023:

Other donor restricted	\$ 1,495,966
Church Extension Fund	2,644,120
Ministerial Education Fund	314,624
Richmond Area Episcopal Fund	93,273
Clergy Support Obligation	<u>363,732</u>
	<u>\$ 4,911,715</u>

## Notes to Financial Statements

Net assets during the year ended December 31, 2023 were released from restrictions by incurring expenses satisfying the restrictions or by the occurrence of other events specified by donors consisted of the following:

Other donor restricted	\$ 178,184
Church Extension Fund	796,893
Ministerial Education Fund	24,016
Richmond Area Episcopal Fund	109,019
Clergy Support Obligation	<u>76,570</u>
	<u>\$ 1,184,682</u>

### Note 11. Related Party Transactions

The following is a summary of transactions with the Foundation, which is affiliated with the Central Treasury, for the year ended December 31, 2023:

Rent income	\$ 32,700
Administrative services revenue	<u>73,200</u>
	<u>\$ 105,900</u>

As of December 31, 2023, \$2,022,938, 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 \$2,185,285 at December 31, 2023. These savings certificates earned \$58,731 during the year ended December 31, 2023.

### Note 12. Note Payable

In August 2023, the Central Treasury received assets, including property, and the related mortgage of a church not approved for disaffiliation. Land and buildings were valued and recorded at \$1,729,200 and \$1,569,500, respectively. The note payable has an interest rate of 5.5% and a balance \$1,138,151 at time of transfer. The note matures in May 2033. The balance of the note payable was \$1,109,592 at December 31, 2023. Maturities of the note payable are as follows for the years ending December 31 are as follows:

2024	\$ 131,338
2025	138,746
2026	146,573
2027	154,841
2028	163,575
Thereafter	<u>374,519</u>
	<u>\$ 1,109,592</u>

## **Notes to Financial Statements**

### **Note 13. Church Disaffiliations**

Through Paragraph 2553 in the Book of Discipline, the United Methodist Church has allowed churches to disaffiliate from the denomination because of theological differences. During the year ended December 31, 2023, the Virginia Annual Conference held special meetings to review and approve disaffiliations. The cost structure of disaffiliation consists of total unfunded pension and retiree medical benefits liabilities, two years of apportionments (less apportionments paid for the applicable period), grants that must be repaid, the Conference's attorneys' fees, and any clergy support obligations owed. Costs associated disaffiliation were not negotiable.

In February 2023, the Virginia Annual Conference held a meeting to review and approve churches seeking disaffiliation. The Annual Conference approved the departure of 34 churches. Disaffiliation payment received from these churches was \$3,829,562.

In May 2023, the Virginia Annual Conference held a meeting to review and approve churches seeking disaffiliation. The Annual Conference approved the departure of 64 churches. Disaffiliation payment received from these churches was \$4,719,646.

In October 2023, the Virginia Annual Conference held a meeting to review and approve churches seeking disaffiliation. The Annual Conference approved the departure of 120 churches. Disaffiliation payment received from these churches was \$8,286,244.

### **Note 14. 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, had 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.

## Notes to Financial Statements

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, 2023:

Beginning Episcopal Fund net assets, January 1, 2023	\$ <u>101,671</u>
Income	
GCFA quarterly allowance	78,495
Central Treasury support	<u>22,126</u>
Total income	<u>100,621</u>
Expenses	
Personnel	77,198
Travel	1,447
Rent and occupancy	16,800
Office expenses	<u>13,574</u>
Total expenses	<u>109,019</u>
Change in net assets	<u>(8,398)</u>
Ending Episcopal Fund net assets, December 31, 2023	\$ <u>93,273</u>

### Note 15. Subsequent Events

In preparing these financial statements, the Central Treasury has evaluated events and transactions for potential recognition or disclosure through August 2, 2024, the date the financial statements were available to be issued. The Central Treasury has determined there are no subsequent events that require recognition or disclosure.