

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

Report on Combined Financial Statements

For the years ended December 31, 2022 and 2021

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

Qualified Opinion

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, 2022 and 2021, 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.

In our opinion, except for the effects of not capitalizing certain property and equipment and recording depreciation described in the Basis for Qualified Opinion section of our report, the combined financial statements referred to in the first paragraph present fairly, in all material respects, the financial position of the Conference as of December 31, 2022 and 2021, 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 (GAAP).

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 GAAP. 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 statements or results of operations.

We conducted our audits in accordance with GAAP. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Combined Financial Statements section of our report. We are required to be independent of the Conference 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 qualified audit opinion.

Responsibilities of Management for the Combined Financial Statements

Management is responsible for the preparation and fair presentation of the combined financial statements in accordance with GAAP, 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 combined financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Conference's ability to continue as a going concern within one year after the date that the combined financial statements are issued.

Auditor's Responsibilities for the Audit of the Combined Financial Statements

Our objectives are to obtain reasonable assurance about whether the combined 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 GAAP 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 GAAP, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the combined 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 combined 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 Conference'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 combined financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Conference'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.

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 GAAP. In our opinion, the information is fairly stated in all material respects in relation to the combined financial statements as a whole.


Greenville, South Carolina
July 11, 2023

South Carolina Conference of the United Methodist Church

Combined Statements of Financial Position

As of December 31, 2022 and 2021

	<u>2022</u>	<u>2021</u>
Assets		
Current assets		
Cash and cash equivalents	\$ 6,791,276	\$ 8,374,070
Prepays	5,277	7,117
Receivables		
Due from churches	1,186,339	1,260,884
Due from pension/insurance billings, net of allowance for doubtful accounts of \$3,506,289 and \$3,524,115, respectively	92,229	163,950
Real estate held for sale	1,125,200	2,927,000
Investments	<u>73,941,067</u>	<u>80,004,909</u>
Total current assets	83,141,388	92,737,930
Property and equipment, net	<u>12,785,673</u>	<u>12,969,477</u>
Total assets	<u>\$ 95,927,061</u>	<u>\$ 105,707,407</u>
Liabilities and Net Assets		
Current liabilities		
Accounts payable	\$ 1,348,477	\$ 1,435,866
Current portion of accrued postretirement benefit obligations	957,646	1,026,133
Current portion of long-term debt	1,256,730	1,325,111
Net funds collected on behalf of others	62,905	62,905
Deferred revenue	136,484	204,636
Other liabilities	<u>75,877</u>	<u>109,938</u>
Total current liabilities	3,838,119	4,164,589
Accrued postretirement benefit obligations, net of current portion	12,117,194	16,194,454
Long-term debt, net of current portion	214,872	284,980
Other liabilities, net of current portion	<u>7,140</u>	<u>15,869</u>
Total liabilities	<u>16,177,325</u>	<u>20,659,892</u>
Net assets		
Without donor restrictions		
Undesignated	68,887,845	73,495,563
Board designated for permanent reserve	2,229,490	2,253,147
Board designated for annual conference	4,152,750	3,883,241
Board designated for ministry development	600,803	660,812
Board designated for physical plant	<u>2,056,248</u>	<u>2,805,100</u>
Total without donor restrictions	77,927,136	83,097,863
With donor restrictions		
Donor restricted for district ministries	546,200	586,347
Donor restricted for ministerial education	318,106	240,595
Donor restricted for disaster recovery	167,745	198,717
Donor restricted for other	<u>790,549</u>	<u>923,993</u>
Total with donor restrictions	1,822,600	1,949,652
Total net assets	<u>79,749,736</u>	<u>85,047,515</u>
Total liabilities and net assets	<u>\$ 95,927,061</u>	<u>\$ 105,707,407</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, 2022

	Without Donor Restrictions	With Donor Restrictions	Total
Revenue and gains (losses)			
Apportionments	\$ 10,844,611	\$ 4,062,913	\$ 14,907,524
Direct billing: health insurance	8,078,598	-	8,078,598
Direct billing: pension and protection plans	4,038,704	-	4,038,704
Registrations and fees	1,515,486	-	1,515,486
Investment income	142,790	11,551	154,341
Nonapportioned giving	536,741	131,231	667,972
Real estate contribution	1,430,800	-	1,430,800
Other income	189,110	100	189,210
Net realized and unrealized losses on investments	(10,860,027)	-	(10,860,027)
Net assets released from restrictions	4,332,847	(4,332,847)	-
Total revenue and gains (losses)	20,249,660	(127,052)	20,122,608
Expenses			
Program services			
Camps and retreats center	1,927,319	-	1,927,319
Conference benevolence	1,941,795	-	1,941,795
Benefits and welfare	14,007,788	-	14,007,788
General and jurisdictional	3,894,899	-	3,894,899
Support of conference institutions	1,969,176	-	1,969,176
Clergy support and church development	1,328,381	-	1,328,381
Supporting activities			
Conference services and administration	1,009,842	-	1,009,842
District salaries and operations	2,150,163	-	2,150,163
Other allocation	1,502,958	-	1,502,958
Fundraising	48,961	-	48,961
Total expenses	29,781,282	-	29,781,282
Change in net assets from operating activities	(9,531,622)	(127,052)	(9,658,674)
Nonoperating			
Gain on sale of assets, net	215,148	-	215,148
Postretirement-related changes other than net periodic postretirement cost	4,145,747	-	4,145,747
Total nonoperating	4,360,895	-	4,360,895
Change in net assets	(5,170,727)	(127,052)	(5,297,779)
Net assets, beginning of year	83,097,863	1,949,652	85,047,515
Net assets, end of year	\$ 77,927,136	\$ 1,822,600	\$ 79,749,736

See Notes to Combined Financial Statements

South Carolina Conference of the United Methodist Church

Combined Statement of Activities

For the year ended December 31, 2021

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Revenue and gains			
Apportionments	\$ 11,754,184	\$ 4,057,992	\$ 15,812,176
Direct billing: health insurance	7,186,972	-	7,186,972
Direct billing: pension and protection plans	4,322,638	-	4,322,638
Registrations and fees	767,974	-	767,974
Investment income	104,310	21,140	125,450
Nonapportioned giving	963,290	1,141,208	2,104,498
Real estate contribution	2,927,000	-	2,927,000
Other income	388,180	-	388,180
Net realized and unrealized gains on investments	5,135,242	-	5,135,242
Net assets released from restrictions	5,369,652	(5,369,652)	-
Total revenue and gains	<u>38,919,442</u>	<u>(149,312)</u>	<u>38,770,130</u>
Expenses			
Program services			
Camps and retreats center	1,317,624	-	1,317,624
Conference benevolence	2,090,833	-	2,090,833
Benefits and welfare	13,168,077	-	13,168,077
General and jurisdictional	3,885,328	-	3,885,328
Support of conference institutions	2,125,350	-	2,125,350
Clergy support and church development	1,380,555	-	1,380,555
Supporting activities			
Conference services and administration	1,161,943	-	1,161,943
District salaries and operations	2,113,101	-	2,113,101
Other allocation	2,342,397	-	2,342,397
Fundraising	79,098	-	79,098
Total expenses	<u>29,664,306</u>	<u>-</u>	<u>29,664,306</u>
Change in net assets from operating activities	9,255,136	(149,312)	9,105,824
Nonoperating			
Gain on sale of assets, net	340,151	-	340,151
Postretirement-related changes other than net periodic postretirement cost	1,787,869	-	1,787,869
Total nonoperating	<u>2,128,020</u>	<u>-</u>	<u>2,128,020</u>
Change in net assets	11,383,156	(149,312)	11,233,844
Net assets, beginning of year	<u>71,714,707</u>	<u>2,098,964</u>	<u>73,813,671</u>
Net assets, end of year	<u>\$ 83,097,863</u>	<u>\$ 1,949,652</u>	<u>\$ 85,047,515</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, 2022

	Program Services						Supporting Activities					Total
	Camps and Retreats Center	Conference Benevolence	Benefits and Welfare	General and Jurisdictional	Support of Conference Institutions	Clergy Support and Church Development	Management and General					
							Conference Services and Administration	District Salaries and Operations	Other Allocation	Fundraising		
Salaries and wages	\$ 544,448	\$ 662,844	\$ -	\$ -	\$ -	\$ 270,576	\$ 403,431	\$ 1,543,683	\$ 724,861	\$ 36,495	\$ 4,186,338	
Payroll taxes	39,606	4,474	-	-	-	6,106	22,378	22,153	13,667	2,655	111,039	
Employee benefits	111,583	225,397	-	-	-	125,385	128,429	24,997	234,281	6,975	857,047	
Total personnel	695,637	892,715	-	-	-	402,067	554,238	1,590,833	972,809	46,125	5,154,424	
Travel and meals	142	76,020	-	-	-	41,438	15,456	158,733	81,234	1,133	374,156	
Insurance	106,000	30,386	-	-	-	15,002	45,642	45,887	41,777	1,401	286,095	
Legal	-	-	-	-	-	-	32,916	-	-	-	32,916	
Bank charges	15,172	1,471	-	-	-	1,227	23,201	88	4,912	-	46,071	
Postage	-	2,017	-	-	-	464	8,670	5,620	4,942	-	21,713	
Telephone and internet	-	11,410	-	-	-	2,569	11,368	37,991	10,533	-	73,871	
Equipment maintenance	30,842	2,655	-	-	-	-	-	12,250	2,226	-	47,973	
Building and yard maintenance	81,497	10,599	-	-	-	-	-	99,370	29,432	-	220,898	
Occupancy	153,907	43,360	-	-	-	50,281	57,887	109,594	119,396	-	534,425	
Office supplies and equipment	-	29,443	-	-	-	11,454	22,952	36,462	56,253	302	156,866	
Contract services and honorarium	27,020	224,332	11,500	-	-	27,334	76,997	1,110	9,460	-	377,753	
Printing	-	55	-	-	-	-	11,564	-	434	-	12,053	
Events	-	57,125	-	-	-	-	54,708	-	-	-	111,833	
Pension benefit	-	-	4,319,766	-	-	-	-	-	-	-	4,319,766	
Retiree health	-	-	809,430	-	-	-	-	-	-	-	809,430	
Health insurance	-	-	8,795,175	-	-	-	-	-	-	-	8,795,175	
Camp supplies	275,658	-	-	-	-	-	-	-	-	-	275,658	
Marketing	32,745	-	-	-	-	-	-	-	3,000	-	35,745	
Grants and missional giving	99,306	530,092	71,917	3,894,899	1,969,176	706,898	84,510	1,475	124,747	-	7,483,020	
Interest	53,579	-	-	-	-	12,210	601	-	2,155	-	68,545	
Other	4,454	30,115	-	-	-	57,437	9,132	50,750	39,648	-	191,536	
Total expenses before depreciation	1,575,959	1,941,795	14,007,788	3,894,899	1,969,176	1,328,381	1,009,842	2,150,163	1,502,958	48,961	29,429,922	
Depreciation	351,360	-	-	-	-	-	-	-	-	-	351,360	
	<u>\$ 1,927,319</u>	<u>\$ 1,941,795</u>	<u>\$ 14,007,788</u>	<u>\$ 3,894,899</u>	<u>\$ 1,969,176</u>	<u>\$ 1,328,381</u>	<u>\$ 1,009,842</u>	<u>\$ 2,150,163</u>	<u>\$ 1,502,958</u>	<u>\$ 48,961</u>	<u>\$ 29,781,282</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, 2021

	Program Services						Supporting Activities				
	Camps and Retreats Center	Conference Benevolence	Benefits and Welfare	General and Jurisdictional	Support of Conference Institutions	Clergy Support and Church Development	Management and General				Total
							Conference Services and Administration	District Salaries and Operations	Other Allocation	Fundraising	
Salaries and wages	\$ 397,304	\$ 821,341	\$ -	\$ -	\$ -	\$ 281,933	\$ 403,265	\$ 1,528,211	\$ 898,832	\$ 50,131	\$ 4,381,017
Payroll taxes	20,702	15,861	-	-	-	6,047	22,233	21,605	27,301	8,281	122,030
Employee benefits	79,172	272,650	-	-	-	131,733	138,672	26,439	307,936	16,866	973,468
Total personnel	497,178	1,109,852	-	-	-	419,713	564,170	1,576,255	1,234,069	75,278	5,476,515
Travel and meals	-	57,176	-	-	-	12,801	10,982	128,863	56,109	3,820	269,751
Insurance	78,779	19,573	-	-	-	12,316	92,295	41,684	39,854	-	284,501
Legal	-	-	-	-	-	-	49,656	-	-	-	49,656
Bank charges	10,716	1,001	-	-	-	587	38,944	271	1,870	-	53,389
Postage	-	1,872	-	-	-	225	7,424	11,263	4,369	-	25,153
Telephone and internet	-	20,850	-	-	-	2,981	5,736	56,945	19,198	-	105,710
Equipment maintenance	18,121	2,717	-	-	-	-	-	21,882	2,366	-	45,086
Building and yard maintenance	55,086	9,095	-	-	-	303	49,493	50,353	7,974	-	172,304
Occupancy	99,589	42,427	-	-	-	14,482	125,620	105,927	84,129	-	472,174
Other	14,989	33,504	-	-	-	27,436	7,179	62,210	36,581	-	181,899
Office supplies and equipment	-	16,529	-	-	-	11,264	7,919	47,192	28,553	-	111,457
Contract services and honorarium	31,026	47,428	16,500	-	-	24,066	70,166	2,241	45,703	-	237,130
Printing	-	926	-	-	-	-	7,642	900	807	-	10,275
Events	-	6,955	-	-	-	640	33,563	-	2,252	-	43,410
Pension benefit	-	-	4,553,861	-	-	-	-	-	-	-	4,553,861
Retiree health	-	-	848,941	-	-	-	-	-	-	-	848,941
Bad debt	-	-	119,909	-	-	-	-	-	-	-	119,909
Health insurance	-	-	7,599,822	-	-	-	-	-	-	-	7,599,822
Camp supplies	170,256	-	-	-	-	-	-	-	-	-	170,256
Marketing	33,535	-	-	-	-	-	-	-	60	-	33,595
Grants and missional giving	3,824	720,928	29,044	3,885,328	2,125,350	838,729	5,974	7,115	775,854	-	8,392,146
Interest	27,634	-	-	-	-	15,012	85,180	-	2,649	-	130,475
Total expenses before depreciation	1,040,733	2,090,833	13,168,077	3,885,328	2,125,350	1,380,555	1,161,943	2,113,101	2,342,397	79,098	29,387,415
Depreciation	276,891	-	-	-	-	-	-	-	-	-	276,891
	<u>\$ 1,317,624</u>	<u>\$ 2,090,833</u>	<u>\$ 13,168,077</u>	<u>\$ 3,885,328</u>	<u>\$ 2,125,350</u>	<u>\$ 1,380,555</u>	<u>\$ 1,161,943</u>	<u>\$ 2,113,101</u>	<u>\$ 2,342,397</u>	<u>\$ 79,098</u>	<u>\$ 29,664,306</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, 2022 and 2021

	<u>2022</u>	<u>2021</u>
Cash flows from operating activities		
Change in net assets	\$ (5,297,779)	\$ 11,233,844
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	351,360	276,891
Change in allowance for doubtful accounts	(17,826)	119,909
Real estate included in contributions	(1,430,800)	(2,927,000)
Unrealized and realized (gains) losses on investments	10,860,027	(5,135,242)
Gain on sale of assets, net	(215,148)	(340,151)
Changes in deferred and accrued amounts:		
Prepays	1,840	13,942
Due from churches	74,545	635,564
Due from pension/insurance billings	89,547	(105,215)
Accounts payable	(87,389)	(232,841)
Net funds collected on behalf of others	-	(14,020)
Deferred revenue	(68,152)	(292)
Accrued postretirement benefit obligations	(4,145,747)	(1,787,869)
Other liabilities	(42,790)	(3,464)
Net cash provided by operating activities	<u>71,688</u>	<u>1,734,056</u>
Cash flows from investing activities		
Proceeds from sales of investments	13,901,229	14,657,697
Purchases of investments	(18,697,414)	(16,469,307)
Proceeds from sale of assets	116,989	357,835
Proceeds from real estate held for sale	3,411,435	3,982,316
Purchases of property and equipment	(248,232)	(1,172,846)
Net cash provided by (used for) investing activities	<u>(1,515,993)</u>	<u>1,355,695</u>
Cash flows from financing activities		
Proceeds from long-term debt	100,000	94,395
Principal payments on long-term debt	(238,489)	(3,808,770)
Net cash used for financing activities	<u>(138,489)</u>	<u>(3,714,375)</u>
Net change in cash and cash equivalents	(1,582,794)	(624,624)
Cash and cash equivalents, beginning of year	<u>8,374,070</u>	<u>8,998,694</u>
Cash and cash equivalents, end of year	<u>\$ 6,791,276</u>	<u>\$ 8,374,070</u>
Supplemental disclosures		
Cash paid for interest	<u>\$ 68,545</u>	<u>\$ 130,475</u>
Noncash investing and financing activities		
Real estate included in contributions	<u>\$ (1,430,800)</u>	<u>\$ (2,927,000)</u>

See Notes to Combined Financial Statements

South Carolina Conference of the United Methodist Church

Notes to Combined Financial Statements

December 31, 2022 and 2021

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.

South Carolina Conference of the United Methodist Church

Notes to Combined Financial Statements

December 31, 2022 and 2021

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, 2022 and 2021

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 \$35,745 and \$33,595 for the years ended December 31, 2022 and 2021, 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.

South Carolina Conference of the United Methodist Church

Notes to Combined Financial Statements

December 31, 2022 and 2021

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 Retreats 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 Benevolence

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 (“UMC”) 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, 2022 and 2021

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 combined 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.

New accounting pronouncements:

In February 2016, the FASB issued ASU 2016-02, *Leases* (Subtopic 842). The ASU will require organizations to recognize lease assets and lease liabilities and disclose key information about leasing arrangements. This standard is effective for annual reporting periods beginning after December 15, 2021. The Conference implemented this standard for the year ended December 31, 2022 and it did not have a material impact on the combined financial statements.

In August 2018, the FASB issued ASU 2018-14, *Compensation – Retirement Benefits – Defined Benefit Plans – General* (Subtopic 715-20). The ASU modified the disclosure requirements for employers that sponsor defined benefit pension or other postretirement plans. This standard is effective for fiscal years ending after December 15, 2021. The following disclosure requirement was removed from Subtopic 715-20: “the effects of a one-percentage-point change in assumed health care cost trend rates on the (a) aggregate of the service and interest cost components of net periodic benefit costs and (b) benefit obligation for postretirement health care benefits.” Thus, this disclosure has been removed from the combined financial statements.

South Carolina Conference of the United Methodist Church

Notes to Combined Financial Statements

December 31, 2022 and 2021

Note 1. Summary of Significant Accounting Policies, Continued

New accounting pronouncements, continued:

In September 2020, the FASB issued ASU 2020-07, Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets, an update to increase the transparency of the measurement of contributed nonfinancial assets through enhancements to presentation and disclosure. This standard is effective for annual reporting periods ending on December 31, 2022 and was retroactively applied to December 31, 2021. The presentation and disclosures of contributions of nonfinancial assets have been enhanced in accordance with the standard (See Note 14).

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.

Reclassification of prior year presentation:

Certain reclassifications have been made to prior year's combined financial statements in order to conform with the current year presentation. These reclassifications had no effect on the reported results of operations.

Subsequent events:

These combined financial statements have not been updated for subsequent events after July 11, 2023, the date the combined financial statements were available to be issued.

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, 2022 and 2021, are comprised of the following at December 31, 2022 and 2021, respectively:

	<u>2022</u>	<u>2021</u>
Assets at year end	\$ 95,927,061	\$ 105,707,407
Less amounts not available to be used within one year due to illiquidity:		
Investments	150,000	450,000
Prepaid expenses	5,277	7,117
Property and equipment, net	12,785,673	12,969,477
Real estate held for sale	1,125,200	2,927,000
Net assets without donor restrictions	9,039,291	9,602,300
Net assets with donor restrictions	<u>1,822,600</u>	<u>1,949,652</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 70,999,012</u>	<u>\$ 77,801,861</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.

South Carolina Conference of the United Methodist Church

Notes to Combined Financial Statements

December 31, 2022 and 2021

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 \$3,828,000 and \$3,825,000 as of December 31, 2022 and 2021, invested with Wesleyan Impact Partners, which is not FDIC or SIPC insured.

Note 4. Investments

Investments consist of the following as of December 31:

	<u>2022</u>	<u>2021</u>
Money market fund	\$ 3,753,331	\$ 1,231,041
Certificates of deposit	8,135,000	5,245,000
Equity securities	897,468	1,070,579
Debt securities:		
Government securities	191,119	164,716
Municipal bonds	70,222	98,690
Corporate bonds	<u>192,050</u>	<u>253,567</u>
	<u>453,391</u>	<u>516,973</u>
Investments measured at NAV		
UMF Fund of Funds	754,134	908,848
GBOP Fund of Funds:		
Multiple Asset Fund	51,098,286	61,178,468
Short Term Investment Fund	7,512,546	7,768,297
Inflation Protection Fund	60,609	64,112
Fixed Income Fund	<u>651,704</u>	<u>746,055</u>
Total GBOP Fund of Funds	<u>59,323,144</u>	<u>69,756,932</u>
Mutual funds		
Treasury	304,231	373,278
Index and income funds	<u>320,367</u>	<u>902,258</u>
Total mutual funds	<u>624,598</u>	<u>1,275,536</u>
Total investments measured at NAV	<u>59,947,742</u>	<u>71,941,316</u>
Total investments	<u>\$ 73,941,067</u>	<u>\$ 80,004,909</u>

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

	<u>2022</u>	<u>2021</u>
Net realized and unrealized gains (losses) on investments	\$ (10,860,027)	\$ 5,135,242
Interest and dividends, net	<u>154,341</u>	<u>125,450</u>
Total investment return (loss)	<u>\$ (10,705,686)</u>	<u>\$ 5,260,692</u>

South Carolina Conference of the United Methodist Church

Notes to Combined Financial Statements

December 31, 2022 and 2021

Note 4. Investments, Continued

The fair value of marketable debt securities at December 31, 2022 and 2021 by contractual maturities is shown below:

	<u>2022</u>	<u>2021</u>
Due in one year or less	\$ 75,843	\$ 55,616
Due after one year but less than five years	211,793	244,797
Due after five years but less than ten years	165,755	206,371
Due after ten years	-	10,189
Total	<u>\$ 453,391</u>	<u>\$ 516,973</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; and
- 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, 2022 and 2021

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, 2022 and 2021:

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.

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, 2022 and 2021

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:

	<u>December 31, 2022</u>			<u>Total</u>
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	
Investments:				
Money market fund	\$ 3,753,331	\$ -	\$ -	\$ 3,753,331
Certificates of deposit	-	8,135,000	-	8,135,000
Equity securities	897,468	-	-	897,468
Debt securities				
Government securities	-	191,119	-	191,119
Municipal bonds	-	70,222	-	70,222
Corporate bonds	-	192,050	-	192,050
Total investments in the fair value hierarchy	<u>\$ 4,650,800</u>	<u>\$ 8,582,453</u>	<u>\$ -</u>	13,239,190
Investments measured at net asset value				<u>60,701,877</u>
Total investments at fair value				<u>\$ 73,941,067</u>

	<u>December 31, 2021</u>			<u>Total</u>
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	
Investments:				
Money market fund	\$ 1,231,041	\$ -	\$ -	\$ 1,231,041
Certificates of deposit	-	5,245,000	-	5,245,000
Equity securities	1,070,579	-	-	1,070,579
Debt securities				
Government securities	-	164,716	-	164,716
Municipal bonds	-	98,690	-	98,690
Corporate bonds	-	253,567	-	253,567
Total investments in the fair value hierarchy	<u>\$ 2,301,620</u>	<u>\$ 5,761,973</u>	<u>\$ -</u>	8,063,593
Investments measured at net asset value				<u>71,941,316</u>
Total investments at fair value				<u>\$ 80,004,909</u>

South Carolina Conference of the United Methodist Church

Notes to Combined Financial Statements

December 31, 2022 and 2021

Note 5. Fair Value of Investments, Continued

The following table for December 31, 2022 and 2021 sets forth a summary of the Conference's investments reported at NAV as a practical expedient to estimate fair market value:

<u>Investment</u>	<u>December 31, 2022</u>			
	<u>Fair value</u>	<u>Unfunded commitment</u>	<u>Redemption frequency</u>	<u>Redemption notice period</u>
UMF Fund of Funds	\$ 754,134	\$ -	Immediate	Up to 180 days
GBOP Fund of Funds:				
Multiple Asset Fund	51,098,286	-	Immediate	None
Short Term Investment Fund	7,512,546	-	Immediate	None
Inflation Protection Fund	60,609	-	Immediate	None
Fixed Income Fund	<u>615,703</u>	-	Immediate	None
Total GBOP Fund of Funds	<u>59,323,144</u>	-		
Mutual funds:				
Treasury	304,231	-	Immediate	None
Index and income funds	<u>320,367</u>	-	Immediate	None
Total mutual funds	<u>624,598</u>	-		
Total	<u>\$ 60,701,877</u>	<u>\$ -</u>		
<u>Investment</u>	<u>December 31, 2021</u>			
	<u>Fair value</u>	<u>Unfunded commitment</u>	<u>Redemption frequency</u>	<u>Redemption notice period</u>
UMF Fund of Funds	\$ 908,848	\$ -	Immediate	Up to 180 days
GBOP Fund of Funds:				
Multiple Asset Fund	61,178,468	-	Immediate	None
Short Term Investment Fund	7,768,297	-	Immediate	None
Inflation Protection Fund	64,112	-	Immediate	None
Fixed Income Fund	<u>746,055</u>	-	Immediate	None
Total GBOP Fund of Funds	<u>69,756,932</u>	-		
Mutual funds:				
Intermediate Government	373,278	-	Immediate	None
Intermediate – Core Bond	<u>902,258</u>	-	Immediate	None
Total mutual funds	<u>1,275,536</u>	-		
Total	<u>\$ 71,941,316</u>	<u>\$ -</u>		

South Carolina Conference of the United Methodist Church

Notes to Combined Financial Statements

December 31, 2022 and 2021

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 2022 and 2021, 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, 2022			
	Conference	Districts	Camps and Retreats	Total
Land	\$ 528,000	\$ 588,915	\$ 1,426,039	\$ 2,542,954
Buildings and equipment	<u>2,794,653</u>	<u>2,722,253</u>	<u>6,696,115</u>	<u>12,213,021</u>
	3,322,653	3,311,168	8,122,154	14,755,975
Less accumulated depreciation	<u>-</u>	<u>-</u>	<u>1,970,302</u>	<u>1,970,302</u>
	<u>\$ 3,322,653</u>	<u>\$ 3,311,168</u>	<u>\$ 6,151,852</u>	<u>\$ 12,785,673</u>

	December 31, 2021			
	Conference	Districts	Camps and Retreats	Total
Land	\$ 520,000	\$ 588,915	\$ 1,426,039	\$ 2,534,954
Buildings and equipment	2,773,026	2,692,705	6,232,340	11,698,071
Construction in progress	<u>-</u>	<u>-</u>	<u>355,393</u>	<u>355,393</u>
	3,293,026	3,281,620	8,013,772	14,588,418
Less accumulated depreciation	<u>-</u>	<u>-</u>	<u>1,618,941</u>	<u>1,618,941</u>
	<u>\$ 3,293,026</u>	<u>\$ 3,281,620</u>	<u>\$ 6,394,831</u>	<u>\$ 12,969,477</u>

Depreciation expense in the amount of \$351,360 and \$276,891 was included in total expenses for the years ended December 31, 2022 and 2021, respectively.

South Carolina Conference of the United Methodist Church

Notes to Combined Financial Statements

December 31, 2022 and 2021

Note 7. Real Estate Held for Sale

	<u>2022</u>	<u>2021</u>
Real estate held for sale consists of the following at December 31:		
Church property – Cherokee Place	\$ -	\$ 2,780,000
Church property – Wilkes	-	40,000
Church property – Walhalla	-	107,000
Church property – College Place	908,000	-
Church property – Central/Rowesville	17,200	-
Church property – Bowers Chapel	128,000	-
Church property – Trinity Johnsonville	<u>72,000</u>	<u>-</u>
	<u>\$ 1,125,200</u>	<u>\$ 2,927,000</u>

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 revenue as of December 31, 2022 and 2021 was \$136,484 and \$204,636, respectively.

Note 9. Long-term Debt

	<u>2022</u>	<u>2021</u>
Long-term debt consists of the following at December 31:		
Revolver loan with a financial institution providing up to \$1,500,000 with interest payable monthly at the Bloomberg Short-Term Bank Yield Index.	\$ 1,187,516	\$ 1,258,937
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>284,086</u>	<u>351,154</u>
	1,471,602	1,610,091
Less current maturities	<u>1,256,730</u>	<u>1,325,111</u>
	<u>\$ 214,872</u>	<u>\$ 284,980</u>

Scheduled maturities of long-term debt at December 31, 2022 are as follows:

2023	\$ 1,256,730
2024	72,394
2025	75,720
2026	<u>66,758</u>
	<u>\$ 1,471,602</u>

South Carolina Conference of the United Methodist Church

Notes to Combined Financial Statements

December 31, 2022 and 2021

Note 10. Net Assets Without Donor Restrictions

Net assets without donor restrictions include net assets that have been designated for a specific purpose by the Board. Net assets without donor restrictions at December 31, 2022 and 2021 are designated for the following purposes:

	<u>2022</u>	<u>2021</u>
Undesignated	\$ 68,887,845	\$ 73,495,563
Permanent reserve	2,229,490	2,253,147
Annual conference	4,152,750	3,883,241
Ministry development	600,803	660,812
Physical plant	<u>2,056,248</u>	<u>2,805,100</u>
	<u>\$ 77,927,136</u>	<u>\$ 83,097,863</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>2022</u>	<u>2021</u>
District ministries	\$ 546,200	\$ 586,347
Ministerial education	318,106	240,595
Disaster recovery	167,745	198,717
Other programs	<u>790,549</u>	<u>923,993</u>
	<u>\$ 1,822,600</u>	<u>\$ 1,949,652</u>

Note 12. 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 2022 and 2021. 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 \$4,647,446 and \$4,882,047 in 2022 and 2021, respectively, to the General Board of Pensions. Past service expenses are charged to the Annual Conference. The Pri-2012 Top Quartile Employee Mortality Table with generational projection using Scale MP-2020 is used in the determination of these amounts.

South Carolina Conference of the United Methodist Church

Notes to Combined Financial Statements

December 31, 2022 and 2021

Note 12. Pension and Benefit Plans, Continued

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

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 2022 or 2021. 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 2022 or 2021.

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, 2022 and 2021 contributions were based on an amount equal to \$497 per month for each full-time employee. Contributions to the defined contribution plan totaled approximately \$1,006,000 and \$1,017,000 for the years ended December 31, 2022 and 2021 respectively.

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, 2022 and 2021

Note 12. Pension and Benefit Plans, Continued

Cumulative Pension and Benefit Fund, 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, 2022 and 2021 and funding status as of January 1, 2016 and January 1, 2015, respectively, are as follows:

2022			
Benefit Program	Contribution/Transfer Amount	Conference's Funded Status	Conference Portion of Total Contribution
Pre-82 Plan	\$ -	144%	0.0%
MPP Annuities			
Transfer from Pre-82	-		
Cash contributions	-		
Subtotal	-	111%	0.0%
CRSP-DB			
Transfer from Pre-82	-		
Cash contributions	<u>2,399,950</u>		
Subtotal	<u>2,399,950</u>	108%	2.7%
Total	<u>\$ 2,399,950</u>		

2021			
Benefit Program	Contribution/Transfer Amount	Conference's Funded Status	Conference Portion of Total Contribution
Pre-82 Plan	\$ -	147%	0.0%
MPP Annuities			
Transfer from Pre-82	-		
Cash contributions	-		
Subtotal	-	108%	0.0%
CRSP-DB			
Transfer from Pre-82	-		
Cash contributions	<u>2,483,819</u>		
Subtotal	<u>2,483,819</u>	107%	2.7%
Total	<u>\$ 2,483,819</u>		

South Carolina Conference of the United Methodist Church

Notes to Combined Financial Statements

December 31, 2022 and 2021

Note 12. Pension and Benefit Plans, Continued

Cumulative Pension and Benefit Fund, 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 2021, 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>2022</u>		<u>2021</u>
Past service rate	\$ 846	\$	829
Contingent annuitant percentage	75%		75%

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

As of January 1, 2019 for the 2021 funding year and as of January 1, 2020 for the 2022 funding year, the Conference did not have amortizable contribution payments.

The latest actuarial valuations were performed on January 1, 2022 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	\$ 2,285,443,615	\$ 2,829,122,591	124%
MPP	\$ 3,665,135,772	\$ 4,758,759,842	130%
Pre-82	\$ 1,718,075,500	\$ 1,977,157,868	115%

Minimum contributions from all Plan Sponsors for 2022 to the Pre-82 plan were approximately \$16 million.

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 \$1,014,855 and \$1,040,776 for the years ended December 31, 2022 and 2021, respectively.

South Carolina Conference of the United Methodist Church

Notes to Combined Financial Statements

December 31, 2022 and 2021

Note 12. Pension and Benefit Plans, Continued

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, 2022 and 2021 were \$138,602 and \$158,520, respectively. These amounts are included in total expenses in the combined financial statements.

Note 13. 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 contributor, 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.

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, 2022 and 2021, and a statement of funded status at December 31, 2022 and 2021:

	<u>2022</u>	<u>2021</u>
Reconciliation of accumulated postretirement benefit obligation:		
Accumulated postretirement benefit obligation, beginning	\$ 17,220,587	\$ 19,008,456
Service cost for benefits earned during the year	369,498	444,886
Interest cost on accumulated postretirement benefit obligation	425,876	388,887
Actuarial gain	(3,901,987)	(1,641,554)
Contributions by plan participants	305,913	186,239
Benefit payments	<u>(1,345,047)</u>	<u>(1,166,327)</u>
Accumulated postretirement benefit obligations, ending	<u>\$ 13,074,840</u>	<u>\$ 17,220,587</u>

South Carolina Conference of the United Methodist Church

Notes to Combined Financial Statements

December 31, 2022 and 2021

Note 13. Postretirement Benefit Plan, Continued

	<u>2022</u>	<u>2021</u>
Reconciliation of fair value of plan assets:		
Fair value of plan assets, beginning	\$ -	\$ -
Employer contributions	(1,039,134)	(980,088)
Contributions by plan participant	(305,913)	(186,239)
Benefit payments	<u>1,345,047</u>	<u>1,166,327</u>
Fair value of plan assets	<u>-</u>	<u>-</u>
Funded status:		
Accumulated postretirement benefit obligation in excess of plan assets	<u>\$ (13,074,840)</u>	<u>\$ (17,220,587)</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, 2022 and 2021:

	<u>2022</u>	<u>2021</u>
Service cost for benefits earned during the year	\$ 369,498	\$ 444,886
Interest cost on projected benefit obligation	425,876	388,887
Amortization of prior service benefit	327,161	327,161
Net loss (gain) amortization	<u>(121,908)</u>	<u>-</u>
Net periodic expense	<u>\$ 1,000,627</u>	<u>\$ 1,160,934</u>
	<u>2022</u>	<u>2021</u>
Amounts recognized in postretirement changes other than net periodic postretirement costs		
Actuarial (gain) loss for current year	\$ (3,901,987)	\$ (1,641,554)
Amortization of prior service expense	<u>(327,161)</u>	<u>(327,161)</u>
	<u>\$ (4,229,148)</u>	<u>\$ (1,968,715)</u>
	<u>2022</u>	<u>2021</u>
Amount in net assets without donor restrictions expected to be recognized in net postretirement cost in 2022 and 2021		
Prior service benefit	\$ 327,161	\$ 327,161
	<u>\$ 327,161</u>	<u>\$ 327,161</u>

South Carolina Conference of the United Methodist Church

Notes to Combined Financial Statements

December 31, 2022 and 2021

Note 13. Postretirement Benefit Plan, Continued

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

2023	\$ 980,828
2024	1,036,143
2025	1,060,054
2026	1,057,509
2027	1,063,795
2028 – 2032	5,121,550

The accumulated postretirement benefit obligation was computed using an assumed discount rate of 4.9% and 2.55% for 2022 and 2021. The increase in the discount rate was to reflect market conditions. The health care cost trend rate was assumed to be 7.0% and 6.25% in 2022 and 2021, respectively.

Note 14. Contributed Nonfinancial Assets

The Conference recognizes contribution revenue and expense for certain items received at the fair value of those items. The Conference received \$1,430,800 and \$2,927,000 of contributed real estate for the years ended December 31, 2022 and 2021, respectively. Fair value was determined based on appraisals based on comparable sales. These nonfinancial assets are included in real estate held for sale until sold.

Note 15. Subsequent Events

Churches representing \$2,300,000 and \$2,200,000 in Apportionment and Direct Billing for Pension and Health Insurance revenues, respectively, as of December 31, 2022, have been approved for closure and separation from the Conference in 2023. Upon separation, churches are required to pay any unpaid balance on the prior year's apportionments, a pro-rated calculation of current year's apportionments (from January to June in the year of closure), and an additional 12 months' worth of apportionments; 10% of the value in a church's building and/or parsonage and land and liquid assets; the church's portion of the unfunded pension liability as of January 1, 2023 and to be financially responsible for providing digital records to the Conference.

Estimated payments due from separated churches totaled \$17,500,000 as of June 11, 2023, which is the date the combined financial statements were available to be issued.

South Carolina Conference of the United Methodist Church

Columbia Area Episcopal Office

Schedule of Cash Receipts and Disbursements

For the years ended December 31, 2022 and 2021

	<u>2022</u>	<u>2021</u>
Cash receipts		
General Council on Finance and Administration	\$ 76,361	\$ 78,409
Apportionments	11,563	11,065
Additional Conference funding	3,999	-
Total cash receipts	<u>91,923</u>	<u>89,474</u>
Cash disbursements		
Support staff salaries	65,126	62,229
Support employee benefits	2,687	2,467
Staff travel	3,327	2,301
Equipment maintenance	852	1,476
Postage	70	255
Printing and copying	-	288
Professional entertainment	4,068	4,803
Rent	9,609	9,609
Office supplies	1,039	1,014
Telephone	3,349	3,941
Property insurance	900	753
Miscellaneous	2,603	1,258
Total disbursements	<u>93,630</u>	<u>90,394</u>
Excess (deficiency) of cash receipts over cash disbursements	(1,707)	(920)
Cash, beginning of year	<u>43,504</u>	<u>44,424</u>
Cash, end of year	<u>\$ 41,797</u>	<u>\$ 43,504</u>

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

See Notes to Combined Financial Statements

South Carolina Conference of the United Methodist Church

Columbia Area Episcopal Office

Schedule of Fixed Assets

For the year ended December 31, 2022

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

See Notes to Combined Financial Statements

South Carolina Conference of the United Methodist Church

Columbia Area Episcopal Office

Schedule of Fixed Assets

For the year ended December 31, 2021

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

See Notes to Combined Financial Statements