

**South Carolina Conference of the  
United Methodist Church**

***Report on Combined Financial Statements***

***For the years ended December 31, 2020 and 2019***

# South Carolina Conference of the United Methodist Church

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## **Independent Auditor's Report**

South Carolina Conference of the  
United Methodist Church  
Columbia, South Carolina

### **Report on the Combined Financial Statements**

We have audited the accompanying combined financial statements of the South Carolina Conference of the United Methodist Church (the "Conference"), which comprise the combined statements of financial position as of December 31, 2020 and 2019, and the related combined statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the combined financial statements.

### **Management's Responsibility for the Combined Financial Statements**

Management is responsible for the preparation and fair presentation of these combined 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 the combined financial statements that are free from material misstatement, whether due to fraud or error.

### **Auditor's Responsibility**

Our responsibility is to express an opinion on these combined 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 audits to obtain reasonable assurance about whether the combined financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the combined financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the combined 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 combined 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 combined financial statements.

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

## **Basis for Qualified Opinion**

As more fully described in Note 1 to the combined financial statements, the Conference does not capitalize certain property and equipment or record depreciation in its combined financial statements as required by accounting principles generally accepted in the United States of America. Costs for certain such purchases are charged as expenditures in the year of purchase. In our opinion, accounting principles generally accepted in the United States of America require that the Conference capitalize certain costs for property and equipment. Management has not determined the effect of this departure on the Conference's combined financial position or results of operations.

## **Qualified Opinion**

In our opinion, except for the effects of not capitalizing certain property and equipment and recording depreciation, as discussed in the Basis for Qualified Opinion paragraph, the combined financial statements referred to above present fairly, in all material respects, the financial position of the South Carolina Conference of the United Methodist Church as of December 31, 2020 and 2019, 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.

## **Report on Supplementary Information**

Our audits were conducted for the purpose of forming an opinion on the combined financial statements as a whole. The accompanying supplementary information is presented for purposes of additional analysis and is not a required part of the combined financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the combined financial statements. The information has been subjected to the auditing procedures applied in the audits of the combined financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the combined financial statements or to the combined financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the combined financial statements as a whole.

A handwritten signature in black ink that reads "Elliott Davis, LLC". The signature is written in a cursive, flowing style.

Columbia, South Carolina  
July 6, 2021

# South Carolina Conference of the United Methodist Church

## Combined Statements of Financial Position

As of December 31, 2020 and 2019

	2020	2019
<b>Assets</b>		
<b>Current assets</b>		
Cash and cash equivalents	\$ 8,998,694	\$ 8,658,763
Prepays	21,059	56,680
Receivables		
Due from churches	1,896,448	1,546,852
Due from pension/insurance billings, net of allowance for doubtful accounts of \$3,404,206 and \$3,249,922, respectively	178,644	454,940
Real estate held for sale	4,000,000	4,000,000
Investments	73,058,057	61,034,339
Total current assets	88,152,902	75,751,574
<b>Property and equipment, net</b>	12,052,238	10,745,832
Total assets	<u>\$ 100,205,140</u>	<u>\$ 86,497,406</u>
<b>Liabilities and Net Assets</b>		
<b>Current liabilities</b>		
Accounts payable	\$ 1,668,707	\$ 1,714,791
Current portion of accrued postretirement benefit obligations	969,956	1,067,501
Current portion of long-term debt	1,347,810	60,489
Current portion of obligation under capital lease	1,468	12,223
Due to agencies and support groups	76,925	62,705
Deferred revenue	204,928	113,812
Other liabilities	101,696	90,232
Total current liabilities	4,371,490	3,121,753
<b>Accrued postretirement benefit obligations, net of current portion</b>	18,038,500	16,537,050
<b>Long-term debt, net of current portion</b>	3,976,656	415,775
<b>Obligation under capital lease, net of current portion</b>	4,823	-
Total liabilities	<u>26,391,469</u>	<u>20,074,578</u>
<b>Net assets</b>		
Without Donor Restrictions		
Undesignated	64,687,701	52,675,175
Board designated for permanent reserve	2,041,842	1,812,034
Board designated for annual conference	1,136,371	5,127,530
Board designated for ministry development	661,458	639,460
Board designated for physical plant	3,187,335	3,510,730
Total without Donor Restrictions	<u>71,714,707</u>	<u>63,764,929</u>
With Donor Restrictions		
Donor restricted for district ministries	587,265	593,089
Donor restricted for ministerial education	238,528	152,761
Donor restricted for disaster recovery	374,569	1,094,221
Donor restricted for other	898,602	817,828
Total with Donor Restrictions	<u>2,098,964</u>	<u>2,657,899</u>
Total net assets	<u>73,813,671</u>	<u>66,422,828</u>
Total liabilities and net assets	<u>\$ 100,205,140</u>	<u>\$ 86,497,406</u>

See Notes to Combined Financial Statements

# South Carolina Conference of the United Methodist Church

## Combined Statement of Activities

For the year ended December 31, 2020

	Without Donor Restrictions	With Donor Restrictions	Total
<b>Revenue and gains</b>			
Apportionments	\$ 11,559,326	\$ 3,775,904	\$ 15,335,230
Direct billing: health insurance	7,006,214	-	7,006,214
Direct billing: pension and protection plans	3,760,264	-	3,760,264
Registrations and fees	328,409	-	328,409
Investment income	171,121	15,962	187,083
Nonapportioned giving	461,988	1,202,373	1,664,361
Paycheck Protection Program (PPP) forgiveness	1,003,900	-	1,003,900
Other income	298,613	3,787	302,400
Net realized and unrealized gains on investments	9,547,016	68,866	9,615,882
Net assets released from restrictions	5,625,827	(5,625,827)	-
Total revenue and gains	39,762,678	(558,935)	39,203,743
<b>Expenses</b>			
Program services			
Camps and retreats center	887,745	-	887,745
Conference benevolence	3,204,328	-	3,204,328
Benefits and welfare	13,801,521	-	13,801,521
General and jurisdictional	3,615,731	-	3,615,731
Support of conference institutions	2,206,805	-	2,206,805
Clergy support and church development	1,629,966	-	1,629,966
Supporting activities			
Conference services and administration	1,134,128	-	1,134,128
District salaries and operations	2,037,149	-	2,037,149
Other allocation	1,858,768	-	1,858,768
Fundraising	70,859	-	70,859
Total expenses	30,447,000	-	30,447,000
Increase in net assets from operating activities	9,315,678	(558,935)	8,756,743
<b>Nonoperating</b>			
Gain on sale of assets, net	38,005	-	38,005
Postretirement-related changes other than net periodic postretirement cost	(1,403,905)	-	(1,403,905)
Total nonoperating	(1,365,900)	-	(1,365,900)
Change in net assets	7,949,778	(558,935)	7,390,843
<b>Net assets, beginning of year</b>	63,764,929	2,657,899	66,422,828
<b>Net assets, end of year</b>	\$ 71,714,707	\$ 2,098,964	\$ 73,813,671

See Notes to Combined Financial Statements

# South Carolina Conference of the United Methodist Church

## Combined Statement of Activities

For the year ended December 31, 2019

	Without Donor Restrictions	With Donor Restrictions	Total
<b>Revenue and gains (losses)</b>			
Apportionments	\$ 12,279,702	\$ 3,693,522	\$ 15,973,224
Direct billing: health insurance	7,085,614	-	7,085,614
Direct billing: pension and protection plans	4,240,413	-	4,240,413
Registrations and fees	2,286,504	-	2,286,504
Investment income (loss)	177,724	22,757	200,481
Nonapportioned giving	1,746,937	1,370,081	3,117,018
Other income	229,006	47,676	276,682
Net realized and unrealized loss on investments	9,299,873	74,901	9,374,774
Net assets released from restrictions	5,087,528	(5,087,528)	-
Total revenue and gains (losses)	42,433,301	121,409	42,554,710
<b>Expenses</b>			
Program services			
Camps and retreats center	1,865,198	-	1,865,198
Conference benevolence	2,610,829	-	2,610,829
Benefits and welfare	11,926,761	-	11,926,761
General and jurisdictional	3,539,577	-	3,539,577
Support of conference institutions	2,415,248	-	2,415,248
Clergy support and church development	1,785,988	-	1,785,988
Supporting activities			
Conference services and administration	1,242,129	-	1,242,129
District salaries and operations	2,231,723	-	2,231,723
Other allocation	2,142,229	-	2,142,229
Fundraising	65,318	-	65,318
Total expenses	29,825,000	-	29,825,000
Increase in net assets from operating activities	12,608,301	121,409	12,729,710
<b>Nonoperating</b>			
Gain on sale of assets, net	171,063	-	171,063
Postretirement-related changes other than net periodic postretirement cost	(1,696,504)	-	(1,696,504)
Total nonoperating	(1,525,441)	-	(1,525,441)
Change in net assets	11,082,860	121,409	11,204,269
<b>Net assets, beginning of year</b>	52,682,069	2,536,490	55,218,559
<b>Net assets, end of year</b>	\$ 63,764,929	\$ 2,657,899	\$ 66,422,828

See Notes to Combined Financial Statements

**South Carolina Conference of the United Methodist Church**  
**Combined Statement of Functional Expenses**  
**For the year ended December 31, 2020**

	Program Services						Supporting Activities				
							Management and General				Total
	Camps and Retreats Center	Conference Benevolence	Benefits and Welfare	General and Jurisdictional	Support of Conference Institutions	Clergy Support and Church Development	Conference Services and Administration	District Salaries and Operations	Other Allocation	Fundraising	
Salaries and wages	\$ 245,018	\$ 818,736	\$ -	\$ -	\$ -	\$ 283,716	\$ 410,266	\$ 1,526,887	\$ 1,071,994	\$ 48,671	\$ 4,405,288
Payroll taxes	17,628	17,501	-	-	-	5,873	22,652	21,478	30,024	3,479	118,635
Employee benefits	90,366	230,082	-	-	-	99,082	119,836	20,386	308,102	13,586	881,440
Total personnel	353,012	1,066,319	-	-	-	388,671	552,754	1,568,751	1,410,120	65,736	5,405,363
Travel and meals	-	53,139	-	-	-	17,023	9,455	77,971	65,840	6,022	229,450
Insurance	76,769	20,447	-	-	-	8,653	42,277	26,823	24,181	-	199,150
Legal	-	-	-	-	-	-	36,581	-	-	-	36,581
Bank charges	15,126	1,404	-	-	-	327	39,164	69	1,559	-	57,649
Postage	1,033	1,571	-	-	-	324	7,270	6,691	2,033	-	18,922
Telephone and internet	-	22,458	-	-	-	2,495	4,114	56,409	24,575	-	110,051
Equipment maintenance	8,417	1,971	-	-	-	-	-	4,172	2,107	-	16,667
Building and yard maintenance	66,422	14,945	-	-	-	47	1,632	133,935	15,987	-	232,968
Occupancy	81,432	38,238	-	-	-	17,005	102,807	95,362	85,761	-	420,605
Other	17,373	36,396	-	-	-	31,285	25,378	126,466	44,980	-	281,878
Office supplies & equipment	4,952	22,625	-	-	-	6,566	20,960	37,653	28,507	-	121,263
Contract services and honorarium	15,069	90,744	13,500	-	247,650	24,287	65,055	2,135	121,889	-	580,329
Printing	-	491	-	-	-	-	7,876	300	525	-	9,192
Events	-	22,178	-	-	-	-	42,060	(420)	23,712	(899)	86,631
Pension benefit	-	-	4,469,306	-	-	-	-	-	-	-	4,469,306
Retiree health	-	-	896,826	-	-	-	-	-	-	-	896,826
Bad debt	-	-	154,284	-	-	-	-	-	-	-	154,284
Health insurance	-	-	6,938,027	-	-	-	-	-	-	-	6,938,027
Camp supplies	54,016	-	-	-	-	-	-	-	-	-	54,016
Marketing	29,957	-	-	-	-	-	-	-	449	-	30,406
Grants & missional giving	5,000	1,805,072	1,329,578	3,615,731	1,959,155	1,114,466	116,924	300	-	-	9,946,226
Interest	2,718	-	-	-	-	20,092	60,451	-	-	-	83,261
Transfer	-	6,330	-	-	-	(1,275)	(630)	1,800	6,543	-	12,768
Fixed asset transfer	-	-	-	-	-	-	-	(101,268)	-	-	(101,268)
Total expenses before depreciation	731,296	3,204,328	13,801,521	3,615,731	2,206,805	1,629,966	1,134,128	2,037,149	1,858,768	70,859	30,290,551
Depreciation	156,449	-	-	-	-	-	-	-	-	-	156,449
	<u>\$ 887,745</u>	<u>\$ 3,204,328</u>	<u>\$ 13,801,521</u>	<u>\$ 3,615,731</u>	<u>\$ 2,206,805</u>	<u>\$ 1,629,966</u>	<u>\$ 1,134,128</u>	<u>\$ 2,037,149</u>	<u>\$ 1,858,768</u>	<u>\$ 70,859</u>	<u>\$ 30,447,000</u>

**See Notes to Combined Financial Statements**



**South Carolina Conference of the United Methodist Church**  
**Combined Statement of Functional Expenses**  
**For the year ended December 31, 2019**

	Program Services						Supporting Activities				
							Management and General				Total
	Camps and Retreats Center	Conference Benevolence	Benefits and Welfare	General and Jurisdictional	Support of Conference Institutions	Clergy Support and Church Development	Conference Services and Administration	District Salaries and Operations	Other Allocation	Fundraising	
Salaries and wages	\$ 383,498	\$ 849,019	\$ -	\$ -	\$ -	\$ 274,470	\$ 434,894	\$ 1,526,330	\$ 993,642	\$ 46,799	\$ 4,508,652
Payroll taxes	27,582	13,252	-	-	-	6,214	24,654	21,327	24,674	3,364	121,067
Employee benefits	105,981	291,528	-	-	-	102,060	123,637	16,884	322,002	13,183	975,275
Total personnel	517,061	1,153,799	-	-	-	382,744	583,185	1,564,541	1,340,318	63,346	5,604,994
Travel and meals	4,462	151,746	-	-	-	67,094	60,909	221,000	166,691	1,090	672,992
Insurance	79,786	17,603	-	-	-	2,284	79,080	19,674	30,269	-	228,696
Legal	-	-	-	-	-	-	54,244	-	-	-	54,244
Bank charges	33,493	2,338	-	-	-	1,794	16,639	56	2,838	-	57,158
Postage	833	2,058	-	-	-	211	10,828	7,847	3,624	-	25,401
Telephone and internet	-	24,166	-	-	-	3,017	4,231	54,797	23,113	-	109,324
Equipment maintenance	8,832	2,179	-	-	-	-	-	3,686	8,418	-	23,115
Building and yard maintenance	51,121	4,391	-	-	-	114	-	95,014	15,565	-	166,205
Occupancy	119,824	40,489	-	-	-	47,874	83,525	89,332	76,016	-	457,060
Other	43,018	148,870	-	-	-	33,676	725	110,418	170,989	-	507,696
Office supplies & equipment	9,265	22,928	-	-	-	15,284	58,569	45,598	30,989	-	182,633
Contract services and honorarium	26,076	195,789	20,500	-	-	33,589	62,048	665	201,478	-	540,145
Printing	-	2,974	-	-	-	-	38,796	-	2,779	882	45,431
Events	17,569	21,680	-	-	-	-	179,048	-	20,259	-	238,556
Pension benefit	-	-	3,654,485	-	-	-	-	-	-	-	3,654,485
Retiree health	-	-	939,342	-	-	-	-	-	-	-	939,342
Bad debt	-	-	316,240	-	-	-	-	-	-	-	316,240
Health insurance	-	-	6,984,129	-	-	-	-	-	-	-	6,984,129
Camp supplies	240,229	-	-	-	-	-	-	-	6,218	-	246,447
Marketing	-	-	-	-	-	-	-	-	40,583	-	40,583
Grants & missional giving	566,805	819,819	12,065	3,539,577	2,415,248	1,175,522	9,486	19,095	2,082	-	8,559,699
Interest	-	-	-	-	-	22,785	816	-	-	-	23,601
Total expenses before depreciation	1,718,374	2,610,829	11,926,761	3,539,577	2,415,248	1,785,988	1,242,129	2,231,723	2,142,229	65,318	29,678,176
Depreciation	146,824	-	-	-	-	-	-	-	-	-	146,824
	<u>\$ 1,865,198</u>	<u>\$ 2,610,829</u>	<u>\$ 11,926,761</u>	<u>\$ 3,539,577</u>	<u>\$ 2,415,248</u>	<u>\$ 1,785,988</u>	<u>\$ 1,242,129</u>	<u>\$ 2,231,723</u>	<u>\$ 2,142,229</u>	<u>\$ 65,318</u>	<u>\$ 29,825,000</u>

**See Notes to Combined Financial Statements**

# South Carolina Conference of the United Methodist Church

## Combined Statements of Cash Flows

For the years ended December 31, 2020 and 2019

	2020	2019
<b>Cash flows from operating activities:</b>		
Change in net assets	\$ 7,390,843	\$ 11,204,269
Adjustments to reconcile change in net assets to net cash provided by (used for) operating activities:		
Depreciation	156,449	146,824
Allowance for doubtful accounts	154,284	316,240
Real estate included in contributions	-	(602,466)
Unrealized and realized (gains) losses on investments	(9,615,882)	(9,374,774)
Gain on sale of assets, net	(38,005)	(171,063)
Changes in deferred and accrued amounts:		
Prepays	35,621	(50,898)
Due from churches	(349,596)	(22,100)
Due from pension/insurance billings, net	122,012	(159,208)
Accounts payable	(46,084)	313,950
Due to agencies and support groups	14,220	(380)
Deferred revenue	91,116	20,699
Accrued postretirement benefit obligations	1,403,905	1,696,504
Other liabilities	11,464	9,037
Net cash provided by (used for) operating activities	(669,653)	3,326,634
<b>Cash flows from investing activities:</b>		
Proceeds from sales of investments	15,404,144	17,706,385
Purchases of investments	(17,811,980)	(16,210,000)
Proceeds from sale of assets	52,005	183,500
Acquisition of real estate held for sale	-	(3,397,534)
Purchases of property and equipment	(1,476,855)	(1,634,316)
Net cash used for investing activities	(3,832,686)	(3,351,965)
<b>Cash flows from financing activities:</b>		
Payments on capital lease obligation	(13,036)	(12,803)
Proceeds from long-term debt	4,860,119	-
Principal payments on long-term debt	(4,813)	(58,646)
Net cash provided by (used for) financing activities	4,842,270	(71,449)
Net change in cash and cash equivalents	339,931	(96,780)
<b>Cash and cash equivalents, beginning of year</b>	<b>8,658,763</b>	<b>8,755,543</b>
<b>Cash and cash equivalents, end of year</b>	<b>\$ 8,998,694</b>	<b>\$ 8,658,763</b>
<b>Supplemental disclosures</b>		
Cash paid for interest	\$ 100,725	\$ 23,602
PPP funds received and forgiven	\$ 1,003,900	\$ -
<b>Noncash investing and financing activities</b>		
Equipment acquired under capital lease	\$ 7,104	\$ -

See Notes to Combined Financial Statements

# South Carolina Conference of the United Methodist Church

## Notes to Combined Financial Statements

December 31, 2020 and 2019

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### Note 1. Summary of Significant Accounting Policies

#### Organization:

The South Carolina Conference of the United Methodist Church (the "Conference") governs the various boards, commissions, committees and agencies whose purpose is to carry out the programs of the United Methodist Church. The South Carolina Conference of the United Methodist Church is a nonprofit religious organization and is exempt from paying income taxes under Section 501 (c)(3) of the Internal Revenue Code.

#### Basis of accounting:

The accompanying combined financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America ("U.S. GAAP"), except for the effects of not recording property and equipment as described in Note 6. Financial statement presentation follows the recommendations of the Financial Accounting Standards Board Accounting Standards Codification (ASC).

#### Basis of presentation and principles of combination:

The accompanying combined financial statements include the accounts of the South Carolina Conference of the United Methodist Church, the 12 South Carolina Conference Districts and the South Carolina Conference's Camps and Retreats ("Camps"). The Districts and the Camps and Retreats are combined due to common control by the Conference. All significant inter-entity balances and transactions have been eliminated in the combined financial statements.

#### Net assets:

The Conference's net assets are classified as follows:

**Net assets without donor restrictions:** Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the organization. These net assets may be used at the discretion of the Conference's management and the board of directors.

**Net assets with donor restrictions:** Net assets that are subject to stipulations imposed by donors and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of the Conference or by the passage of time (that is, when a stipulated time restriction ends or purpose restriction is accomplished). Other donor restrictions are perpetual in nature, whereby the donor has stipulated the funds be maintained in perpetuity.

#### Revenue recognition:

Contributions received are recorded as support without donor restrictions or support with donor restrictions, depending on the existence and/or nature of any donor restrictions. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the Combined Statements of Activities as net assets released from restrictions.

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## South Carolina Conference of the United Methodist Church

### *Notes to Combined Financial Statements*

*December 31, 2020 and 2019*

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#### **Note 1. Summary of Significant Accounting Policies, Continued**

##### *Cash and cash equivalents:*

For purposes of reporting the combined statements of cash flows, the Conference considers all highly liquid investment instruments purchased with original maturity of three months or less to be cash equivalents except for those amounts designated and classified as investments.

##### *Availability of funds for general expenditures:*

The Conference has certain net assets that are available for general expenditures within one year based on conducting the normal activities of its programs in the coming year. Accordingly, the related resources have been included in the quantitative information detailing the financial assets available to meet general expenditures within one year (See Note 2).

##### *Receivables:*

Receivables are reported net of an allowance for doubtful accounts. The allowance is based on management's estimate of the amount of receivables that will ultimately be collected.

##### *Investments:*

The Conference's investments consist primarily of assets invested in marketable equity and debt securities, alternative investments, and money market accounts. Investments in equity securities with readily determinable fair values and all investments in debt securities are measured at fair value in the Combined Statements of Financial Position. The realized and unrealized gain or loss on investments is reflected in the Combined Statements of Activities.

##### *Property and equipment:*

The Conference has generally not recorded land or buildings as property and equipment on the Combined Statements of Financial Position, with the exception of the property and equipment of the Camps and Retreats. In 2003, the Conference recorded the renovations to the conference center, based on its intention to start recording fixed assets along with the related depreciation. Property was to be recorded at cost with depreciation being provided on the straight-line method over the estimated useful lives of 39 years for buildings and 10 to 39 years for improvements to land and buildings. The plan has been delayed while the Conference re-evaluates starting the policy of recording all current land and property versus continuing the previous policy. Therefore, the Conference did not record depreciation for the conference renovation. The Conference does maintain investments in an equipment fund. However, the Conference does not record the related depreciation of such equipment as required by U.S. GAAP. Expenditures for such investments in the equipment fund are generally charged as expenditures in the year of purchase.

##### *Support and expenses:*

A contribution is deemed to have been received when the cash or other assets including securities, land, buildings, use of facilities, materials and supplies, intangible assets, services or unconditional promise to give such items in the future is received. An unconditional promise to give is a promise which is not dependent on the occurrence of a specified future and uncertain event to bind the promisor.

## South Carolina Conference of the United Methodist Church

### *Notes to Combined Financial Statements*

*December 31, 2020 and 2019*

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#### **Note 1. Summary of Significant Accounting Policies, Continued**

##### *Support and expenses, continued:*

Contributions received and unconditional promises to give are measured at their fair values and are reported as an increase in net assets. The Conference reports gifts of cash and other assets as restricted support if they are received with donor stipulations that limit the use of the donated assets, or if they are designated as support for future periods. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the Combined Statements of Activities as net assets released from restrictions.

The combined financial statements present expenses in accordance with the overall service mission of the Conference displayed within their natural classifications.

##### *Uncertainty in income taxes:*

The Conference is a nonprofit religious organization and is exempt from paying federal and state income taxes under Section 501 (c)(3) of the Internal Revenue Code. Management evaluated the Conference's tax positions and is unaware of any situation or circumstance that would cause the Conference to lose its tax exempt status. The Conference has taken no uncertain tax positions that require adjustment to the combined financial statements. Therefore, no provision or liability for income taxes has been included in the combined financial statements.

##### *Compensated absences:*

Accumulated unpaid vacation pay is accrued when it is earned. Conference employees are entitled to carry over from one calendar year to the next up to two weeks' (10 days) vacation time. If an employee leaves the employment of the Conference, the employee is entitled to be paid for the unused vacation time.

##### *Advertising:*

Costs incurred for producing and communicating advertising and promotional material of \$30,406 and \$40,583 for the years ended 2020 and 2019, respectively, were expensed when incurred.

##### *Fair value measurements:*

The Conference has adopted the prescribed accounting standards for fair value measurement for its financial assets and liabilities. The standards clarify that fair value is an exit price, representing the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The Conference utilizes market data or assumptions that market participants would use in pricing the asset or liability. The standard established a three-tier fair value hierarchy, which prioritizes the inputs used in measuring fair value. These tiers include: Level 1, defined as observable inputs such as quoted prices in active markets; Level 2, defined as inputs other than quoted prices in active markets that are either directly or indirectly observable; and Level 3, defined as unobservable inputs about which little or no market data exists; therefore, requiring an entity to develop its own assumptions.

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## South Carolina Conference of the United Methodist Church

### *Notes to Combined Financial Statements*

*December 31, 2020 and 2019*

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#### **Note 1. Summary of Significant Accounting Policies, Continued**

##### *Use of estimates:*

The preparation of combined 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 combined financial statements and the reported amounts of results of operations during the period. Actual results could differ from these estimates.

##### *Expense allocation:*

The costs of providing various programs and activities have been summarized on a functional basis in the Combined Statements of Activities and Functional Expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited. Expenses of the Conference include:

**Program expenses** – Program expenses included expenses incurred to operate the Conference’s various programs, which include:

##### **Camps and Retreat Center**

This fund represents Salkehatchie Summer Service and the South Carolina United Methodist Camps and Retreat Ministries. Salkehatchie missional camps provide home repairs to homeowners in need. Camps and Retreat Ministries nurture persons in Christian living through wholesome recreational activities at Asbury Hills and Camp Providence.

##### **Conference Benevolences**

This fund embodies the program ministry areas of Advocacy, Discipleship, Lay Leadership and Outreach. These programs are carried out by volunteers and paid employees to provide assistance to local churches in their efforts to make disciples of Jesus Christ.

##### **Benefits and Welfare**

This fund provides retirement, health, and welfare benefits to eligible local church pastors, Conference employees, and others.

##### **General and Jurisdictional**

This fund’s distributions are the amounts paid to the United Methodist Church and to the Southeastern Jurisdiction of the UMC to support ministry beyond our geographic region and to support their administrative offices.

##### **Support of Conference Institutions**

This fund reflects amounts collected and passed through to United Methodist-affiliated colleges and retirement communities in South Carolina.

## South Carolina Conference of the United Methodist Church

### Notes to Combined Financial Statements

December 31, 2020 and 2019

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#### Note 1. Summary of Significant Accounting Policies, Continued

##### Expense allocation, continued:

###### **Clergy Support and Church Development**

This fund provides resources to assist in the growth and development of clergy and local churches. Clergy Support includes recruiting and shepherding clergy from the time a person begins to explore becoming a candidate for ministry through retirement. Services include continuing education programs, mentoring programs, and other events to grow the clergy. Church Development is synonymous with Congregational Development in its efforts to create new churches and new ministries within local churches. It funds new ministries, equips leaders, and supports existing congregations.

**Management and general expenses** – Management and general expenses include the general, administrative, and operating costs of the Conference.

**Fundraising expenses** – These expenses include direct and indirect activities undertaken to solicit contributions from donors.

The financial statements report certain categories of expenses that are attributable to more than one program or supporting function. Therefore, these expenses require allocation on a reasonable basis that is consistently applied. In relation to camps and retreats, the expenses associated with Salkehatchie administrative assistance were treated as management and general and the funds utilized for home repairs were expensed as grants. In addition, fundraising costs related to camps and retreats were allocated based on time and effort. Conference benevolence expenses were allocated based on salaries of positions. Benefits and welfare expenses were allocated to program expenses and management and general administrative payroll expenses based on time and effort. Clergy and church support expenses were allocated based on administrative salaries and time and effort.

##### Adoption of a new accounting standard:

In June 2018, the Financial Accounting Standards Board (FASB) issued ASU 2018-08, Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made, an update to clarify and improve the scope and the accounting guidance for contributions received and contributions made. The clarifying guidance is effective for annual periods beginning after December 15, 2019. The Conference adopted this new standard effective January 1, 2020. The new standard did not change or impact the Conference's recognition of contributions received.

##### New accounting pronouncements:

In September 2020, the FASB issued ASU 2020-07, Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets, an update to clarify and improve the scope and the accounting guidance for nonfinancial assets, or gifts-in-kind. The clarifying guidance is effective for annual periods beginning after June 15, 2021. Early adoption is permitted. The Conference is currently in the process of evaluating the impact of adoption of this guidance on its financial statements.

Other accounting standards that have been issued or proposed by the FASB or other standards-setting bodies are not expected to have a material impact on the Conference's net assets or changes in net assets.

## South Carolina Conference of the United Methodist Church

### Notes to Combined Financial Statements

December 31, 2020 and 2019

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#### Note 1. Summary of Significant Accounting Policies, Continued

##### Subsequent events:

These combined financial statements have not been updated for subsequent events after July 6, 2021, the date the combined financial statements were available to be issued.

During June 2021, Camps received additional Paycheck Protection Program (PPP) funding of \$148,065. See additional information about PPP at Note 16.

#### Note 2. Availability and Liquidity

Assets available for general expenditure, that are without donor or other restrictions limiting their use within one year of the Combined Statement of Financial Position date of December 31, 2020, are comprised of the following at December 31, 2020:

Assets at year end	\$ 100,205,140
Less amounts not available to be used within one year due to illiquidity:	
Investments	500,000
Prepaid expenses	21,059
Property and equipment, net	12,052,238
Real estate held for sale	4,000,000
Net assets without donor restrictions	7,027,006
Net assets with donor restrictions	<u>2,098,964</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 74,505,873</u>

As part of its liquidity plan, the Conference has a policy to structure its assets to be available as its general expenditures, liabilities and other obligations become due. The Conference invests excess cash in short-term investments, including money market accounts, and has the ability to redeem certain investments as necessary to meet its obligations.

#### Note 3. Concentrations of Credit Risk

The Conference maintains its cash balances and investments with several financial institutions and brokerage companies. At times, deposits with the financial institutions and brokerage companies may exceed Federal Deposit Insurance Corporation (FDIC) or Securities Investor Protection Corporation (SIPC) insurance limits. In addition, the Conference has approximately \$2,300,000 and \$1,300,000 as of December 31, 2020 and 2019, invested with the United Methodist Development Fund, which is not FDIC or SIPC insured.



# South Carolina Conference of the United Methodist Church

## Notes to Combined Financial Statements

December 31, 2020 and 2019

### Note 4. Investments

Investments consist of the following as of December 31:

	<u>2020</u>	<u>2019</u>
Money market fund	\$ 2,051,834	\$ 945,722
Certificates of deposit	2,873,000	4,235,001
Equity securities	1,091,268	922,419
Preferred stock	2,263	2,577
Debt securities:		
Government securities	175,762	434,940
Municipal bonds	96,243	195,626
Corporate bonds	220,751	424,566
Total debt securities	<u>492,756</u>	<u>1,055,133</u>
Investments measured at NAV		
UMF Fund of Funds	851,469	760,440
GBOP Fund of Funds		
Multiple Asset Fund	55,962,449	46,531,448
Short Term Investment Fund	7,697,153	4,724,548
Inflation Protection Fund	60,388	57,075
Fixed Income fund	754,390	696,015
Total GBOP Fund of Funds	<u>64,474,380</u>	<u>52,009,086</u>
Mutual funds		
Intermediate Government	262,270	221,441
Intermediate - Term Bond	735,643	882,521
Intermediate - Core Bond	223,174	-
Total mutual funds	<u>1,221,087</u>	<u>1,103,961</u>
Total Investments measured at NAV	<u>66,546,936</u>	<u>53,873,488</u>
Total investments	<u>\$ 73,058,057</u>	<u>\$ 61,034,339</u>

Investment return consists of the following for the years ending December 31:

	<u>2020</u>	<u>2019</u>
Net realized and unrealized gains/(loss) on investments	\$ 9,615,882	\$ 9,374,774
Interest and dividends	187,083	200,481
Total investment return	<u>\$ 9,802,965</u>	<u>\$ 9,575,255</u>

The fair value of marketable debt securities at December 31, 2020 by contractual maturities is shown below:

Due in one year or less	\$ -
Due after one year but less than five years	172,066
Due after five years but less than ten years	298,822
Due after ten years	21,868
Total	<u>\$ 492,756</u>

## South Carolina Conference of the United Methodist Church

### Notes to Combined Financial Statements

December 31, 2020 and 2019

#### Note 4. Investments, Continued

*Investments in an unrealized loss position that are not other-than-temporarily impaired:*

The Conference has determined that the unrealized losses incurred on its marketable securities are deemed to be temporary impairments as of December 31, 2020. The Conference believes that the unrealized losses generally are caused by liquidity discounts and increases in risk premiums required by market participants rather than an adverse change in cash flows or a fundamental weakness in the credit quality of the issuer or underlying assets.

	Less than twelve months		More than twelve months		Total	
	Fair value	Unrealized losses	Fair value	Unrealized losses	Fair value	Unrealized losses
Equity securities	\$ 56,390	\$ (6,362)	\$ 22,451	\$ (1,708)	\$ 78,841	\$ (8,070)
Mutual funds	-	-	391,679	(112,133)	391,679	(112,133)
Total temporarily impaired investments	<u>\$ 56,390</u>	<u>\$ (6,362)</u>	<u>\$ 414,130</u>	<u>\$ (113,841)</u>	<u>\$ 470,520</u>	<u>\$ (120,203)</u>

#### Note 5. Fair Value of Investments

The Conference determines fair value measurements in accordance with U.S. GAAP, which establishes a framework for measuring fair value that includes a hierarchy that categorizes and prioritizes the sources used to measure and disclose fair value. Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date (an exit price). 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 Conference 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.

## South Carolina Conference of the United Methodist Church

### Notes to Combined Financial Statements

December 31, 2020 and 2019

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#### Note 5. Fair Value of Investments, Continued

Inputs refer broadly to the assumptions that market participants use to make valuation decisions, including assumptions about risk. Inputs may include price information, volatility statistics, specific and broad credit data, liquidity statistics and other factors.

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 the Conference's assets and liabilities measured at fair value at December 31, 2020 and 2019:

**Money market fund:** The carrying amounts of such instruments are valued on the active market on which it is traded; at amortized cost, which approximates fair value.

**Certificates of deposit:** The carrying amounts of such instruments approximate fair value and are classified within Level 2 of the valuation hierarchy.

**Equity securities:** The fair value of equity securities is the market value based on quoted market prices, when available, or market prices provided by recognized broker dealers.

**Preferred stock:** The fair value of preferred stock is the market value based on quoted market prices, when available, or market prices provided by recognized broker dealers.

**Debt Securities:** The carrying amounts of such instruments approximate fair value and are classified within Level 2 of the valuation hierarchy.

**Fund of Funds, United Methodist Foundation:** Represent units pooled within the South Carolina United Methodist Foundation (UMF) and are valued using the Net Asset Value (NAV) provided by the administrator of the funds. The NAV is based on the value of the underlying assets owned by the funds, minus its liabilities and then divided by the number of shares or units outstanding. The Conference's investments with the UMF consisted of cash and money market funds, preferred stock, fixed income securities and short-term investments.

**Fund of Funds, General Board of Pensions:** Represent units pooled within the General Board of Pension (GBOP) Superannuate Endowment, GBOP HMEP, GBOP Deposit, GBOP Retiree Health Care, GBOP Permanent Fund and William Norman Bobo, Jr. Endowment Fund and are valued using the NAV provided by the administrator of the funds. The NAV is based on the value of the underlying assets owned by the funds, minus its liabilities and then divided by the number of shares or units outstanding. The Conference's investment with the GBOP consisted of common stock, fixed income securities and short term investments.

**Mutual Funds:** These investments are valued using the NAV provided by the administrator of the fund. The NAV is based on the value of the underlying assets owned by the fund, minus its liabilities and then divided by the number of shares or units outstanding.

# South Carolina Conference of the United Methodist Church

## Notes to Combined Financial Statements

December 31, 2020 and 2019

### Note 5. Fair Value of Investments, Continued

The Conference had the following levels of investments as defined in the framework measured at fair value on a recurring basis:

	December 31, 2020			
	Level 1	Level 2	Level 3	Total
Investments				
Money market fund	\$ 2,051,834	\$ -	\$ -	\$ 2,051,834
Certificates of deposit	-	2,873,000	-	2,873,000
Equity securities	1,091,268	-	-	1,091,268
Preferred stock	2,263	-	-	2,263
Debt securities				
Government securities	-	175,762	-	175,762
Municipal bonds	-	96,243	-	96,243
Corporate bonds	-	220,751	-	220,751
Total investments in the fair value hierarchy	<u>\$ 3,145,365</u>	<u>\$ 3,365,756</u>	<u>\$ -</u>	6,511,121
Investments measured at net asset value				<u>66,546,936</u>
Total investments at fair value				<u>\$ 73,058,057</u>

	December 31, 2019			
	Level 1	Level 2	Level 3	Total
Investments				
Money market fund	\$ 945,722	\$ -	\$ -	\$ 945,722
Certificates of deposit	-	4,235,001	-	4,235,001
Equity securities	922,419	-	-	922,419
Preferred stock	2,577	-	-	2,577
Debt securities				
Government securities	-	434,940	-	434,940
Municipal bonds	-	195,626	-	195,626
Corporate bonds	-	424,566	-	424,566
Total investments in the fair value hierarchy	<u>\$ 1,870,718</u>	<u>\$ 5,290,133</u>	<u>\$ -</u>	7,160,851
Investments measured at net asset value				<u>53,873,488</u>
Total investments at fair value				<u>\$ 61,034,339</u>

# South Carolina Conference of the United Methodist Church

## Notes to Combined Financial Statements

December 31, 2020 and 2019

### Note 5. Fair Value of Investments, Continued

The following table for December 31, 2020 and 2019 sets forth a summary of the Conference's investments reported at NAV as a practical expedient to estimate fair market value:

Investment	December 31, 2020			
	Fair value	Unfunded commitment	Redemption frequency	Redemption notice period
UMF Fund of Funds	\$ 851,469	\$ -	Immediate	Up to 180 days
GBOP Fund of Funds:				
Multiple Asset Fund	55,962,449	-	Immediate	None
Short Term Investment Fund	7,697,153	-	Immediate	None
Inflation Protection Fund	60,388	-	Immediate	None
Fixed Income Fund	<u>754,390</u>	-	Immediate	None
Total GBOP Fund of Funds	<u>64,474,380</u>	-		
Mutual Funds:				
Intermediate – Term Bond	735,643	-	Immediate	None
Intermediate Government	262,270	-	Immediate	None
Intermediate - Core Bond	<u>223,174</u>	-	Immediate	None
Total Mutual Funds	<u>1,221,087</u>	-		
Total	<u>\$ 66,546,936</u>	<u>\$ -</u>		

  

Investment	December 31, 2019			
	Fair value	Unfunded commitment	Redemption frequency	Redemption notice period
UMF Fund of Funds	\$ 760,440	\$ -	Immediate	Up to 180 days
GBOP Fund of Funds:				
Multiple Asset Fund	46,531,448	-	Immediate	None
Short Term Investment Fund	4,724,548	-	Immediate	None
Inflation Protection Fund	57,075	-	Immediate	None
Fixed Income Fund	<u>696,015</u>	-	Immediate	None
Total GBOP Fund of Funds	<u>52,009,086</u>	-		
Mutual Funds:				
Intermediate – Term Bond	221,441	-	Immediate	None
Intermediate Government	<u>882,521</u>	-	Immediate	None
Total Mutual Funds	<u>1,103,962</u>	-		
Total	<u>\$ 53,873,488</u>	<u>\$ -</u>		

## South Carolina Conference of the United Methodist Church

### Notes to Combined Financial Statements

December 31, 2020 and 2019

#### Note 6. Property, Equipment, and Depreciation

The Conference historically has not recorded property and equipment on its Combined Statements of Financial Position, with the exception of Camps and Retreats. In 2003, the Conference recorded the renovations to the conference center, based on its intention to start recording property and equipment along with the related depreciation. During 2020 and 2019, the Conference recorded property and equipment purchases in excess of \$5,000 to its accounting records. Currently, the Conference is evaluating its policy of recording all land and property. It has also deferred recording depreciation expense with the exception of depreciation related to the property of Camps and Retreats. Below is a summary of the property and equipment at December 31:

	December 31, 2020			
	Conference	Districts	Camps and Retreats	Total
Land	\$ 520,000	\$ 139,500	\$ 1,426,039	\$ 2,085,539
Buildings and equipment	2,740,508	2,419,822	4,626,732	9,787,062
Construction in progress	<u>11,715</u>	<u>-</u>	<u>1,509,972</u>	<u>1,521,687</u>
	3,272,223	2,559,322	7,562,743	13,394,288
Less accumulated depreciation	<u>-</u>	<u>-</u>	<u>1,342,050</u>	<u>1,342,050</u>
	<u>\$ 3,272,223</u>	<u>\$ 2,559,322</u>	<u>\$ 6,220,693</u>	<u>\$ 12,052,238</u>

  

	December 31, 2019			
	Conference	Districts	Camps and Retreats	Total
Land	\$ 520,000	\$ 139,500	\$ 1,295,489	\$ 1,954,989
Buildings and equipment	2,647,707	2,271,079	4,566,983	9,485,769
Construction in progress	<u>-</u>	<u>17,000</u>	<u>473,676</u>	<u>490,676</u>
	3,167,707	2,427,579	6,336,148	11,931,434
Less accumulated depreciation	<u>-</u>	<u>-</u>	<u>1,185,602</u>	<u>1,185,602</u>
	<u>\$ 3,167,707</u>	<u>\$ 2,427,579</u>	<u>\$ 5,150,546</u>	<u>\$ 10,745,832</u>

Depreciation expense in the amount of \$156,449 and \$146,824 was included in total expenses for the years ended December 31, 2020 and 2019, respectively.

## South Carolina Conference of the United Methodist Church

### Notes to Combined Financial Statements

December 31, 2020 and 2019

#### Note 7. Real Estate Held for Sale

During 2019, a large group of members and attendees of Christ United Methodist Church in Myrtle Beach, South Carolina left to form a non-denominational church. The remaining members recognized that they could not assume the financial burden and debt of the large building they owned and its respective mortgage. The church voted to relinquish the real property and debt to the Trustees of the Annual Conference and the mortgage was in default and nearing foreclosure. To prevent foreclosure, the Trustees of the Annual Conference borrowed \$3.6 million from the Conference Board of Pension and Health Benefits to pay off the mortgage and related legal fees. In April of 2020, the Trustees of the Annual Conference borrowed \$3,625,000 from a financial institution and mortgaged the property to repay the Conference Board of Pension and Health Benefits. See Note 9 for additional information. The property is currently held for sale. The property is recorded at the estimated market value at December 31, 2020 and 2019, as follows:

Church property in Myrtle Beach, South Carolina	<u>\$ 4,000,000</u>
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#### Note 8. Deferred Revenue

Deferred revenue consists of church apportionments made to support the following year's activities and camp registrations for the following year. The deferred revenues as of December 31, 2020 and 2019 were \$204,928 and \$113,812, respectively.

#### Note 9. Long-term Debt

	<u>2020</u>	<u>2019</u>
Long-term debt consists of the following at December 31:		
Note payable to a financial institution, interest only, at Prime less .75 basis points (2.50%), due April 2022.	\$ 3,625,000	\$ -
Revolver loan with a financial institution providing up to \$1,500,000 with Interest payable monthly at one month London Interbank Offered Rate (LIBOR) plus spread.	1,284,542	-
An original note in the amount of \$890,000 payable to the United Methodist Development Fund in 180 monthly payments of \$7,748, including interest at 6.49%, due July 2026, collateralized by real property at 415 Sams Point Road, Beaufort, South Carolina. In 2015, the note was refinanced at 4.50% in 138 monthly payments of \$6,761, due December 2026.	<u>414,924</u>	<u>476,264</u>
	5,324,466	476,264
	<u>1,347,810</u>	<u>60,489</u>
Less current maturities	<u>\$ 3,976,656</u>	<u>\$ 415,775</u>

## South Carolina Conference of the United Methodist Church

### Notes to Combined Financial Statements

December 31, 2020 and 2019

#### Note 9. Long-term Debt, Continued

Scheduled maturities of the notes payable at December 31, 2020 are as follows:

2021	\$ 1,347,810
2022	3,692,710
2023	70,821
2024	74,075
2025	75,720
Thereafter	63,330
	<u>\$ 5,324,466</u>

#### Note 10. Net Assets Without Donor Restrictions

Net assets without donor restrictions are net assets that have been designated for a specific purpose by the Board.

Net assets without donor restrictions at December 31, 2020 and 2019 are designated for the following purposes:

	<u>2020</u>	<u>2019</u>
Undesignated	\$ 64,687,701	\$ 52,675,175
Permanent reserve	2,041,842	1,812,034
Annual Conference	1,136,371	5,127,530
Ministry development	661,458	639,460
Physical plant	<u>3,187,335</u>	<u>3,510,730</u>
	<u>\$ 71,714,707</u>	<u>\$ 63,764,929</u>

#### Note 11. Net Assets With Donor Restrictions

Net assets with donor restrictions are available for specific program services as follows at December 31:

	<u>2020</u>	<u>2019</u>
District ministries	\$ 587,265	\$ 593,089
Ministerial education	238,528	152,761
Disaster recovery	374,569	1,094,221
Other programs	<u>898,602</u>	<u>817,828</u>
	<u>\$ 2,098,964</u>	<u>\$ 2,657,899</u>

#### Note 12. Operating Leases

The Conference has entered into various operating leases for office equipment, office space, and event rentals, some of which are non-binding. The binding leases expire at various dates through December 2023. Total lease expense was approximately \$237,000 and \$338,000 for the years ended December 31, 2020 and 2019, respectively.



## South Carolina Conference of the United Methodist Church

### Notes to Combined Financial Statements

December 31, 2020 and 2019

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#### Note 12. Operating Leases, Continued

Future minimum lease commitments under the operating leases at December 31, 2020 are as follows:

2021	\$	43,523
2022		19,200
2023		19,200

#### Note 13. Capital Lease

The Conference leases equipment under a capital lease beginning in September 2020. The leased assets are recorded at the net present value of future minimum lease payments with an interest rate of 4.5%. The equipment had an original cost of \$6,700. The Conference has deferred recording depreciation expense for the year ending December 31, 2020.

Future minimum lease payments for years following December 31, 2020 are as follows:

2021	\$	<u>1,728</u>
Total minimum lease payments		6,912
Less amounts representing interest		<u>621</u>
Present value of minimum lease payments		6,291
Less current maturities of capital lease obligations		<u>1,468</u>
Long-term capital lease obligations	\$	<u><u>4,823</u></u>

#### Note 14. Pension and Benefit Plans

The South Carolina Conference of the United Methodist Church participates in a defined benefit multi-employer pension plan administered by the General Board of Pensions of the United Methodist Church. The plan provides pension benefits to retiring members in addition to providing disability income benefits and guaranteed minimum benefits for widows and dependent children of deceased members.

The Conference contributes to the fund an amount equivalent to 3% of each minister's annual plan compensation (cash salary, tax-deferred contributions made and housing allowance or value of the use of a parsonage) limited by 200% of the denominational average compensation. In addition, the Conference contributed \$497 per month per full time equivalent towards the defined benefit portion of the plan for clergy in 2020 and 2019. For lay employees, the Conference contributes 9% and the lay employee contributes a minimum of 3%. Comprehensive Protection Plan (CPP) contributions for eligible full time ministers are the equivalent of 3% of the minister's plan compensation limited by 200% of the current denomination average compensation. Past service defined benefit funding is an annual actuarially determined amount approved by the Annual Conference. Contributions for each participant are fully vested. The Conference Treasurer remitted \$4,983,388 and \$4,916,176 in 2020 and 2019, respectively, to the General Board of Pensions. Past service expenses are charged to the Annual Conference. The RP-2016 White Collar Mortality Table with generational projection using Scale MP-2016 is used in the determination of these amounts.

Ministers' pension payments received by the Conference Treasurer are remitted to the General Board of Pensions of the United Methodist Church.

## South Carolina Conference of the United Methodist Church

### *Notes to Combined Financial Statements*

*December 31, 2020 and 2019*

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#### **Note 14. Pension and Benefit Plans, Continued**

##### Ministerial Reserve Pension Fund:

The Conference participates in the Ministerial Reserve Pension Fund (Pre-82 Plan) which is a defined benefit pension plan administered by the General Board of Pensions and Health Benefits of the United Methodist Church. The Fund covers service prior to 1982 for substantially all clergy and lay pastors. The Board of Pensions of the Conference acts as the trustee responsible for deposits with the General Board of Pensions and Health Benefits of the United Methodist Church. The Conference did not make any contributions to the Ministerial Reserve Pension Fund in 2020 or 2019. For service subsequent to 1981, ministerial and lay employees of the Conference are eligible to participate in the multiemployer retirement plans offered by the United Methodist Church as described below.

##### Ministerial Pension Plan:

The Ministerial Pension Plan (MPP) provided benefits for United States of America clergy from January 1, 1982 through December 31, 2006. It is primarily a defined contribution retirement plan, with the requirement that clergy must convert at least 65% of his or her total account balance to an annuity. This plan ceased accruing benefits effective December 31, 2006. The Conference did not make any contributions to the Ministerial Pension Plan in 2020 or 2019.

##### Cumulative Pension and Benefit Fund:

The Clergy Retirement Security Program (CRSP) was effective January 1, 2007 as a defined benefit plan and a defined contribution plan administered by the General Board of Pensions and Health Benefits of the United Methodist Church. Clergy members and local pastors under Episcopal appointment to a conference, church, charge, district or conference-controlled entity or unit are eligible to participate. For the defined benefit plan, the December 31, 2020 and 2019 contributions were based on an amount equal to \$497 per month for each full-time employee. Contributions to the defined contribution plan totaled approximately \$1,039,000 and \$1,055,000 for the years ended December 31, 2020 and 2019 respectively.

##### Cumulative Pension and Benefit Fund:

As noted above, the Conference contributes to a defined benefit multi-employer pension plan that consists of three components; 1) The Core Defined Benefit Part of the Clergy Retirement Security Program (CRSP-DB), 2) The defined benefit portion of Supplement Three to the Clergy Retirement Security Program otherwise known as the Ministerial Pension Plan (MPP), and 3) The Supplement One to the Clergy Retirement Security Program (Pre-1982 Plan). All are part of a multiemployer defined benefit pension plan covering substantially all United Methodist clergy, including clergy appointed by the Conference.

The multi-employer plan is a multi-employer plan only under FASB Accounting Standards Codification's Master Glossary definition. It is not a multi-employer plan under Internal Revenue Code §414(f) (i.e., a Taft-Hartley union-management plan) because no union or union contracts are involved. The plan's provisions are governed by the General Conference, a United Methodist Church-wide decision making body composed of 50% clergy and 50% lay delegates that meet once every four years. Changes to the plan provisions are not allowed by the General Conference, except to the extent that they are required to maintain compliance with secular law.

# South Carolina Conference of the United Methodist Church

## Notes to Combined Financial Statements

December 31, 2020 and 2019

### Note 14. Pension and Benefit Plans, Continued

The multi-employer plan is a non-electing church plan under Internal Revenue Code §414(e) and §410(d). As such, it is exempt from the minimum funding requirements of ERISA, the Pension Protection Act of 2006, and Internal Revenue Code §412 and 430-436 (see §412(e)(2)(D)). Accordingly, no funding improvement plan or “zoning” funding requirements apply. Contributions as of December 31, 2020 and 2019 and funding status as of January 1, 2016 and January 1, 2015, respectively, are as follows:

2020			
Benefit Program	Contribution/Transfer Amount	Conference's Funded Status	Conference Portion of Total Contribution
Pre-82 Plan	\$ -	149%	0.0%
MPP Annuities			
Transfer from Pre-82	-		
Cash contributions	-		
Subtotal	-	108%	0.0%
CRSP-DB			
Transfer from Pre-82	-		
Cash contributions	2,534,522		
Subtotal	2,534,522	109%	2.7%
Total	\$ 2,534,522		
2019			
Benefit Program	Contribution/Transfer Amount	Conference's Funded Status	Conference Portion of Total Contribution
Pre-82 Plan	\$ -	145%	0.0%
MPP Annuities			
Transfer from Pre-82	-		
Cash contributions	-		
Subtotal	-	105%	0.0%
CRSP-DB			
Transfer from Pre-82	-		
Cash contributions	2,601,725		
Subtotal	2,601,725	107%	2.6%
Total	\$ 2,601,725		

## South Carolina Conference of the United Methodist Church

### Notes to Combined Financial Statements

December 31, 2020 and 2019

#### Note 14. Pension and Benefit Plans, Continued

The Pre-82 Plan does have internal minimum funding requirements imposed by the terms of the plan. Any unfunded liability must be amortized over a period selected by the plan sponsors as long as it ends no later than December 31, 2021. In addition, Past Service Rate increases in excess of 2% must be funded in full and may not be amortized. In 2020, the Conference was not subject to any additional minimum funding requirements from the General Board of Pensions and Health Benefits.

For MPP Annuities and CRSP-DB, funding of these benefits is managed together through a "Corridor Funding" approach developed by the General Board of Pension and Health Benefits of the United Methodist Church. The benefits are funded proportionally across all participating plan sponsors and the required contribution includes a seven-year amortization of any unfunded liability.

Pre-82 Plan provisions specify that the specific benefit levels of the Pre-82 Plan are determined by participating plan sponsors at their annual meetings in May or June. The Conference adopted the following benefit levels for the years reported:

	<u>2020</u>	<u>2019</u>
Past service rate	\$ 813	\$ 797
Contingent annuitant percentage	75%	75%

There were no other plan changes affecting comparability of the contributions from year to year.

As of January 1, 2017 for the 2019 Funding Year and as of January 1, 2018 for the 2020 Funding Year, the Conference did not have amortizable contribution payments.

The latest actuarial valuations were performed on January 1, 2020 on the total plan liabilities and assets.

<u>Plan</u>	<u>Total Plan Liability</u>	<u>Total Plan Assets</u>	<u>Total Plan Funded Status</u>
CRSP-DB	\$ 2,075,403,337	\$ 2,237,383,068	108%
MPP	\$ 3,721,464,249	\$ 4,147,098,325	111%
Pre-82	\$ 1,857,662,877	\$ 2,041,249,221	110%

Minimum contributions from all Plan Sponsors for 2020 to the Pre-82 plan were approximately \$15 million.

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## **South Carolina Conference of the United Methodist Church**

### ***Notes to Combined Financial Statements***

***December 31, 2020 and 2019***

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#### **Note 14. Pension and Benefit Plans, Continued**

##### **Comprehensive Protection Plan**

The Comprehensive Protection Plan (CPP) provides disability and death benefits as well as certain minimum benefits related to pension coverage for certain ministerial employees. The CPP is a welfare benefit plan administered by the General Board of Pensions and Health Benefits of the United Methodist Church. Contributions to the Comprehensive Protection Plan totaled \$1,059,662 and \$1,073,572 for the years ended December 31, 2020 and 2019, respectively.

##### **Personal Investment Plan**

The United Methodist Personal Investment Plan (UMPIP) became effective January 1, 2006. The General Board of Pension and Health Benefits of the United Methodist Church merged the Cumulative Pension and Benefit Fund and the Personal Investment Plan to form the United Methodist Personal Investment Plan. Conference lay employees and conference and local church personnel are eligible to participate in a defined contribution plan administered by the General Board of Pensions and Health Benefits of the United Methodist Church, which currently requires an employer contribution between 1% and 12%. The Conference currently contributes 9% of all eligible lay participants' compensation. Total contributions to the plan for the years ended December 31, 2020 and 2019 were \$168,919 and \$159,580, respectively. These amounts are included in total expenses in the combined financial statements.

#### **Note 15. Postretirement Benefit Plan**

The Conference sponsors a multi-employer defined benefit postretirement health care plan for ministerial employees of its member churches and employees of the Conference. The plan is contributory, whereby the retiree contributions can be adjusted for increases in the cost of health care. The plan is unfunded. A measurement date of December 31 is used for the plan.

On December 31, 2007, the Conference adopted the recognition and disclosure provisions of FASB Accounting Standards Codification (ASU) 958 (Not-For-Profit Entities). ASU 958 requires the Conference to recognize the funded status of its defined benefit plans in its combined statements of financial position, with a corresponding adjustment to net assets without donor restrictions. The adjustment to net assets without donor restrictions at adoption represented the unrecognized prior service benefit and unrecognized net gain, all of which were previously netted against the funded status of the plan in the Conference's statements of financial position pursuant to ASU 958. These amounts will subsequently be recognized as net gains consistent with the Conference's historical accounting policy for amortizing such amounts.

In addition, actuarial gains and losses that arise in subsequent periods and are not recognized in benefit cost will be recognized in net assets without donor restrictions.

# South Carolina Conference of the United Methodist Church

## Notes to Combined Financial Statements

December 31, 2020 and 2019

### Note 15. Postretirement Benefit Plan, Continued

The following table provides a reconciliation of the changes in the plan's benefit obligation and fair value of assets for the years ended December 31, 2020 and 2019, and a statement of funded status at December 31, 2020 and 2019:

	<u>2020</u>	<u>2019</u>
Reconciliation of accumulated postretirement benefit obligation:		
Accumulated postretirement benefit obligation, beginning	\$ 17,604,551	\$ 15,908,047
Service cost for benefits earned during the year	309,106	281,448
Interest cost on accumulated postretirement benefit obligation	503,358	615,820
Actuarial (gain) loss	1,674,573	1,824,311
Contributions by plan participants	296,172	179,854
Benefit payments	<u>(1,379,304)</u>	<u>(1,204,929)</u>
Accumulated postretirement benefit obligations, ending	<u>\$ 19,008,456</u>	<u>\$ 17,604,551</u>
	<u>2020</u>	<u>2019</u>
Reconciliation of fair value of plan assets:		
Fair value of plan assets, beginning	\$ -	\$ -
Employer contributions	(1,083,132)	(1,025,075)
Contributions by plan participant	(296,172)	(179,854)
Benefit payments	<u>1,379,304</u>	<u>1,204,929</u>
Fair value of plan assets	<u>-</u>	<u>-</u>
Funded status:		
Accumulated postretirement benefit obligation in excess of plan assets	<u>\$ (19,008,456)</u>	<u>\$ (17,604,551)</u>

Effective January 1, 2014, the post-age 65 plan changed from a fully-insured Medicare Supplement plan to a Health Reimbursement Arrangement (HRA) contribution of \$2,400 per participant per year for retirements on or before July 1, 2015, and \$1,200 per participant per year for retirements after July 1, 2015. The same HRA contribution was added for pre-65 retirees.

The components of the postretirement benefit cost charged to expense consisted of the following for the years ended December 31, 2020 and 2019:

	<u>2020</u>	<u>2019</u>
Service cost for benefits earned during the year	\$ 309,106	\$ 281,448
Interest cost on projected benefit obligation	503,358	615,820
Amortization of prior service benefit	327,161	327,161
Net loss (gain) amortization	<u>(141,913)</u>	<u>(378,454)</u>
Net periodic expense	<u>\$ 997,712</u>	<u>\$ 845,975</u>

# South Carolina Conference of the United Methodist Church

## Notes to Combined Financial Statements

December 31, 2020 and 2019

### Note 15. Postretirement Benefit Plan, Continued

	<u>2020</u>	<u>2019</u>
Amounts recognized in postretirement changes other than net periodic postretirement costs		
Actuarial (gain) loss for current year	\$ 1,674,573	\$ 1,824,311
Amortization of prior service expense	<u>(327,161)</u>	<u>(327,161)</u>
	<u>\$ 1,347,412</u>	<u>\$ 1,497,150</u>
	<u>2020</u>	<u>2019</u>
Amount in net assets without donor restrictions expected to be recognized in net postretirement cost in 2020 and 2019		
Prior service benefit	\$ 327,161	\$ 327,161
	<u>\$ 327,161</u>	<u>\$ 327,161</u>

The following benefit payments, which reflect expected future service, are expected to be paid by the Conference during the years ended December 31:

2021	\$ 980,088
2022	1,048,801
2023	1,085,862
2024	1,109,753
2025	1,117,514
2026 – 2030	5,435,487

The accumulated postretirement benefit obligation was computed using an assumed discount rate of 2.10% and 2.95% for 2020 and 2019. The decrease in the discount rate was to reflect market conditions. The health care cost trend rate was assumed to be 6.50% and 6.75% in 2020 and 2019, respectively.

Assumed health care rates have a significant effect on the amounts reported for the plan. A 1% change in assumed health care cost trend rate would have the following effect:

	<u>2020</u>		<u>2019</u>	
	<u>1%</u>	<u>1%</u>	<u>1%</u>	<u>1%</u>
	<u>Increase</u>	<u>Decrease</u>	<u>Increase</u>	<u>Decrease</u>
Effect on total service and interest cost components	\$ 20,167	\$ (17,030)	\$ 18,184	\$ (15,530)
Effect on the accumulated postretirement benefit obligation	250,323	(216,032)	201,429	(175,562)

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## **South Carolina Conference of the United Methodist Church**

### ***Notes to Combined Financial Statements***

***December 31, 2020 and 2019***

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#### **Note 16. Paycheck Protection Programs Loans**

In April 2020, the Conference and Camps received a loan in the amount of \$866,778, and \$143,268, respectively, under the Paycheck Protection Program (PPP Loan). The PPP Loan and accrued interest are forgivable after the covered period, up to 24-weeks, if the borrower uses the PPP Loan proceeds for eligible purposes, including payroll, benefits, rent, utilities, covered operations expenditures, covered property damage, covered supplier costs, covered worker protection expenditures and maintains its payroll levels. The amount of the PPP Loan forgiveness will be reduced if the borrower terminates employees or reduces salaries during the covered period, up to 24-weeks. The unforgiven portion of the PPP Loan is payable over 2 years at an interest rate of 1%, with a deferral of payments for the first 10 months.

The Conference believed it met the PPP's eligibility criteria and, therefore, has concluded that the PPP Loan represents, in substance, a grant that is expected to be forgiven. As a result, the Conference has accounted for the PPP Loan in accordance with FASB ASC 958-605 as a conditional contribution. The Conference initially recorded the amount received as a refundable advance followed by a reduction in the advance and recognition of revenue as the aforementioned conditions are substantially met. During the year ended December 31, 2020, the Conference has used the entire proceeds for purposes consistent with the PPP, resulting in recognition of the entire PPP Loan amount as contribution revenue in the accompanying financial statements. During 2021, the SBA provided a Notice of PPP Forgiveness for \$866,778.

Camps believed it met the PPP's eligibility criteria and, therefore, has concluded that the PPP Loan represents, in substance, a grant that is expected to be forgiven. As a result, Camps has accounted for the PPP Loan in accordance with FASB ASC 958-605 as a conditional contribution. Camps initially recorded the amount received as a refundable advance followed by a reduction in the advance and recognition of revenue as the aforementioned conditions are substantially met. During the year ended December 31, 2020, Camps has used almost all of the proceeds for purposes consistent with the PPP, resulting in recognition of \$137,122 of PPP funds as contribution revenue in the accompanying financial statements. During 2021, the SBA provided a Notice of PPP Forgiveness for \$137,122. The remaining unforgiven balance of \$6,146 is recorded as a refundable advance and Camps anticipates paying this during 2021.

#### **Note 17. Risk and Uncertainties**

On March 11, 2020, the World Health Organization declared the novel strain of coronavirus ("COVID-19") a global pandemic and recommended containment and mitigation measures worldwide. In an effort to mitigate the continued spread of the virus, federal, state and local governments, as well as certain private entities have mandated various restrictions, including travel restrictions, restrictions on public gatherings and quarantining of people who may have been exposed to the virus. As a result of these restrictions, together with a general fear of the impact on the global economy and financial markets, there is significant uncertainty surrounding the potential impact on the Conference. As events are rapidly changing, the Conference is unable to accurately predict the impact that the coronavirus will have on its operations due to uncertainties including, but not limited to, the duration of quarantines and other travel restrictions, the ultimate geographical spread of the virus, the severity of the disease, the duration of the outbreak and the public's response to the outbreak.



## South Carolina Conference of the United Methodist Church

### Columbia Area Episcopal Office

#### *Schedule of Cash Receipts and Disbursements*

*For the years ended December 31, 2020 and 2019*

	2020	2019
<b><i>Cash receipts</i></b>		
General Council on Finance and Administration	\$ 75,535	\$ 86,252
Apportionments	10,587	10,899
Additional Conference funding	17,571	-
Total cash receipts	<u>103,693</u>	<u>97,151</u>
<b><i>Cash disbursements</i></b>		
Support staff salaries	61,847	62,318
Support employee benefits	2,210	2,039
Staff travel	1,574	(1,870)
Equipment maintenance	7	53
Postage	216	258
Professional entertainment	6,006	5,740
Rent	9,609	9,609
Office supplies	1,568	1,961
Telephone	4,072	3,341
Miscellaneous	444	533
Total disbursements	<u>87,553</u>	<u>83,982</u>
<b><i>Excess of cash receipts over cash disbursements</i></b>	16,140	13,169
<b><i>Cash, beginning of year</i></b>	28,284	15,115
<b><i>Cash, end of year</i></b>	<u>\$ 44,424</u>	<u>\$ 28,284</u>

Note: All funds come from the General Episcopal Fund and South Carolina local churches through apportionments.

***See Notes to Combined Financial Statements***

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**South Carolina Conference of the United Methodist Church****Columbia Area Episcopal Office***Schedule of Fixed Assets**For the year ended December 31, 2020*

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	<b>Furniture &amp; Fixtures</b>	<b>Office Equipment</b>	<b>Automobiles</b>	<b>Other</b>	<b>Total</b>
<b><i>Fixed assets</i></b>					
Beginning balance	\$ -	\$ -	\$ -	\$ -	\$ -
Additions	-	-	-	-	-
Disposals	-	-	-	-	-
Ending balance	-	-	-	-	-
<b><i>Accumulated depreciation</i></b>					
Beginning balance	-	-	-	-	-
Additions	-	-	-	-	-
Disposals	-	-	-	-	-
Ending balance	-	-	-	-	-
<b><i>Net fixed assets</i></b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

***See Notes to Combined Financial Statements***