



FINANCIAL STATEMENTS

Years Ended December 31, 2022 and 2021



BRADY WARE
& SCHOENFELD

TABLE OF CONTENTS

	Page
INDEPENDENT AUDITORS' REPORT	1 - 2
FINANCIAL STATEMENTS	
Statements of Financial Position	3
Statements of Activities	4 - 5
Statements of Functional Expenses	6 - 7
Statements of Cash Flows	8
Notes to Financial Statements	9 - 26



INDEPENDENT AUDITORS' REPORT

To the Council on Finance and Administration
**North Georgia Conference of the United
Methodist Church**
Atlanta, Georgia

Opinion

We have audited the accompanying financial statements of **North Georgia Conference of the United Methodist Church** (a nonprofit organization), which comprise the statements of financial position as of December 31, 2022 and 2021, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of **North Georgia Conference of the United Methodist Church** as of December 31, 2022 and 2021, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

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

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about **North Georgia Conference of the United Methodist Church's** ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

INDEPENDENT AUDITORS' REPORT - CONTINUED

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' 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 generally accepted auditing standards 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, including omissions, 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 generally accepted auditing standards we:

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

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audits.



Atlanta, Georgia
October 17, 2023

**NORTH GEORGIA CONFERENCE OF THE UNITED
METHODIST CHURCH**

STATEMENTS OF FINANCIAL POSITION

December 31, 2022 and 2021

	<u>2022</u>	<u>2021</u>
ASSETS		
Cash	\$ 4,389,009	\$ 4,689,143
Apportionments receivable	449,775	515,960
Accounts receivable	323,149	185,707
Investments	116,022,826	124,902,693
Prepaid expenses and other	802,824	967,201
Property held for sale	634,000	1,914,000
Property and equipment, net	1,462,212	1,002,161
Operating lease right-of-use asset	<u>501,895</u>	<u>-</u>
Total assets	<u>\$ 124,585,690</u>	<u>\$134,176,865</u>
LIABILITIES AND NET ASSETS		
Accounts payable and accrued expenses	\$ 2,199,810	\$ 2,384,836
Operating lease liabilities	504,376	-
Unfunded post-retirement health care benefit plan	<u>26,422,919</u>	<u>34,800,345</u>
Total liabilities	<u>29,127,105</u>	<u>37,185,181</u>
NET ASSETS		
Without donor restrictions:		
Undesignated	6,061,297	5,736,040
Designated	<u>87,615,006</u>	<u>88,799,771</u>
	<u>93,676,303</u>	<u>94,535,811</u>
With donor restrictions:		
Purpose restrictions	1,623,178	2,296,769
Perpetual in nature	<u>159,104</u>	<u>159,104</u>
	<u>1,782,282</u>	<u>2,455,873</u>
Total net assets	<u>95,458,585</u>	<u>96,991,684</u>
Total liabilities and net assets	<u>\$ 124,585,690</u>	<u>\$134,176,865</u>

**NORTH GEORGIA CONFERENCE OF THE
UNITED METHODIST CHURCH**

STATEMENT OF ACTIVITIES

Year Ended December 31, 2022

	Without Donor Restrictions	With Donor Restrictions	Total
REVENUE AND SUPPORT			
Apportionments	\$ 16,470,797	\$ -	\$ 16,470,797
Contributions	1,327,231	322,676	1,649,907
Contributions of nonfinancial assets	553,000	-	553,000
Insurance and pension plan payments	17,157,207	-	17,157,207
Net investment return (loss)	94,639	(1,715)	92,924
Net realized and unrealized losses on investments	(20,701,612)	(323,420)	(21,025,032)
Equity transfers from Districts	1,098,174	-	1,098,174
Other revenue	14,124,202	4,590	14,128,792
Net assets released from restrictions	<u>675,722</u>	<u>(675,722)</u>	<u>-</u>
Total revenue and support and reclassifications	<u>30,799,360</u>	<u>(673,591)</u>	<u>30,125,769</u>
FUNCTIONAL EXPENSES			
Program services:			
Ministerial support	1,110,070	-	1,110,070
Connectional ministries	753,081	-	753,081
Church development	3,282,327	-	3,282,327
Other missions	9,009,256	-	9,009,256
Supporting services:			
General and administrative	5,587,147	-	5,587,147
Pension and benefits	<u>18,662,273</u>	<u>-</u>	<u>18,662,273</u>
Total functional expenses	<u>38,404,154</u>	<u>-</u>	<u>38,404,154</u>
CHANGE IN NET ASSETS BEFORE ACTUARIAL GAIN IN POST-RETIREMENT HEALTHCARE BENEFIT PLAN			
	(7,604,794)	(673,591)	(8,278,385)
Actuarial gain in post-retirement healthcare benefit plan	<u>6,745,286</u>	<u>-</u>	<u>6,745,286</u>
CHANGE IN NET ASSETS	(859,508)	(673,591)	(1,533,099)
NET ASSETS			
Beginning of year	<u>94,535,811</u>	<u>2,455,873</u>	<u>96,991,684</u>
End of year	<u>\$ 93,676,303</u>	<u>\$ 1,782,282</u>	<u>\$ 95,458,585</u>

**NORTH GEORGIA CONFERENCE OF THE
UNITED METHODIST CHURCH**

STATEMENT OF ACTIVITIES

Year Ended December 31, 2021

	Without Donor Restrictions	With Donor Restrictions	Total
REVENUE AND SUPPORT			
Apportionments	\$ 15,452,480	\$ -	\$ 15,452,480
Contributions	1,060,374	18,506	1,078,880
Contributions of nonfinancial assets	3,033,000	-	3,033,000
Insurance and pension plan payments	14,106,832	-	14,106,832
Net investment return (loss)	40,148	(1,393)	38,755
Net realized and unrealized gains on investments	9,264,808	219,263	9,484,071
Equity transfers from Districts	3,970,665	-	3,970,665
Other revenue	3,773,011	-	3,773,011
Net assets released from restrictions	<u>175,545</u>	<u>(175,545)</u>	<u>-</u>
Total revenue and support and reclassifications	<u>50,876,863</u>	<u>60,831</u>	<u>50,937,694</u>
FUNCTIONAL EXPENSES			
Program services:			
Ministerial support	872,731	-	872,731
Connectional ministries	665,758	-	665,758
Church development	2,434,309	-	2,434,309
Other missions	12,374,543	-	12,374,543
Supporting services:			
General and administrative	6,479,932	-	6,479,932
Pension and benefits	<u>18,793,481</u>	<u>-</u>	<u>18,793,481</u>
Total functional expenses	<u>41,620,754</u>	<u>-</u>	<u>41,620,754</u>
CHANGE IN NET ASSETS BEFORE ACTUARIAL LOSS IN POST-RETIREMENT HEALTHCARE BENEFIT PLAN			
	9,256,109	60,831	9,316,940
Actuarial gain in post-retirement healthcare benefit plan	<u>11,897,170</u>	<u>-</u>	<u>11,897,170</u>
CHANGE IN NET ASSETS	21,153,279	60,831	21,214,110
NET ASSETS			
Beginning of year	<u>73,382,532</u>	<u>2,395,042</u>	<u>75,777,574</u>
End of year	<u>\$ 94,535,811</u>	<u>\$ 2,455,873</u>	<u>\$ 96,991,684</u>

**NORTH GEORGIA CONFERENCE OF THE UNITED
METHODIST CHURCH**

STATEMENT OF FUNCTIONAL EXPENSES

Year Ended December 31, 2022

	Program Services				Supporting Services		Total Expenses
	Ministerial Support	Connectional Ministries	Church Development	Other Missions	General and Administrative	Pension and Benefits	
General and jurisdictional apportionments	\$ -	\$ -	\$ -	\$ 7,072,049	\$ -	\$ -	\$ 7,072,049
Salaries and wages	303,037	222,546	703,754	53,054	3,229,317	172,997	4,684,705
Premiums remitted	46,413	7,345	83,762	9,615	741,429	17,794,542	18,683,106
Retirement benefit cost	-	-	-	-	-	674,297	674,297
Advertising	-	8,515	75	250	-	-	8,840
Depreciation	10,873	32,618	21,745	-	43,491	-	108,727
Insurance	-	-	-	-	57,422	-	57,422
Bank and processing fees	2,055	1,136	454	293	78,146	-	82,084
Office expenses	17,494	2,483	5,084	19	102,653	587	128,320
Dues and subscriptions	-	335	15,598	250	9,646	625	26,454
Professional fees	103,010	43,583	762,368	66,880	146,627	-	1,122,468
Lease expense	55,731	167,194	111,463	10,800	240,433	-	585,621
Repairs and maintenance	961	446	17,576	-	120,031	51	139,065
Utilities	10,547	30,545	20,669	977	103,138	1,747	167,623
Supplies	1,433	15,243	6,129	2,859	26,077	221	51,962
Payroll taxes	5,744	1,097	5,931	-	86,528	13,160	112,460
Meetings and conventions	107,670	140,537	36,414	72,310	405,161	2,485	764,577
Travel and related	128,072	29,350	34,081	15,471	172,516	1,561	381,051
Scholarships	307,322	-	6,500	-	250	-	314,072
Advances payout	-	50	-	1,142,598	-	-	1,142,648
Grants	2,500	14,000	1,384,535	560,599	-	-	1,961,634
Continuing education	5,813	658	16,453	1,232	18,553	-	42,709
Other expenses	1,395	35,400	49,736	-	5,729	-	92,260
Total functional expenses	\$ 1,110,070	\$ 753,081	\$ 3,282,327	\$ 9,009,256	\$ 5,587,147	\$ 18,662,273	\$ 38,404,154
Percent of total	3%	2%	9%	23%	15%	48%	100%

See notes to financial statements.

**NORTH GEORGIA CONFERENCE OF THE UNITED
METHODIST CHURCH**

STATEMENT OF FUNCTIONAL EXPENSES

Year Ended December 31, 2021

	Program Services				Supporting Services		Total Expenses
	Ministerial Support	Connectional Ministries	Church Development	Other Missions	General and Administrative	Pension and Benefits	
General and jurisdictional apportionments	\$ -	\$ -	\$ -	\$ 6,837,230	\$ -	\$ -	\$ 6,837,230
Salaries and wages	250,583	246,094	954,832	45,521	2,714,497	147,496	4,359,023
Premiums remitted	62,938	53,301	68,740	8,165	701,099	16,516,653	17,410,896
Retirement benefit cost	-	-	-	-	-	2,088,196	2,088,196
Advertising	-	2,937	20	-	10	-	2,967
Depreciation	6,329	18,987	39,276	-	37,873	-	102,465
Insurance	-	-	-	-	38,886	-	38,886
Bank and processing fees	56	577	618	109	40,875	-	42,235
Office expenses	10,275	2,555	19,879	19	45,810	575	79,113
Dues and subscriptions	25	1,094	12,283	-	3,158	690	17,250
Professional fees	85,577	61,325	40,276	470	1,661,533	21,855	1,871,036
Lease expense	52,634	157,902	105,268	6,000	231,354	-	553,158
Repairs and maintenance	381	5,025	499	-	185,282	264	191,451
Utilities	7,706	24,210	16,495	1,499	60,579	1,165	111,654
Supplies	1,282	4,642	1,144	830	26,486	17	34,401
Payroll taxes	5,089	807	4,949	-	76,265	11,212	98,322
Meetings and conventions	23,542	24,590	13,323	-	269,610	554	331,619
Travel and related	9,194	9,339	9,446	676	140,830	604	170,089
Scholarships	351,464	-	-	4,000	-	-	355,464
Advances payout	-	50	-	1,053,214	-	-	1,053,264
Grants	-	8,500	1,136,318	4,416,810	223,528	4,200	5,789,356
Continuing education	4,384	1,323	8,893	-	21,529	-	36,129
Other expenses	1,272	42,500	2,050	-	728	-	46,550
Total functional expenses	\$ 872,731	\$ 665,758	\$ 2,434,309	\$ 12,374,543	\$ 6,479,932	\$ 18,793,481	\$ 41,620,754
Percent of total	2%	2%	6%	30%	15%	45%	100%

See notes to financial statements.

**NORTH GEORGIA CONFERENCE OF THE UNITED
METHODIST CHURCH**

STATEMENTS OF CASH FLOWS

Years Ended December 31, 2022 and 2021

	<u>2022</u>	<u>2021</u>
OPERATING ACTIVITIES		
Change in net assets	\$ (1,533,099)	\$ 21,214,110
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:		
Depreciation	108,727	102,465
Net realized and unrealized losses (gains) on investments	21,025,032	(9,484,071)
Net realized and unrealized losses (gains) on property held for sale	33,997	(98,815)
Contributions of nonfinancial assets	(553,000)	(3,598,002)
Actuarial gain in post-retirement health care benefit plan	(6,745,286)	(11,897,170)
Non-cash operating lease expense	2,481	-
	<u>12,338,852</u>	<u>(3,761,483)</u>
Changes in operating assets and liabilities:		
Apportionments receivable	66,185	776,191
Accounts receivable	(137,442)	147,784
Prepaid expenses and other	164,377	(5,963)
Accounts payable and other accrued expenses	(185,026)	474,362
Unfunded post-retirement healthcare benefit obligation	<u>(1,632,140)</u>	<u>(1,491,578)</u>
Net cash provided (used) by operating activities	<u>10,614,806</u>	<u>(3,860,687)</u>
INVESTING ACTIVITIES		
Proceeds from sale of investments	27,202,969	100,754,204
Purchase of investments	(39,348,134)	(103,531,202)
Proceeds from sales of property held for sale	1,799,003	5,009,215
Purchases of property and equipment	<u>(568,778)</u>	<u>-</u>
Net cash (used) provided by investment activities	<u>(10,914,940)</u>	<u>2,232,217</u>
NET DECREASE IN CASH	(300,134)	(1,628,470)
CASH		
Beginning of year	<u>4,689,143</u>	<u>6,317,613</u>
End of year	<u>\$ 4,389,009</u>	<u>\$ 4,689,143</u>

**NORTH GEORGIA CONFERENCE OF THE UNITED
METHODIST CHURCH**

NOTES TO FINANCIAL STATEMENTS

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The **North Georgia Conference of the United Methodist Church** (the "Conference") represents one of the basic organizational bodies in the world-wide United Methodist Church. The Conference serves as the denominational arm for approximately 700 local United Methodist churches in northern Georgia. The Conference provides administrative and program services to churches, clergy and laypeople within its geographic boundaries. Primary among these services are ordination and assignment of ministers, volunteer training, new church development and the collection and remittance of funds for local, regional and international ministries.

Basis of Presentation - The financial statement presentation follows the recommendations of generally accepted accounting principles. The Conference is required to report information regarding its financial position and activities according to two classes of net assets: net assets without donor restrictions and net assets with donor restrictions.

Net Assets Without Donor Restrictions - Net assets available for use in general operations and not subject to donor (or certain grantor) restrictions. The governing boards have designated, from net assets without donor restrictions, net assets for retirement benefits, church development, mission support, property and equipment reserve and board-designated endowment funds.

Net Assets With Donor Restrictions - Net assets subject to donor (or certain grantor) imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Donor imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both.

Financial Estimates - The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

Functional Allocation of Expenses - The costs of providing the various programs and other activities are summarized on a functional basis in the statement of functional expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited. All expenses are allocated based on direct identification.

Contributions - The principal source of support is apportionments received from the local churches. Apportionments are the recommended contributions for the local churches. Apportionments expire at the end of each calendar year. Local churches do not have any commitment on any underpayment of their apportionments. Additional contributions are received directly from donors. Such contributions are recognized when the donor makes an unconditional promise to give to the Conference.

Contributions of nonfinancial assets, including property held for sale, are recorded at their estimated fair value at the date of donation.

Agency Accounts - The Conference Treasurer serves as a clearinghouse for numerous United Methodist organizations. This clearinghouse operation allows local churches to collect monies for such things as missionary support, disaster relief, campus ministries and other church supported operations. The funds collected by local churches are remitted to the Conference Treasurer. The Conference Treasurer forwards these receipts to the beneficiary agency.

**NORTH GEORGIA CONFERENCE OF THE UNITED
METHODIST CHURCH**

NOTES TO FINANCIAL STATEMENTS

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Investments - Investments in marketable securities with readily determinable fair values and all investments in debt securities are valued at their fair values in the statements of financial position. Unrealized gains and losses are included in the change in net assets.

Property and Equipment - Property and equipment are stated at cost. Depreciation is computed using the straight-line method over the estimated useful lives of the assets. Repairs and maintenance are charged to expense as incurred, and renewals and betterments are capitalized. When property is retired or disposed of, the related cost and accumulated depreciation are removed from the accounts and any gain or loss is included in the statement of activities.

The Conference reviews for impairment of long-lived assets in accordance with accounting standards. These standards require companies to determine if changes in circumstances indicate that the carrying amount of its long-lived assets may not be recoverable. If a change in circumstances warrants such an evaluation, undiscounted future cash flows from the use and ultimate disposition of the asset, as well as respective market values, are estimated to determine if an impairment exists. Management believes that there has been no impairment of the carrying value of its long-lived assets at December 31, 2022 and 2021.

Leases - In February 2016, the Financial Accounting Standards Board (FASB) issued guidance (Accounting Standards Codification [ASC] 842, Leases) to increase transparency and comparability among organizations by requiring the recognition of right-of-use (ROU) assets and lease liabilities on the statement of financial position. Most prominent among the changes in the standard is the recognition of ROU assets and lease liabilities by lessees for those leases classified as operating leases. Under the standard, disclosures are required to meet the objective of enabling users of financial statements to assess the amount, timing, and uncertainty of cash flows arising from leases.

The Conference adopted the standard effective January 1, 2022 and recognized and measured leases existing at January 1, 2022 (the beginning of the period of adoption) through a cumulative effect adjustment, with certain practical expedients available. Lease disclosures for the year ended December 31, 2021 are made under prior lease guidance in accordance with FASB ASC 840.

The Conference elected the available practical expedients to account for existing operating leases as operating leases under the new guidance, without reassessing (a) whether the contracts contain leases under the new standard, (b) whether classification of operating leases would be different in accordance with the new guidance, or (c) whether the unamortized initial direct costs before transition adjustments would have met the definition of initial direct costs in the new guidance at lease commencement.

As a result of the adoption of the new lease accounting guidance, the Conference recognized on January 1, 2022 a lease liability of \$717,476, which represents the present value of the remaining operating lease payments of \$719,480, discounted using the Conference's risk free rate of 0.475%, and a right of use asset of \$717,476.

The standard had a material impact on the statement of financial position but did not have a significant impact on the statement of activities, statement of functional expenses, nor the statement of cash flows. The most significant impact was the recognition of ROU assets and lease liabilities for the operating lease.

The Conference leases office space, and determines if an arrangement is a lease at inception. Operating leases are included in operating lease ROU assets, and current and long-term operating lease liabilities on the statement of financial position.

**NORTH GEORGIA CONFERENCE OF THE UNITED
METHODIST CHURCH**

NOTES TO FINANCIAL STATEMENTS

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

ROU assets represent the Conference's right to use an underlying asset for the lease term and lease liabilities represent its obligation to make lease payments arising from the lease. Operating lease ROU assets and liabilities are recognized at commencement date based on the present value of lease payments over the lease term. As most of the leases do not provide an implicit interest rate, the Conference uses a risk free rate based on the information available at commencement date in determining the present value of lease payments. The operating lease ROU asset also includes any lease payments made and excludes lease incentives. The Conference's lease terms may include options to extend or terminate the lease when it is reasonably certain that it will exercise that option. Lease expense for lease payments is recognized on a straight-line basis over the lease term.

Accounts Receivable - The Conference establishes an allowance for doubtful accounts receivable based on historical collection experience and management's evaluation of collectibility of outstanding accounts receivable.

Apportionments Receivable - The Conference recognizes a receivable at year-end for current year budgeted apportionments from local churches that are collected within an established time period in the subsequent year.

Income Taxes - The Conference is a nonprofit organization and is exempt from federal income taxes under Internal Revenue Code Section 501(c)(3). Accordingly, no provision for income taxes is presented in these financial statements. The Conference is a religious organization and not considered to be a private foundation.

Accounting for Uncertainty in Income Taxes - Accounting standards require the evaluation of tax positions taken, or expected to be taken, in the course of preparing the Conference's tax returns, to determine whether the tax positions are "more-likely-than-not" of being sustained by the applicable tax authority. This statement provides that a tax benefit from an uncertain tax position may be recognized in the financial statements only when it is "more-likely-than-not" the position will be sustained upon examination, including resolution of any related appeals or litigation processes, based upon the technical merits and consideration of all available information. Once the recognition threshold is met, the portion of the tax benefit that is recorded represents the largest amount of tax benefit that is greater than 50 percent likely to be realized upon settlement with a taxing authority. Based on its review, management does not believe the Conference has taken any material uncertain tax positions, including any position that would place the Conference's exempt status in jeopardy, as of December 31, 2022 and 2021.

Subsequent Events - The Conference has evaluated subsequent events through October 17, 2023, the date which the financial statements were available to be issued.

NOTE 2 - REVENUE RECOGNITION

The Conference derives its revenue primarily from registration fees, insurance and pension payments, apportionments and contributions. Apportionments and contributions are accounted for under contribution guidance established by ASU 2018-08. Registration fees relate primarily to the Annual Conference event and revenue is recognized at the time of the event. Insurance and pension payments along with rental income are recognized over time, as the customer simultaneously receives and consumes the benefits and in amounts that reflect the consideration the Conference expects to be entitled to and in exchange for the value provided from the insurance and pension benefits and rented space. Incidental items that are immaterial in the context of the contracts are recognized as expense. Costs incurred to obtain a contract are expensed as incurred when the amortization period is less than a year.

**NORTH GEORGIA CONFERENCE OF THE UNITED
METHODIST CHURCH**

NOTES TO FINANCIAL STATEMENTS

NOTE 2 - REVENUE RECOGNITION - CONTINUED

The Conference's contracts are cancelable at any time by either party. The Conference's standard payment terms for clergy related events are typically due before the scheduled event. Payment terms can vary based upon the entity that is paying. The Conference does not have any significant financing components. There is no variable consideration related to services provided.

Revenue from performance obligations satisfied at a point in time consist of registration fees for the Annual Conference. Revenue from performance obligations satisfied over time consist of insurance premiums and rental income. At January 1, 2021, accounts receivable totaled \$185,707.

Disaggregation of revenue from contracts with customers for the years ended December 31, 2022 and 2021 are as follows:

	<u>2022</u>	<u>2021</u>
Performance obligations satisfied at a point in time	\$ 206,494	\$ 48,223
Performance obligations satisfied over time	17,205,826	14,304,078

NOTE 3 - LIQUIDITY AND AVAILABILITY

The Conference monitors its liquidity so that it is able to meet its operating needs while maximizing the investment of its excess operating cash. The Conference has the following financial assets less those unavailable for general expenditure within one year.

	<u>2022</u>	<u>2021</u>
Financial Assets		
Cash	\$ 4,389,009	\$ 4,689,143
Apportionments receivable	449,775	515,960
Accounts receivable	323,149	185,707
Investments	<u>116,022,826</u>	<u>124,902,693</u>
	121,184,759	130,293,503
Less those unavailable for general expenditure within one year:		
Purpose restrictions	1,623,178	2,296,769
Endowment funds	29,948,644	35,081,072
Investments designated for post-retirement healthcare benefits	<u>37,233,924</u>	<u>44,920,572</u>
Financial assets available within one year of the statement of financial position date for general expenditure	<u>\$ 52,379,013</u>	<u>\$ 47,995,090</u>

The Conference's endowment funds consist of donor-restricted endowments and funds designated as endowments for church development and pensions and benefits. Income from donor-restricted endowments is restricted for specific purposes.

In addition to financial assets available to meet general expenditures over the year, the Conference anticipates covering its general expenditures by collecting revenues from apportionments, contributions and by appropriating the investment return on its investments, as needed.

**NORTH GEORGIA CONFERENCE OF THE UNITED
METHODIST CHURCH**

NOTES TO FINANCIAL STATEMENTS

NOTE 4 - CONCENTRATIONS OF CREDIT RISK

Financial instruments which potentially subject the Conference to concentrations of credit risk consist principally of cash and investments. The Conference investment policies provide for the investment of excess cash balances in deposits with major institutions and in other high quality short-term liquid money market instruments. The Conference maintains cash balances at various financial institutions. At various times during 2022 and 2021, the cash balance was in excess of FDIC limits.

The exposure to concentrations of credit risk relative to the Conference's investments is limited due to the Conference's investment objectives and policies which require, among other things, that securities be diversified, meet certain quality criteria, and utilize only high credit quality institutions for investments. The investments are not insured for market risk.

NOTE 5 - FAIR VALUE MEASUREMENTS

The fair value of the Conference's assets measured on a recurring basis at December 31, 2022 and 2021 are as follows:

	2022			
	<u>Level 1</u>	<u>Level 2</u>	<u>Net Asset Value</u>	<u>Total</u>
Investments:				
Georgia United Methodist Foundation, Inc.:				
Certificates of deposit	\$ -	\$ 1,136,766	\$ -	\$ 1,136,766
Fixed income funds	8,178,280	-	-	8,178,280
Equity funds	-	-	1,058,600	1,058,600
Multiple asset funds	-	-	64,010,048	64,010,048
Money market funds	947,252	-	-	947,252
Wespath Benefits and Investments:				
Multiple asset funds	-	-	39,457,157	39,457,157
Superannuate funds	-	-	144,752	144,752
Truist Bank:				
Money market funds	1,017,147	-	-	1,017,147
Equity fund	62,047	-	-	62,047
Common stock	10,777	-	-	10,777
Total Investments	<u>\$ 10,215,503</u>	<u>\$ 1,136,766</u>	<u>\$104,670,557</u>	<u>\$ 116,022,826</u>
Property Held for Sale	<u>\$ -</u>	<u>\$ 634,000</u>	<u>\$ -</u>	<u>\$ 634,000</u>

**NORTH GEORGIA CONFERENCE OF THE UNITED
METHODIST CHURCH**

NOTES TO FINANCIAL STATEMENTS

NOTE 5 - FAIR VALUE MEASUREMENTS - CONTINUED

	2021			
	<u>Level 1</u>	<u>Level 2</u>	<u>Net Asset Value</u>	<u>Total</u>
Investments:				
Georgia United Methodist Foundation, Inc.:				
Certificates of deposit	\$ -	\$ 1,125,856	\$ -	\$ 1,125,856
Fixed income funds	985,103	-	-	985,103
Equity funds	-	-	39,969,381	39,969,381
Multiple asset funds	-	-	33,296,118	33,296,118
Money market funds	464,934	-	-	464,934
Wespath Benefits and Investments:				
Multiple asset funds	-	-	47,794,151	47,794,151
Superannuate funds	-	-	173,627	173,627
Truist Bank:				
Money market funds	1,002,625	-	-	1,002,625
Equity fund	78,375	-	-	78,375
Common stock	<u>12,523</u>	<u>-</u>	<u>-</u>	<u>12,523</u>
Total Investments	<u>\$ 2,543,560</u>	<u>\$ 1,125,856</u>	<u>\$121,233,277</u>	<u>\$ 124,902,693</u>
Property Held for Sale	<u>\$ -</u>	<u>\$ 1,914,000</u>	<u>\$ -</u>	<u>\$ 1,914,000</u>

Assets carried at fair value are classified and disclosed in one of the following categories:

Level 1 - Valuations are based on quoted market prices in active markets for identical assets.

Level 2 - Valuations are based on observable market information, including quoted prices from actual market transactions for similar assets in markets that are not active.

Level 3 - Inputs to the valuation methodology are unobservable and significant to the fair value measurement. As of December 31, 2022 and 2021 there are no Level 3 assets or liabilities.

Net Asset Value - Certain investments that are measured at fair value using the NAV per share (or its equivalent) as a practical expedient have not been categorized in the fair value hierarchy. The fair value amounts presented in the tables above are intended to permit reconciliation of the fair value hierarchy to the amounts presented in the statements of financial position.

The Conference has designated investment funds at December 31, 2022 for the payment of the following obligations:

Post-retirement health care plan benefits	\$ 37,233,924
Ministerial and clergy retirement and benefit plans	23,538,275
Church development endowment funds	28,007,728
Housing and homeless endowment funds	1,564,194
Strategic initiatives	12,364,509
Property and equipment reserve	5,469,698
Missional support	<u>563,099</u>
Total	<u>\$ 108,741,427</u>

**NORTH GEORGIA CONFERENCE OF THE UNITED
METHODIST CHURCH**

NOTES TO FINANCIAL STATEMENTS

NOTE 6 - INVESTMENTS

Investments consist of the following at December 31, 2022 and 2021:

	<u>2022</u>	<u>2021</u>
Georgia United Methodist Foundation, Inc.:		
Certificates of deposit	\$ 1,136,766	\$ 1,125,856
Fixed income funds	8,178,280	985,103
Equity funds	1,058,600	39,969,381
Multiple asset funds	64,010,048	33,296,118
Money market funds	947,252	464,934
Wespath Benefits and Investments:		
Multiple asset funds	39,457,157	47,794,151
Superannuate funds	144,752	173,627
Truist Bank:		
Money market funds	1,017,147	1,002,625
Equity fund	62,047	78,375
Common stock	10,777	12,523
	<u>\$ 116,022,826</u>	<u>\$ 124,902,693</u>

NOTE 7 - PROPERTY AND EQUIPMENT

Property and equipment consist of the following at December 31, 2022 and 2021:

	<u>2022</u>	<u>2021</u>
Episcopal residence and district parsonage	\$ 1,376,270	\$ 1,376,270
Leasehold improvements	282,522	282,522
Land	568,778	-
Furniture and fixtures	195,420	195,420
Office equipment	130,703	130,703
Computer equipment	96,107	96,107
Total	2,649,800	2,081,022
Less accumulated depreciation	<u>1,187,588</u>	<u>1,078,861</u>
	<u>\$ 1,462,212</u>	<u>\$ 1,002,161</u>

NOTE 8 - PROPERTY HELD FOR SALE

Property held for sale includes land held for future church development and closed church properties. In 2022 and 2021, the Conference received properties from Districts within the Conference for maintenance services and future sales. Effective September 1, 2020, all net proceeds from future sales of closed church properties shall be deposited into the Barnes Fund and used by the Conference for future church development.

**NORTH GEORGIA CONFERENCE OF THE UNITED
METHODIST CHURCH**

NOTES TO FINANCIAL STATEMENTS

NOTE 9 - RELATED PARTY TRANSACTIONS

For efficiency of operations, all cash receipts and disbursements for the Office of the Resident Bishop are processed through the Conference Treasurer's checking account. Separate financial records are maintained for each organization. The Conference Treasurer held \$146,988 and \$129,078 for the Office of the Resident Bishop at December 31, 2022 and 2021.

In 2021, the Conference performed treasury functions for the District offices of the North Georgia Conference, and all cash receipts and disbursements for the District offices are processed through the Conference Treasurer's checking account. The activity in connection with this arrangement is not reflected in the accompanying financial statements. The Conference Treasurer held \$1,068,389 for the District offices at December 31, 2021. In 2022, the District operating funds were contributed to the Conference. See Note 16.

NOTE 10 - RETIREMENT BENEFITS

The Conference and its local churches participate in various retirement programs offered by The United Methodist Church and are administered by Wespath Benefits and Investments ("Wespath"). All of the programs are multi-employer plans except for the multiple employer post-retirement health care plan. Generally accepted accounting principles prescribe methods for determining the cost and recording the unfunded liability of multiple employer defined benefit plans. Such methods are not prescribed for multi-employer defined benefit plans and accordingly unfunded liabilities related to such plans, if any, are not recorded in the accompanying statement of financial position. However, the Conference has computed estimates of potential liabilities for the multi-employer plans with input from Wespath which are disclosed in the discussion of the applicable plans. Annual contributions to Wespath for these plans are funded through the Conference operating budget and a combination of direct billing to local churches and individuals. Contributions due to Wespath that are not paid by churches and individuals become an obligation of the Conference.

Multi-employer Defined Benefit Retirement Plans - The Conference contributes to one defined benefit multi-employer pension plan under the United Methodist Church's ("UMC") General Conference directive which covers its clergy members. This plan is managed as three sub-plans ("Pre-1982", "MPP" and "CRSP") since the benefit structure differs for each of the plans. 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 meets once every four years.

Changes to plan provisions are not allowed between General Conferences except to the extent they are required to maintain compliance with secular law. There have been no significant changes that affect the comparability of 2022 and 2021 contributions. The risks of participating in these multi-employer sub-plans are different from single-employer plans in the following respects:

- Assets contributed to the multi-employer plan by one annual conference may be used to provide benefits to clergy of other U.S. UMC annual conferences.
- If an annual conference stops contributing to the plan, the unfunded obligations of the plan may be borne by the remaining participating annual conferences.

**NORTH GEORGIA CONFERENCE OF THE UNITED
METHODIST CHURCH**

NOTES TO FINANCIAL STATEMENTS

NOTE 10 - RETIREMENT BENEFITS - 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)). Further, the plan is exempt from filing a Form 5500. The Pension Trust Employer Identification Number is 56-6658844.

Ministers Reserve Pension Plan (Pre-1982) - Conference clergy entering service prior to January 1, 1982 are eligible for pension coverage under a defined benefit multi-employer pension plan. General Conference 2000 required each annual conference to adopt a formal funding plan to retire the conference pre-1982 pension plan obligations. The Conference presented a plan each year at Annual Conference to amortize and pay the past service liability by December 31, 2021. The Conference made contributions of \$1,200,000 in 2021 and no contributions were made in 2022. The Conference will evaluate annually the need to apportion funds to offset any changes in market conditions and actuarial assumptions.

Ministerial Pension Plan (MPP) - MPP was a multi-employer defined contribution plan for eligible clergy from 1982 through 1986. Participants are allowed to withdraw up to 35% of their plan assets at retirement and the remaining assets are converted to a fixed rate annuity. The annuity for participants retiring before July 2003 has a guaranteed rate of 8%. The effect of this arrangement was to convert the plan to a guaranteed annuity plan. The Conference made no contributions to the plan in 2022 and 2021 because the plan was funded. It is possible that contributions will be required in the future if plan assets are insufficient to fund the annuities.

Clergy Retirement Security Program (CRSP) - CRSP is a multi-employer plan that provides pension coverage to eligible clergy effective January 1, 2007. CRSP is an amendment to and restatement of the former Ministerial Pension Plan. CRSP is both a defined benefit plan, which provides benefits based on years of credited service and a defined contribution plan, which provides a retirement account balance established and funded by the Conference. Contributions to the defined benefit plan will be actuarially determined and contributions to the defined contribution plan will be equal to 2% or 3% of the clergy's compensation, depending on the level of participation by the individual clergy person. The Conference made contributions of \$210,869 and \$218,687 for 2022 and 2021. The plan is funded at December 31, 2022.

Comprehensive Protection Plan (CPP) - CPP is a multi-employer health and welfare plan that provides death and disability benefits as well as minimum benefits related to pension coverage to clergy. The Conference made no contributions to the plan in 2022 and 2021 because the plan was funded. It is possible that contributions will be required in the future if plan assets are insufficient to fund the annuities.

United Methodist Personal Investment Plan (UMPIP) - UMPIP is an Internal Revenue Code section 403(b) defined contribution multi-employer pension plan and provides a retirement savings plan for eligible clergy and employees of the Conference. Employees may contribute up to the dollar limits which are set by law. For the first 3% of the employee contribution, the Conference contributes \$2 for each \$1 contributed by the employee. The Conference has no obligation for post-retirement contributions to the plan. The Conference made contributions of \$87,305 and \$79,243 for 2022 and 2021.

**NORTH GEORGIA CONFERENCE OF THE UNITED
METHODIST CHURCH**

NOTES TO FINANCIAL STATEMENTS

NOTE 10 - RETIREMENT BENEFITS - CONTINUED

Post-retirement Health Care Plan - The Conference sponsors a multiple employer defined benefit post-retirement health care plan ("the Plan") for retired clergy and their spouses (Participants) of the Conference and its local churches. The Plan is a service-based Health Reimbursement Account (HRA) funded by employer contributions. A funding plan was presented and approved by the 2004 Annual Conference. The funding plan provides for participants retiring prior to 1984 not to pay for coverage and the cost for participants who have or will retire after 1983 to be based on years of service. The Conference made health care benefit payments of \$2,306,437 and \$2,379,774 in 2022 and 2021 that are included in retirement benefit cost expense.

The fair value of plan assets totaled \$0 and the Plan was unfunded at December 31, 2022 and 2021. However, the Conference has designated investment funds totaling approximately \$37,233,924 and \$44,920,572 at December 31, 2022 and 2021, for payment of the unfunded benefit obligation.

The employer recognizes the underfunded status of defined benefit post-retirement plans as a liability in its statements of financial position and the changes in the funded status in unrestricted net assets in the year in which the changes occur. Generally accepted accounting principles requires that an employer disaggregate the service cost component from other components of net pension benefit cost. The service cost component is reported in retirement benefit cost on the statement of functional expenses.

The following table presents a reconciliation of the changes in the benefit obligation for the years ended December 31, 2022 and 2021:

	<u>2022</u>	<u>2021</u>
Benefit obligation, beginning of year	\$ 34,800,345	\$ 48,189,093
Service cost	636,325	824,376
Interest cost	875,319	995,296
Plan amendments	-	(8,440,494)
Benefit payments	(2,268,465)	(2,315,954)
Actuarial gain loss	(7,620,605)	(4,451,972)
Benefit obligation, end of year	<u>\$ 26,422,919</u>	<u>\$ 34,800,345</u>

Net Periodic Benefit Costs:

Components of periodic pension cost for 2022 and 2021 are as follows:

	<u>2022</u>	<u>2021</u>
Service cost	\$ 636,325	\$ 824,376
Interest cost	875,319	995,296
Amortization of prior service benefit	(1,313,517)	(1,500,041)
Amortization of actuarial loss	449,314	714,133
	<u>\$ 647,441</u>	<u>\$ 1,033,764</u>

**NORTH GEORGIA CONFERENCE OF THE UNITED
METHODIST CHURCH**

NOTES TO FINANCIAL STATEMENTS

NOTE 10 - RETIREMENT BENEFITS - CONTINUED

The amounts recognized in post-retirement changes other than net periodic benefit costs are as follows:

	<u>2022</u>	<u>2021</u>
Amortization of actuarial loss	\$ 449,314	\$ 714,133
Amortization of prior service benefit	(1,313,517)	(1,500,041)
Actuarial gain	<u>7,620,605</u>	<u>4,451,972</u>
	<u>\$ 6,756,402</u>	<u>\$ 3,666,064</u>

The amounts recognized in unrestricted net assets but not yet recognized as components of net periodic benefit costs are as follows:

	<u>2022</u>	<u>2021</u>
Unamortized prior service benefit	\$ (7,516,627)	\$ (8,830,144)
Unamortized actuarial loss	<u>667,848</u>	<u>8,737,767</u>
	<u>\$ (6,848,779)</u>	<u>\$ (92,377)</u>

The amounts in unrestricted net assets expected to be recognized in periodic benefit cost in 2023 and 2022 are as follows:

	<u>2023</u>	<u>2022</u>
Prior service benefit	\$ (957,387)	\$ (1,313,517)
Net actuarial loss	<u>-</u>	<u>449,314</u>
	<u>\$ (957,387)</u>	<u>\$ (864,203)</u>

The accumulated benefit obligation for the Plan was \$26,422,919 at December 31, 2022, and the expected projected benefit obligation for the Plan was \$30,289,454 at December 31, 2022. The accumulated benefit obligation for the Plan was \$34,800,345 at December 31, 2021, and the expected projected benefit obligation for the Plan was \$41,453,314 at December 31, 2021. The decrease in the accumulated benefit obligation in 2022 was attributed to a 2.3% increase in the discount rate used for actuarial assumptions. The decrease in the accumulated benefit obligation in 2021 was attributed to a Plan amendment which eliminated health reimbursement arrangements for spouses of participants who retire in 2022 and thereafter.

Actuarial assumptions applicable in the valuation are as follows:

	<u>2022</u>	<u>2021</u>
Discount rate to determine benefit obligations	4.90%	2.60%
Health care cost trend rates assumed for next year	7.00%	6.25%
Rate to which the cost trend rate is assumed to decline (ultimate trend rate)	5.00%	5.00%
Year that the rate reaches the ultimate trend rate	2031	2027

**NORTH GEORGIA CONFERENCE OF THE UNITED
METHODIST CHURCH**

NOTES TO FINANCIAL STATEMENTS

NOTE 10 - RETIREMENT BENEFITS - CONTINUED

Expected benefit payments at December 31, 2022 for the next five years and in aggregate for the five years thereafter are as follows:

2023	\$	2,065,993
2024		2,115,003
2025		2,148,292
2026		2,115,306
2027		2,117,878
2028 - 2032		9,937,978

NOTE 11 - ENDOWMENT

The Conference's endowment consists of five individual funds established for a variety of purposes. The net assets associated with the funds included in the endowment are reported as net assets without donor restrictions and net assets with donor restrictions in the accompanying financial statements. The endowment includes both donor-restricted endowment funds and funds designated by Annual Conference to function as an endowment based on the existence or absence of donor-imposed restrictions.

Interpretation of Relevant Law

The Conference classifies as net assets with donor restrictions the original value of contributions to the endowment, the original value of subsequent contributions to the endowment and accumulations to the endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified in net assets with donor restrictions is classified as net assets without donor restrictions in accordance with donor and Annual Conference stipulations.

Endowment net assets consist of the following types of funds as of December 31, 2022:

	2022		
	Without Donor Restrictions	With Donor Restrictions Perpetual	Total
Donor-restricted funds	\$ -	\$ 159,104	\$ 159,104
Annual Conference designated funds	<u>29,789,540</u>	<u>-</u>	<u>29,789,540</u>
Total	<u>\$ 29,789,540</u>	<u>\$ 159,104</u>	<u>\$ 29,948,644</u>

**NORTH GEORGIA CONFERENCE OF THE UNITED
METHODIST CHURCH**

NOTES TO FINANCIAL STATEMENTS

NOTE 11 - ENDOWMENT - CONTINUED

Changes in endowment net assets consist of the following for 2022:

	2022		
	Without Donor Restrictions	With Donor Restrictions Perpetual	Total
Endowment net assets, December 31, 2021	\$ 34,921,968	\$ 159,104	\$ 35,081,072
Investment income:			
Investment income	56,363	-	56,363
Net unrealized losses	<u>(6,336,505)</u>	<u>-</u>	<u>(6,336,505)</u>
Total	(6,280,142)	-	(6,280,142)
Contributions	1,030,869	-	1,030,869
Transfers to consolidate church development funds	1,724,303	-	1,724,303
Appropriation of endowment assets for expenditure	<u>(1,607,458)</u>	<u>-</u>	<u>(1,607,458)</u>
Total change in endowment funds	<u>(5,132,428)</u>	<u>-</u>	<u>(5,132,428)</u>
Endowment net assets, December 31, 2022	<u>\$ 29,789,540</u>	<u>\$ 159,104</u>	<u>\$ 29,948,644</u>

Endowment net assets consist of the following types of funds as of December 31, 2021:

	2021		
	Without Donor Restrictions	With Donor Restrictions Perpetual	Total
Donor-restricted funds	\$ -	\$ 159,104	\$ 159,104
Annual Conference designated funds	<u>34,921,968</u>	<u>-</u>	<u>34,921,968</u>
Total	<u>\$ 34,921,968</u>	<u>\$ 159,104</u>	<u>\$ 35,081,072</u>

**NORTH GEORGIA CONFERENCE OF THE UNITED
METHODIST CHURCH**

NOTES TO FINANCIAL STATEMENTS

NOTE 11 - ENDOWMENT - CONTINUED

Changes in endowment net assets consist of the following for 2021:

	2021		
	Without Donor Restrictions	With Donor Restrictions Perpetual	Total
Endowment net assets, December 31, 2020	\$ 17,448,769	\$ 159,104	\$ 17,607,873
Investment income:			
Investment income	28,484	-	28,484
Net unrealized gains	<u>2,029,682</u>	<u>-</u>	<u>2,029,682</u>
Total	2,058,166	-	2,058,166
Contributions	8,330,983	-	8,330,983
Transfers to consolidate church development funds	<u>7,907,866</u>	<u>-</u>	<u>7,907,866</u>
Appropriation of endowment assets for expenditure	<u>(823,816)</u>	<u>-</u>	<u>(823,816)</u>
Total change in endowment funds	<u>17,473,199</u>	<u>-</u>	<u>17,473,199</u>
Endowment net assets, December 31, 2021	<u>\$ 34,921,968</u>	<u>\$ 159,104</u>	<u>\$ 35,081,072</u>

Investment and Spending Policy

The Conference has investment and spending policies for endowment assets that aim to maximize funds available for mission consistent with the preservation of capital, the Policies Relative to Socially Responsible Investments and the Social Principles of the Church. Actual returns in any given year may vary.

To satisfy its long-term rate of return objectives, the Conference relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The Conference targets a diversified asset allocation to achieve its long-term return objectives within prudent risk constraints.

**NORTH GEORGIA CONFERENCE OF THE UNITED
METHODIST CHURCH**

NOTES TO FINANCIAL STATEMENTS

NOTE 11 - ENDOWMENT - CONTINUED

The Conference accumulates capital appreciation and investment yields to the amount specified for each endowment fund. Upon attainment of the stated corpus, the Conference appropriates for distribution in accordance with the respective donor and Annual Conference stipulations. This is consistent with the Conference's objective to maximize funds available for the mission of the Church.

From time to time, certain donor-restricted endowment funds may have fair values less than the amount required to be maintained by donors or by law (underwater endowments). The Conference has interpreted SPMIFA to permit spending from underwater endowments in accordance with prudent measures required under law.

NOTE 12 - NET ASSETS

The detail of the Conference's net asset categories at December 31, 2022 and 2021 are as follows:

	<u>2022</u>	<u>2021</u>
Without donor restrictions:		
Undesignated	\$ 6,061,297	\$ 5,736,040
Designated for the following purposes:		
Retirement benefits	36,486,184	41,217,877
Local church support and church development	4,498,178	4,933,350
Property and equipment reserve	3,782,480	6,732,120
Missional support	694,115	994,455
Endowments	29,789,540	34,921,969
Strategic Initiatives	<u>12,364,509</u>	<u>-</u>
Total designated	87,615,006	88,799,771
With donor restrictions for the following purposes:		
Missional support	694,920	1,225,494
Clergy support	628,258	1,071,275
Natural disaster support	<u>300,000</u>	<u>-</u>
Total subject to expenditure	1,623,178	2,296,769
Endowments not available for expenditure	<u>159,104</u>	<u>159,104</u>
Total net assets	<u>\$ 95,458,585</u>	<u>\$ 96,991,684</u>

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purpose as follows for the years ended December 31, 2022 and 2021:

	<u>2022</u>	<u>2021</u>
Satisfaction of purpose restrictions:		
Missional support	\$ 429,145	\$ 27,195
Clergy support	<u>246,577</u>	<u>148,350</u>
	<u>\$ 675,722</u>	<u>\$ 175,545</u>

**NORTH GEORGIA CONFERENCE OF THE UNITED
METHODIST CHURCH**

NOTES TO FINANCIAL STATEMENTS

NOTE 13 - CONTRIBUTIONS OF NONFINANCIAL ASSETS

	<u>2022</u>	<u>2021</u>
Property held for sale	\$ 553,000	\$ 3,033,000
Property and equipment	<u>-</u>	<u>565,002</u>
	<u>\$ 553,000</u>	<u>\$ 3,598,002</u>

Contributed property and equipment consists of a parsonage for use by the superintendent at one of the Districts within the Conference. The use of property held for sale is disclosed at Note 8. The contributed assets are valued and reported at the estimated fair value at the time of donation. Contributed nonfinancial assets did not contain any donor-imposed restrictions.

NOTE 14 - LEASING ACTIVITIES

The Conference has an operating lease for office space to include the basement and the first floor. On September 14, 2022, the lease was amended to reduce the rented space to the first floor only. The new lease reflected as "second amendment" commenced on April 1, 2023 and ends on March 31, 2024. The lease was subsequently amended on August 3, 2023 to extend the lease term to September 30, 2024. The following summarizes the weighted average remaining lease term and discount rate as of December 31, 2022:

Weighted Average Remaining Lease Term
Operating leases 1.25 years

Weighted Average Discount Rate
Operating leases 2.33%

The maturities of operating lease liabilities as of December 31, 2022 are as follows:

2023	\$ 420,656
2024	<u>91,426</u>
Total lease payments	512,082
Less interest	<u>(7,706)</u>
Present value of lease liabilities	<u>\$ 504,376</u>

The following summarizes the line items in the statements of functional expenses which include the components of operating lease expense for the years ended December 31, 2022 and 2021.

	<u>2022</u>	<u>2021</u>
Operating lease expense allocated to functional expenses:		
Operating lease expense	\$ 568,115	\$ 553,158
Variable lease expense	<u>17,506</u>	<u>-</u>
Total operating lease expense	<u>\$ 585,621</u>	<u>\$ 553,158</u>

**NORTH GEORGIA CONFERENCE OF THE UNITED
METHODIST CHURCH**

NOTES TO FINANCIAL STATEMENTS

NOTE 14 - LEASING ACTIVITIES - CONTINUED

The following summarizes cash flow information related to leases for the year ended December 31, 2022:

	<u>2022</u>
Cash paid for amounts included in the measurement of lease liabilities:	
Operating cash flows for operating leases	\$ 573,103
Lease assets obtained in exchange for lease obligations:	
Operating leases (second amendment to office lease)	\$ 358,057

NOTE 15 - COMMITMENT

In connection with the Boy Scouts of America's (BSA) proposed bankruptcy settlement totaling approximately \$30 million, all U.S. United Methodist conferences were asked to contribute toward the settlement which is part of a larger bankruptcy reorganization plan of the BSA. The Conference has pledged a \$1,067,504 contribution toward the BSA's survivor trust settlement fund and this amount is recognized in accrued expenses in the accompanying statement of financial position at December 31, 2022 and 2021.

NOTE 16 - EQUITY TRANSFERS FROM DISTRICTS

In connection with the District office reorganization plan, approved at the 2019 Annual Conference, the Districts transferred cash and investments totaling \$1,098,174 and \$3,970,665 to the Conference, recognized in the accompanying statement of activities for the years ended December 31, 2022 and 2021.

NOTE 17 - LEGAL SETTLEMENT

In July 2021, the Bishop and Cabinet of the Conference declared that "exigent circumstances" existed at a large local United Methodist church and, as a result, closed the church in accordance with the United Methodist *Book of Discipline*. The Conference Board of Trustees filed a lawsuit against the church in September 2021 seeking possession and control of all the assets of the church, pursuant to the United Methodist "Trust Clause". In October 2021, the church filed a counterclaim against the Conference and other related parties. In June 2022, the Conference Board of Trustees reached an agreement with the church and accepted a settlement payment by the church totaling \$13,100,000, included in other revenue in the accompanying statement of activities, in exchange for dismissal of further litigation between the parties.

**NORTH GEORGIA CONFERENCE OF THE UNITED
METHODIST CHURCH**

NOTES TO FINANCIAL STATEMENTS

NOTE 18 - SUBSEQUENT EVENT- DISAFFILIATED CHURCHES

The 2019 Special Session of the General Conference of the United Methodist Church adopted a process allowing United Methodist churches to leave the denomination over issues related to human sexuality. The current process to leave the denomination as outlined in the Book of Discipline, para. 2553, is overseen by the North Georgia Conference Board of Trustees and is currently set to expire on December 31, 2023. In 2022, 70 of the 776 churches applied for and were subsequently approved for disaffiliation at Annual Conference in June 2022. Although the disaffiliated churches represented approximately 10% in number, most were small member churches representing approximately 3% of the apportionment giving base. The Conference anticipates an additional 250 to 265 churches to disaffiliate in 2023 and these churches are estimated to comprise approximately 25% to 30% of the 2023 apportionment base. The Conference will continue to pursue efficiencies and cost reduction measures to align future apportionments with funding support and service level needs.