

**UNITED METHODIST COMMUNICATIONS OF  
THE UNITED METHODIST CHURCH  
AND SUBSIDIARIES**

CONSOLIDATED FINANCIAL STATEMENTS  
AND SUPPLEMENTARY SCHEDULES

*As of and for the Years Ended December 31, 2020 and 2019*

*And Report of Independent Auditor*

**UNITED METHODIST COMMUNICATIONS OF  
THE UNITED METHODIST CHURCH AND SUBSIDIARIES  
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## Report of Independent Auditor

The General Commission of  
United Methodist Communications of  
The United Methodist Church and Subsidiaries

The Committee on Audit and Review of  
The General Council on Finance and Administration of  
The United Methodist Church

We have audited the accompanying consolidated financial statements of United Methodist Communications of The United Methodist Church and Subsidiaries (“UMCom”), which comprise the consolidated statements of financial position as of December 31, 2020 and 2019, the related consolidated statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the consolidated financial statements.

### Management’s Responsibility for the Consolidated Financial Statements

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

### Auditor’s Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor’s judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to UMCom’s preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the UMCom’s internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

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

### Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of United Methodist Communications of The United Methodist Church and Subsidiaries as of December 31, 2020 and 2019, and the changes in their net assets and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

## **Other Matters**

### *Other Information*

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

*Cheryl Behrman LLP*

Charlotte, North Carolina  
June 29, 2021

**UNITED METHODIST COMMUNICATIONS OF  
THE UNITED METHODIST CHURCH AND SUBSIDIARIES  
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION**

DECEMBER 31, 2020 AND 2019

	<b>2020</b>	<b>2019</b>
<b>ASSETS</b>		
Cash and cash equivalents	\$ 27,833	\$ 1,000
Investments	50,070,642	44,712,382
Due from GCFA short-term pooled investment fund	2,721,279	1,122,990
Accrued World Service Fund allocation	4,900,266	4,553,992
Accounts receivable, net	232,599	139,676
Inventory	7,478	7,456
Productions in progress	-	611
Prepaid expenses	78,939	329,051
Property and equipment, net	1,251,054	1,762,940
<b>Total Assets</b>	<b>\$ 59,290,090</b>	<b>\$ 52,630,098</b>
<b>LIABILITIES AND NET ASSETS</b>		
Liabilities:		
Accounts payable and accrued liabilities	\$ 1,781,886	\$ 1,137,815
Deferred income	19,320	76,973
Paycheck Protection Program deferred revenue	1,677,132	-
<b>Total Liabilities</b>	<b>3,478,338</b>	<b>1,214,788</b>
Net Assets:		
Without Donor Restrictions:		
Invested in property and equipment	1,251,054	1,762,940
Board designated	9,418,513	9,748,513
Undesignated	34,012,686	28,279,775
<b>Total Without Donor Restrictions</b>	<b>44,682,253</b>	<b>39,791,228</b>
With Donor Restrictions:		
Subject to purpose restrictions	10,638,827	11,191,183
Endowments	490,672	432,899
<b>Total With Donor Restrictions</b>	<b>11,129,499</b>	<b>11,624,082</b>
<b>Total Net Assets</b>	<b>55,811,752</b>	<b>51,415,310</b>
<b>Total Liabilities and Net Assets</b>	<b>\$ 59,290,090</b>	<b>\$ 52,630,098</b>

**UNITED METHODIST COMMUNICATIONS OF  
THE UNITED METHODIST CHURCH AND SUBSIDIARIES  
CONSOLIDATED STATEMENT OF ACTIVITIES**

*YEAR ENDED DECEMBER 31, 2020 (WITH COMPARATIVE TOTALS FOR 2019)*

	2020		2019	
	Without Donor Restrictions	With Donor Restrictions	Total	Total
Revenue and Support:				
General Church Funds:				
Allocation of World Service Fund	\$ 13,821,039	\$ -	\$ 13,821,039	\$ 15,063,583
Connectional Giving Interpretation	-	1,067,580	1,067,580	1,067,184
	13,821,039	1,067,580	14,888,619	16,130,767
Net program revenues	654,562	-	654,562	453,451
Reimbursement from Benefit Trust	1,791,132	-	1,791,132	1,525,530
Services received from GCFA	31,953	-	31,953	28,666
Investment return from GCFA short-term pooled investment fund	23,709	-	23,709	39,403
Investment return, net	8,800,488	57,772	8,858,260	8,106,442
Contributions	11,021	-	11,021	79,508
Other income	181,816	-	181,816	58,991
Kingswood	133,146	-	133,146	94,895
Net assets released from restrictions	1,619,935	(1,619,935)	-	-
Total Revenue and Support	27,068,801	(494,583)	26,574,218	26,517,653
Expenses:				
Program Services:				
Communications channels and resources	13,007,530	-	13,007,530	14,436,795
Brand – media purchases	3,979,044	-	3,979,044	3,113,475
Connectional giving interpretation	1,227,564	-	1,227,564	1,398,777
Global health initiative	-	-	-	99,984
Total Program Expenses	18,214,138	-	18,214,138	19,049,031
Supporting Services:				
Management and general	3,799,438	-	3,799,438	4,022,995
Fundraising	164,200	-	164,200	137,615
Total Expenses	22,177,776	-	22,177,776	23,209,641
Change in net assets	4,891,025	(494,583)	4,396,442	3,308,012
Net assets, beginning of year	39,791,228	11,624,082	51,415,310	48,107,298
Net assets, end of year	\$ 44,682,253	\$ 11,129,499	\$ 55,811,752	\$ 51,415,310

The accompanying notes to the consolidated financial statements are an integral part of this statement.

**UNITED METHODIST COMMUNICATIONS OF  
THE UNITED METHODIST CHURCH AND SUBSIDIARIES  
CONSOLIDATED STATEMENT OF ACTIVITIES**

*YEAR ENDED DECEMBER 31, 2019*

	<b>2019</b>		<b>Total</b>
	<b>Without Donor Restrictions</b>	<b>With Donor Restrictions</b>	
Revenue and Support:			
General Church Funds:			
Allocation of World Service Fund	\$ 15,063,583	\$ -	\$ 15,063,583
Connectional Giving Interpretation	-	1,067,184	1,067,184
	<u>15,063,583</u>	<u>1,067,184</u>	<u>16,130,767</u>
Net program revenues	453,451	-	453,451
Reimbursement from Benefit Trust	1,525,530	-	1,525,530
Services received from GCFA	28,666	-	28,666
Investment return from GCFA short-term pooled investment fund	39,403	-	39,403
Investment return, net	8,064,083	42,359	8,106,442
Contributions	10,621	68,887	79,508
Other income	58,991	-	58,991
Kingswood	94,895	-	94,895
Net assets released from restrictions	1,518,086	(1,518,086)	-
Total Revenue and Support	<u>26,857,309</u>	<u>(339,656)</u>	<u>26,517,653</u>
Expenses:			
Program Services:			
Communications channels and resources	14,436,795	-	14,436,795
Brand – media purchases	3,113,475	-	3,113,475
Connectional giving interpretation	1,398,777	-	1,398,777
Global health initiative	99,984	-	99,984
Total Program Expenses	<u>19,049,031</u>	<u>-</u>	<u>19,049,031</u>
Supporting Services:			
Management and general	4,022,995	-	4,022,995
Fundraising	137,615	-	137,615
Total Expenses	<u>23,209,641</u>	<u>-</u>	<u>23,209,641</u>
Change in net assets	3,647,668	(339,656)	3,308,012
Net assets, beginning of year	<u>36,143,560</u>	<u>11,963,738</u>	<u>48,107,298</u>
Net assets, end of year	<u>\$ 39,791,228</u>	<u>\$ 11,624,082</u>	<u>\$ 51,415,310</u>

The accompanying notes to the consolidated financial statements are an integral part of this statement.

**UNITED METHODIST COMMUNICATIONS OF  
THE UNITED METHODIST CHURCH AND SUBSIDIARIES  
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES**

*YEAR ENDED DECEMBER 31, 2020*

	Program Services				Supporting Services			
	Communications Channels and Resources	Brand - Media Purchases	Connectional Giving Interpretation	Global Health Initiative	Subtotal	Management and General	Fundraising	Total
Media, research, and program development	\$ 517,586	\$ 3,318,222	\$ 223,852	\$ -	\$ 4,059,660	\$ -	\$ -	\$ 4,059,660
Grant and donation distributions	10,080	659,962	-	-	670,042	-	-	670,042
Salaries and related benefits	9,223,422	-	319,775	-	9,543,197	2,439,658	164,300	12,147,155
Administration provided by GCFA	-	-	-	-	-	31,953	-	31,953
Rent and building management	-	-	-	-	-	333,192	-	333,192
Travel and meetings	561,718	860	(332)	-	562,246	58,638	-	620,884
Independent contractors	1,709,105	-	-	-	1,709,105	136,367	-	1,845,472
Printing, postage, supplies, and telephone	105,407	-	123,698	-	229,105	47,851	334	277,290
Equipment, repair, and maintenance	23,398	-	-	-	23,398	22,343	-	45,741
Information technology hosting, maintenance, and support	523,747	-	8,953	-	532,700	268,580	-	801,280
Insurance and taxes	737	-	-	-	737	62,628	-	63,365
Depreciation	152,200	-	-	-	152,200	389,373	-	541,573
Promotional and informational material	163,230	-	551,618	-	714,848	(36)	-	714,812
Miscellaneous	16,900	-	-	-	16,900	8,891	(434)	25,357
<b>Total Expenses</b>	<b>\$ 13,007,530</b>	<b>\$ 3,979,044</b>	<b>\$ 1,227,564</b>	<b>\$ -</b>	<b>\$ 18,214,138</b>	<b>\$ 3,799,438</b>	<b>\$ 164,200</b>	<b>\$ 22,177,776</b>

The accompanying notes to the consolidated financial statements are an integral part of this statement.



**UNITED METHODIST COMMUNICATIONS OF  
THE UNITED METHODIST CHURCH AND SUBSIDIARIES  
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES**

*YEAR ENDED DECEMBER 31, 2019*

	Program Services				Supporting Services			
	Communications Channels and Resources	Brand - Media Purchases	Connectional Giving Interpretation	Global Health Initiative	Subtotal	Management and General	Fundraising	Total
Media, research, and program development	\$ 631,070	\$ 2,314,110	\$ 190,675	\$ -	\$ 3,135,855	\$ -	\$ -	\$ 3,135,855
Grant and donation distributions	43,662	799,331	-	99,984	942,977	-	-	942,977
Salaries and related benefits	8,991,817	-	309,673	-	9,301,490	2,648,684	134,597	12,084,771
Administration provided by GCFA	-	-	-	-	-	28,666	-	28,666
Rent and building management	-	-	-	-	-	252,132	-	252,132
Travel and meetings	1,423,512	34	82,071	-	1,505,617	203,990	-	1,709,607
Independent contractors	2,081,682	-	-	-	2,081,682	56,873	1,750	2,140,305
Printing, postage, supplies, and telephone	118,465	-	235,137	-	353,602	47,594	975	402,171
Equipment, repair, and maintenance	29,533	-	-	-	29,533	33,248	-	62,781
Information technology hosting, maintenance, and support	685,183	-	51,784	-	736,967	189,102	-	926,069
Insurance and taxes	2,123	-	-	-	2,123	75,183	-	77,306
Depreciation	198,300	-	-	-	198,300	466,301	-	664,601
Promotional and informational material	206,234	-	529,717	-	735,951	16,233	-	752,184
Miscellaneous	25,214	-	(280)	-	24,934	4,989	293	30,216
<b>Total Expenses</b>	<b>\$ 14,436,795</b>	<b>\$ 3,113,475</b>	<b>\$ 1,398,777</b>	<b>\$ 99,984</b>	<b>\$ 19,049,031</b>	<b>\$ 4,022,995</b>	<b>\$ 137,615</b>	<b>\$ 23,209,641</b>

The accompanying notes to the consolidated financial statements are an integral part of this statement.

**UNITED METHODIST COMMUNICATIONS OF  
THE UNITED METHODIST CHURCH AND SUBSIDIARIES**  
CONSOLIDATED STATEMENTS OF CASH FLOWS

YEARS ENDED DECEMBER 31, 2020 AND 2019

	<u>2020</u>	<u>2019</u>
<b>Cash flows from operating activities:</b>		
Change in net assets	\$ 4,396,442	\$ 3,308,012
Adjustments to reconcile change in net assets to net cash flows from operating activities:		
Depreciation	541,573	664,601
Disposals of property and equipment	14,199	-
Unrealized gains on investments	(8,384,021)	(1,011,640)
Net realized gains on sales of investments	(336,241)	(6,808,731)
Bad debt expense	-	(11,550)
Changes in assets and liabilities:		
Due from GCFA short-term pooled investment fund	(1,598,289)	561,452
Accrued World Service Fund allocation	(346,274)	139,867
Accounts receivable, net	(92,923)	35,017
Inventory	(22)	5,722
Productions in process	611	41,349
Prepaid expenses	250,112	(6,148)
Accounts payable and accrued liabilities	644,071	(664,476)
Deferred income	(57,653)	64,034
Paycheck Protection Program deferred revenue	1,677,132	-
Net cash flows from operating activities	<u>(3,291,283)</u>	<u>(3,682,491)</u>
<b>Cash flows from investing activities:</b>		
Purchases of investments	(8,150,014)	(286,072)
Proceeds from sales of investments	11,512,016	4,200,000
Purchases of property and equipment	(43,886)	(231,437)
Net cash flows from investing activities	<u>3,318,116</u>	<u>3,682,491</u>
Net change in cash and cash equivalents	26,833	-
Cash and cash equivalents, beginning of year	1,000	1,000
Cash and cash equivalents, end of year	<u>\$ 27,833</u>	<u>\$ 1,000</u>

The accompanying notes to the consolidated financial statements are an integral part of these statements.

**UNITED METHODIST COMMUNICATIONS OF  
THE UNITED METHODIST CHURCH AND SUBSIDIARIES  
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

*DECEMBER 31, 2020 and 2019*

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**Note 1—Organization and nature of operations**

As the communications agency for The United Methodist Church, United Methodist Communications (“UMCom”) provides leadership for The United Methodist Church (the “UMC”) through communications initiatives that promote local, national, and global ministry. Such leadership ministry is most efficient when performed at a global level and in a coordinated and strategic way. UMCom serves the UMC with communication products, programs, and services to enable more effective ministry. It takes into account the needs of the world’s people, responding by providing information that encourages spiritual growth, commitment, and transformation individually and in the global community. UMCom provides a portal to the World Wide Web for UMC; speaks to the world at large on behalf of UMC through a variety of communications channels; provides resources that support the growth of local church leaders and provides practical ideas for church life; provides independent news coverage of what UMC is doing and other topics of interest; shares stories of ministries in ways that increase giving and commitment to UMC; responds to requests for information about UMC; resources annual conference and local church communications efforts; and provides video services and video resources for group study. The Foundation for United Methodist Communications (“UMCom Foundation”) generates funds for communication efforts to strengthen UMC and its ministries throughout the world.

*Principles of Consolidation* – The consolidated financial statements include the financial statements of UMCom and its wholly owned or controlled subsidiaries, Kingswood Communications, Inc. (“Kingswood”) and UMCom Foundation. Kingswood was established on August 21, 1963 to provide media productions to entities outside of the UMC. Kingswood shares the same board of directors as UMCom, which is the reason for consolidation. UMCom Foundation was established on October 19, 1996, exclusively for the benefit of, to perform the functions of, and to carry out the purposes of UMCom. As UMCom is the sole member, UMCom Foundation is also consolidated. The consolidating schedules of UMCom, UMCom Foundation, and Kingswood are provided on pages 25-28 in supplementary schedules 1 through 4 for informational purposes. These supplementary schedules are not a required part of the basic consolidated financial statements. All significant intercompany balances and transactions among UMCom, UMCom Foundation, and Kingswood have been eliminated in consolidation.

**Note 2—Summary of significant accounting policies**

The consolidated financial statements have been prepared on the accrual basis of accounting. UMCom’s significant accounting policies are described below.

*Basis of Presentation* – To ensure the observance of limitations and restrictions placed on the use of resources, fund accounting is the procedure by which resources for various purposes are classified into funds that are in accordance with activities or objectives of UMCom. Separate accounts are maintained for each fund.

**UNITED METHODIST COMMUNICATIONS OF  
THE UNITED METHODIST CHURCH AND SUBSIDIARIES  
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

*DECEMBER 31, 2020 and 2019*

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**Note 2—Summary of significant accounting policies (continued)**

For reporting purposes, UCom's consolidated financial statements have been prepared to focus on the organization as a whole and to present balances classified into two net asset categories based on the existence or absence of donor-imposed restrictions. Accordingly, the consolidated net assets of UCom and changes therein are classified and reported 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 objective of UCom. These net assets may be used at the discretion of UCom's management and the General Commission. UCom has chosen to provide further classification information about net assets without donor restrictions on the consolidated statements of financial position. The sub-classifications are as follows:

*Invested in Property and Equipment* – Represents net assets invested in property and equipment, net of accumulated depreciation.

*Board Designated* – Comprised of funds set aside by the General Commission to be used for specific activities within general guidelines established by UCom.

*Undesignated* – Represents the cumulative net assets without donor restrictions excluding those net assets invested in property and equipment and board designated.

*Net Assets With Donor Restrictions* – Net assets subject to stipulations imposed by donors and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of UCom or by the passage of time. Other donor restrictions are perpetual in nature, whereby the donor has stipulated the funds be maintained in perpetuity.

Donor restricted contributions are reported as increases in net assets with donor restrictions. When a restriction expires, net assets are reclassified from net assets with donor restrictions to net assets without donor restrictions in the consolidated statements of activities.

Revenues are reported as increases in net assets without donor restrictions, unless use of the related assets is limited by donor-imposed restrictions. Expenses are reported as decreases in net assets without donor restrictions. Gains and losses on investments and other assets or liabilities are reported as increases or decreases in net assets without donor restrictions unless their use is restricted by explicit donor stipulation or by law. Expirations of temporary restrictions on net assets are reported as reclassifications from net assets with donor restrictions to net assets without donor restrictions.

Contributions are recognized when cash, other assets, or an unconditional promise to give is received. Conditional promises to give, that is, those with a measurable performance or other barrier, and a right of return or right of release, are not recognized until the conditions on which they depend have been substantially met. Contributions of assets other than cash are recorded at their estimated fair value.

*Use of Estimates* – The preparation of the consolidated financial statements requires management of UCom to make a number of estimates and assumptions relating to the reported amount of assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenue and expenses during the period. Significant items subject to such estimates and assumptions include the carrying amount of property and equipment; valuation allowances for receivables and inventories; and assets and obligations related to employee benefits. Actual results could differ from those estimates.

**UNITED METHODIST COMMUNICATIONS OF  
THE UNITED METHODIST CHURCH AND SUBSIDIARIES  
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

DECEMBER 31, 2020 and 2019

**Note 2—Summary of significant accounting policies (continued)**

*Cash and Cash Equivalents* – UMCom considers all highly liquid interest bearing instruments purchased with original maturities of three months or less at date of purchase to be cash equivalents.

*Investments* – Investments consist of shares invested in The United Methodist Church Foundation’s (“UMCF”) Balanced Plus Fund, shares invested in Wespath Benefits and Investments (“Wespath”) Multiple Asset Fund, and notes held by The United Methodist Development Fund (“UMDF”).

UMCom’s investments are presented at net asset value, which approximates the estimated fair value of UMCom’s share of respective investment pools. Interest and dividend income and realized and unrealized gains or losses are calculated on a pro rata basis for UMCom’s portion of the investment pools.

Investments are carried at fair value based on quoted market prices, or audited financial statements of the investee. Purchases and sales of investments are recorded on the trade date.

*Due from GCFA Short-Term Pooled Investment Fund* – The amounts presented as due from General Council on Finance and Administration (“GCFA”) short-term pooled investment fund in the accompanying consolidated financial statements represent UMCom’s portion of the short-term investment portfolio managed by GCFA on behalf of certain agencies and related organizations of the UMC. The amount due from this fund effectively represents the amount of cash deposits that are available to UMCom to be disbursed out of GCFA’s centralized cash management system. Since these deposits are legally invested in GCFA’s name and not in a separate demand account in UMCom’s name, they are not classified as cash and cash equivalents, but rather are considered an amount due from GCFA. The short-term investment portfolio includes funds invested in demand deposits, corporate bonds, taxable municipal bonds, mutual funds, and notes from other United Methodist organizations. GCFA allocates interest earned on the portfolio to the participating entities. For the years ended December 31, 2020 and 2019, GCFA allocated \$23,709 and \$39,403 of interest income, respectively, to UMCom. While interest income can be earned based on the performance of the pooled investment funds, UMCom believes there is little to no risk exposure to losses due to the relationship with GCFA and policy under which the pooled funds are invested. The operating cash requirements of the general agencies are centrally managed by GCFA.

When an agency has surplus funds, they are invested by GCFA in the short-term pooled investment fund. GCFA allocates interest earned to the agencies invested in the pool based upon their pro rata share of the pool on a monthly basis. The overall return for the short-term pooled investment funds for the years ended December 31, 2020 and 2019 was 3.63% and 4.17%, respectively. The overall rate of return for each agency may vary due to fluctuating balances throughout the years and the timing of investments gains and losses. The allocation of funds in the short-term investment pool as of December 31, 2020 and 2019 were as follows:

	<b>2020</b>	<b>2019</b>
Texas Methodist Foundation loan fund	28.3%	19.5%
Mutual funds	13.2%	2.0%
Short-term collateralized loan fund	3.5%	0.4%
Fixed income	9.8%	20.9%
Corporate bonds	34.0%	47.1%
Cash	11.2%	10.1%
	<u>100.0%</u>	<u>100.0%</u>

**UNITED METHODIST COMMUNICATIONS OF  
THE UNITED METHODIST CHURCH AND SUBSIDIARIES  
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

*DECEMBER 31, 2020 and 2019*

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**Note 2—Summary of significant accounting policies (continued)**

*General Church Fund Allocation* – Funding for UMCCom’s operations is principally provided by allocations of World Service Fund and Connectional Giving Interpretation received from the General Funds of the UMC. At December 31, 2020 and 2019, accrued allocations from the World Service Fund were \$4,900,266 and \$4,553,992, respectively. The General Funds of UMC are allocated to UMCCom based on a four-year budget developed from projections of expected program costs. The allocation accounts for 84% and 82% of UMCCom’s total operating revenue in 2020 and 2019, respectively. UMCCom’s continued existence is dependent upon UMC’s future support. UMC’s future support is dependent upon contributions from its congregations (i.e., congregational participation in the apportionment covenant).

*Services Received from Personnel of an Affiliate* – Services received from personnel of an affiliate for which the affiliate does not charge UMCCom have been measured at the cost recognized by the affiliate in providing those services. The revenue and expenses relating to those services received totaled \$31,953 and \$28,666 for the years ended December 31, 2020 and 2019, respectively.

*Accounts Receivable* – Trade accounts receivable are recorded at the invoiced amount and do not bear interest. The allowance for doubtful accounts is UMCCom’s best estimate of the amount of probable credit losses in UMCCom’s existing accounts receivable. UMCCom determines the allowance based on historical write-off experience. Account balances are charged off against the allowance after all means of collection have been exhausted and the potential for recovery is considered remote.

*Inventory* – Inventory consists of printed and promotional materials and is stated at the lower of cost (first-in, first-out) or net realizable value.

*Productions in Process* – Costs related to productions that are in process are capitalized and expensed when revenue is recognized. Productions produced under contract, principally for other agencies of UMC, are accounted for by the completed contract method.

*Property and Equipment* – Property and equipment are recorded at cost, less accumulated depreciation. Depreciation is computed using the straight-line method over the estimated useful lives of the respective assets. Building and improvements are depreciated over 40 years, production equipment over 3-5 years, office equipment over 3-10 years, and computer equipment over 3-5 years. UMCCom capitalizes assets with a cost greater than \$5,000.

*Deferred Income* – Deferred income is recorded for advertisements and specific services for which payment is received in advance of delivery of the related products.

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**Note 2—Summary of significant accounting policies (continued)**

*Financial Instruments* – Assets recorded at fair value in the consolidated statements of financial position are categorized based on the level of judgment used in the measurement of their fair value. These judgment levels, as defined by Financial Accounting Standards Board (“FASB”) Accounting Standards Codification (“ASC”) 820, *Fair Value Measurements and Disclosures*, are as follows:

*Level 1* – Quoted prices in active markets that are accessible at the measurement date for identical securities.

*Level 2* – Quoted prices in markets that are not considered to be active or financial instruments for which all significant inputs are observable, either directly or indirectly. Inputs include quoted prices for similar assets and liabilities in active markets, inputs that are derived from investment manager reporting or corroborated by an independent advisor, and inputs obtained with benchmarks for similar assets for substantially the full term on the financial investments. If market quotations are not readily available for valuations, assets may be valued by a method the investment manager of the fund believes accurately reflects fair value.

*Level 3* – Prices or valuations that require using significant unobservable inputs in determining fair value. The inputs into the determination of fair value require significant judgment or estimation by the investment manager. The investment manager uses either the market approach, which generally consists of using comparable market transactions, or the income approach, which generally consists of the net present value of estimated future cash flows, adjusted as appropriate for liquidity, credit, market, and/or other risk factors.

*Federal Income Tax Exemption* – UMCom is covered under GCFA's group determination letter from the Internal Revenue Service indicating that it is a nonprofit corporation and, except for taxes pertaining to unrelated business income, is exempt from federal and state income taxes under Section 501(c)(3) of the Internal Revenue Code (the “Code”). UMCom is also exempt from filing a Form 990 due to its affiliation with a religious organization as described in Section 509(a) of the Code.

UMCom accounts for the effect of any uncertain tax positions based on a more likely than not threshold to the recognition of the tax positions being sustained based on the technical merits of the position under examination by the applicable taxing authority. If a tax position or positions are deemed to result in uncertainties of those positions, the unrecognized tax benefit is estimated based on a cumulative probability assessment that aggregates the estimated tax liability for all uncertain tax positions. Tax positions for UMCom include, but are not limited to, the tax-exempt status and determination of whether income is subject to unrelated business income tax.

*Revenue Recognition* – UMCom recognizes revenue when products are shipped and the customer takes ownership and assumes risk of loss, collection of the relevant receivable is probable, persuasive evidence of an arrangement exists, and the sales price is fixed or determinable.

*Functional Classification of Expenses* – The costs of providing the various programs and other activities of UMCom have been summarized on a functional basis in the consolidated statements of activities. The consolidated statements of functional expenses present the natural classification detail of expenses by function. Direct identifiable expenses are charged to programs and supporting services. UMCom program expenses cover program ministries of UMCom, including media purchases, administrative, creative, and development functions. Media purchases emphasizing the UMC brand are funded by World Service Fund. Connectional Giving Interpretation provides resources to promote and interpret general church funds. Kingswood is a subsidiary of United Methodist Communications allowing UMCom to do business with non-UMC entities to generate revenue. UMCF exists to raise funds to enhance and establish communications programs and the Global Health Initiative.

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**Note 2—Summary of significant accounting policies (continued)**

*Future Pronouncements* – In September 2020, FASB issued ASU 2020-07, *Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*. The standard requires presentation of contributed nonfinancial assets as a separate line item in the statement of activities, apart from contributions of cash and other financial assets. It also requires a disclosure of disaggregated contributions of nonfinancial assets by category that depicts the type of contributed nonfinancial assets. This distinction will increase transparency of contributions recognized. This standard will be effective for fiscal years beginning after June 15, 2021. Management is currently evaluating the impact the pending adoption will have on UCom’s consolidated financial statements.

**Note 3—Liquidity and availability of resources**

The table below represents financial assets available for general expenditures within one year at December 31:

	<u>2020</u>	<u>2019</u>
Financial assets at year-end:		
Cash and cash equivalents	\$ 27,833	\$ 1,000
Investments	50,070,642	44,712,382
Due from GCFA short-term pooled investment fund of The United Methodist Church	2,721,279	1,122,990
Accrued World Service Fund allocation	4,900,266	4,553,992
Accounts receivable	232,599	139,676
Total financial assets	<u>57,952,619</u>	<u>50,530,040</u>
Less amounts not available to be used for general expenditures within one year:		
Board designated	9,418,513	9,748,513
Donor restricted for specific purposes	10,638,827	11,191,183
Funds held in perpetuity and accumulated earnings on endowment	490,672	432,899
Financial assets not available to be used within one year	<u>20,548,012</u>	<u>21,372,595</u>
Financial assets available to meet general expenditures within one year	<u>\$ 37,404,607</u>	<u>\$ 29,157,445</u>

UCom considers general expenditures to include program expenses, supporting services, and any other commitments or liabilities to be paid in the subsequent year. As part of the UCom’s liquidity management plan, it structures its financial assets to be available as its obligations come due. Cash in excess of daily requirements are invested in GCFA’s short-term pooled investment fund. This fund established by UCom may be drawn upon, if necessary, to meet unexpected liquidity needs.

UCom has certain assets limited to use for donor-restricted purposes. Additionally, board-designated assets are designated for future operating, and capital expenditures. These assets limited to use, which are more fully described in Notes 12 and 13 are not available for general expenditure within the next year. However, the board-designated amounts could be made available, if necessary.



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**Note 4—Accounts receivable**

Accounts receivable at December 31, 2020 and 2019 consist of the following:

	<u>2020</u>	<u>2019</u>
Accounts receivables	\$ 232,599	\$ 139,676

Based on an evaluation of the accounts receivable, past experience, current economic conditions, and other risks, management has determined that an allowance for doubtful accounts is not necessary at December 31, 2020 and 2019.

**Note 5—Property and equipment**

Property and equipment at December 31, 2020 and 2019 consist of the following:

	<u>2020</u>	<u>2019</u>
Land	\$ 198,651	\$ 198,651
Building	3,748,500	3,748,500
Production equipment	2,074,056	2,064,065
Equipment	1,733,619	1,716,088
Computer equipment	3,120,544	3,127,330
	<u>10,875,370</u>	<u>10,854,634</u>
Less accumulated depreciation	<u>(9,624,316)</u>	<u>(9,091,694)</u>
Total property and equipment, net	<u>\$ 1,251,054</u>	<u>\$ 1,762,940</u>

Depreciation expense totaled \$541,573 and \$664,601 in 2020 and 2019, respectively.

**Note 6—Investments**

Investments consist of the following at December 31, 2020 and 2019:

	<u>2020</u>		<u>2019</u>	
	<u>Fair Value</u>	<u>Cost</u>	<u>Fair Value</u>	<u>Cost</u>
Balanced Plus Fund (UMCF)	\$ -	\$ -	\$ 12,287,183	\$ 10,932,543
Multiple Asset Fund - I Series (Wespath)	14,995,980	10,675,458	32,061,312	19,944,094
International Equity Fund - I Series (Wespath)	12,783,735	11,096,888	-	-
U.S. Equity Fund - I Series (Wespath)	15,564,340	13,562,864	-	-
Fixed Income Fund - I Series (Wespath)	3,805,302	3,707,810	-	-
Inflation Protection Fund - I Series (Wespath)	2,553,396	2,471,874	-	-
Notes (UMDF)	367,889	367,889	363,887	363,887
	<u>\$ 50,070,642</u>	<u>\$ 41,882,783</u>	<u>\$ 44,712,382</u>	<u>\$ 31,240,524</u>

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**Note 6—Investments (continued)**

The following is a summary of the primary funds of which UCom's pooled investments are invested:

*Balanced Plus Fund (UMCF)* – The Balanced Plus Fund's objective is to provide a reasonable level of current income and, simultaneously, to protect the purchasing power of the principal against inflation, but to reduce the volatility of the returns by increased portfolio diversification through the use of alternative investment strategies. The targeted allocation of the fund is 30% invested in a fixed income fund, 25% in a domestic large cap equity portfolios, 10% in domestic small/mid-cap equity portfolios, 15% in an international equity portfolio, and 20% in alternative investments consisting of funds of hedge funds and managed futures portfolios. This fund is designed for those investors who are seeking a single fund to provide broad diversification, reasonable current income, and protection against inflation.

*Multiple Asset Fund I Series (Wespath)* – The investments in Wespath's Multiple Asset Fund are a composite of U.S. equity funds (35%), fixed income funds (35%), and international equity funds (30%).

*International Equity Fund I Series (Wespath)* – A broadly diversified portfolio of foreign equities. The fund holds real estate investment trusts ("REIT") and interests in private real estate and private equity partnerships located in foreign countries.

*U.S. Equity Fund I Series (Wespath)* – A broadly diversified portfolio of primarily U.S. stocks. Holds securities of publicly traded U.S. based REITs, limited partnership interests in private U.S. real estate, and other private investments of U.S. companies and equity index futures of U.S. stock indexes.

*Fixed Income Fund I Series (Wespath)* – A broadly diversified portfolio of fixed-income instruments. The fund holds publicly traded U.S. fixed income securities, and fixed income securities denominated in currencies other than the U.S. dollar.

*Inflation Protection Fund I Series (Wespath)* – The Fund holds a combination of U.S. and foreign fixed income securities. The Fund also invests in commodity futures contracts and holds senior secured loans.

*Notes UMDF* – The investments consist of variable and/or fixed interest bearing notes. Notes are stated at cost, which approximate fair value.

Return on investments for the years ended December 31, 2020 and 2019 were as follows:

	<u>2020</u>	<u>2019</u>
Interest and dividends	\$ 134,905	\$ 367,472
Gain on investments:		
Realized gains on sales of investments	336,241	6,808,731
Unrealized gains on investments	8,394,335	1,011,640
Net gains on investments	8,865,481	8,187,843
Less investment management expenses	(7,221)	(81,401)
Investment return, net	<u>\$ 8,858,260</u>	<u>\$ 8,106,442</u>

The Balanced Plus Fund in UMCF has a daily redemption frequency and a redemption notice period of three days. All other investments may be redeemed without advance notice and there are no limitations as to the frequency of redemptions for any investment pool. UCom has no unfunded commitments to invest in any investment pool.

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**Note 7—Fair value of financial instruments**

Required disclosures concerning the estimated fair value of financial instruments are presented below. The estimated fair value amounts have been determined based on UMCom's assessment of available market information and appropriate valuation methodologies. The following table summarizes required fair value disclosures and measurements at December 31, 2020 and 2019 for assets measured at fair value on a recurring basis under ASC 820, *Fair Value Measurements and Disclosures*. The assets measured at fair value in the table below use one of three levels for defining their fair value:

	<b>Fair Value Measurements at Reporting Date</b>			
	<b>Total Assets Measured at Fair Value</b>	<b>Quoted Prices in Active Markets for Identical Assets Level 1</b>	<b>Significant Other Observable Inputs Level 2</b>	<b>Significant Unobservable at Fair Value Level 3</b>
<b>December 31, 2020</b>				
Investments:				
UMDF	\$ 367,889	\$ -	\$ -	\$ 367,889
Investments reported at net asset value:				
Wespath*	49,702,753			
Total Investments	<u>\$ 50,070,642</u>			
<b>December 31, 2019</b>				
Investments:				
UMDF	\$ 363,887	\$ -	\$ -	\$ 363,887
Investments reported at net asset value:				
Wespath*	32,061,312			
UMCF*	12,287,183			
Total Investments	<u>\$ 44,712,382</u>			

\* In accordance with ASC Subtopic 820-10, certain investments that are measured at fair value using the net asset value per share (or its equivalent) practical expedient have not been classified in the fair value hierarchy. The fair value amounts presented in this table are intended to permit reconciliation of the fair value hierarchy to the amounts presented in the consolidated statements of financial position.

The following is a reconciliation of activity for 2020 and 2019 for assets measured at fair value based on significant unobservable information:

	<b>2020</b>	<b>2019</b>
Balance, beginning of year	\$ 363,887	\$ 558,921
Interest income	4,002	4,966
Sales and redemptions	-	(200,000)
Balance, end of year	<u>\$ 367,889</u>	<u>\$ 363,887</u>

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**Note 8—Connectional giving interpretation revenue**

General church funds received from the Connectional Giving Interpretation have the following purpose restrictions for the years ended December 31, 2020 and 2019:

	<u>2020</u>	<u>2019</u>
World Service	\$ 358,812	\$ 358,416
General Advance Specials	297,504	297,504
Human Relations Day	63,756	63,756
One Great Hour of Sharing	99,996	99,996
World Communion Day	65,004	65,004
United Methodist Student Day	60,000	60,000
Peace with Justice	50,004	50,004
Native American Ministries	72,504	72,504
	<u>\$ 1,067,580</u>	<u>\$ 1,067,184</u>

**Note 9—Employee benefits**

*Retirement Benefits* – Full-time laypersons and clergy employed by UMCom participate in the Retirement Plan for General Agencies. This defined contribution plan is administered by Wespath.

UMCom makes bi-weekly contributions to each eligible employee’s account held by Wespath based on 8% of annual employee compensation. Additionally, UMCom matches up to 2% of each employee’s compensation to their United Methodist Personal Investment Plan (UMPIP). Total contributions made by UMCom and Kingswood for both components during 2020 and 2019 were \$873,514 and \$839,530, respectively.

*Health, Life, and Other Employee Benefits* – UMCom provides health, dental, life, and other employee benefits for its active employees and health, dental, and life benefits to retirees through a group plan, which qualifies for treatment as a multiemployer plan under ASC 715, *Compensation-Retirement Benefits*. Substantially all retired employees are eligible to participate in The General Agencies of The United Methodist Church Benefit Plan (the “Plan”) if they have attained normal retirement age while in the employ of UMCom.

The Plan provides medical, dental, life, and long- and short-term disability defined benefits to participants of the general agencies, two other United Methodist related organizations, and all Bishops covered by the Episcopal Fund.

The Plan’s unfunded accumulated postretirement benefit obligation was approximately \$71,430,000 and \$76,725,000 and the Plan’s unfunded expected postretirement benefit obligation was approximately \$100,140,000 and \$106,750,000 as of December 31, 2020 and 2019, respectively.

The cost of the benefits is recognized as expense as premiums are paid. The total cost of benefits for active employees was \$1,182,330 and \$1,278,942 in 2020 and 2019, respectively. The cost of benefits for retired employees was \$289,595 and \$300,425 in 2020 and 2019, respectively, exclusive of reimbursement from the Benefit Trust.

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**Note 9—Employee benefits (continued)**

Wespath has transferred certain excess pension assets to the General Agency Benefit Trust (“Benefit Trust”) established by the 1996 General Conference. Annually, the Benefit Trust allows a stated percentage, not to exceed 6% for 2020 and 2019, of the fair value of the Benefit Trust’s assets at year-end for which GCFA is the beneficiary to be available for distribution in the subsequent year in order to reimburse the participating agencies, through GCFA, for their funding of active and retired employee benefits. The fair value of the Benefit Trust’s assets (not plan assets) for which GCFA is the beneficiary was approximately \$186,112,000 and \$167,449,000 as of December 31, 2020 and 2019, respectively. The total amount available for reimbursement in 2020 and 2019 was \$10,046,935 and \$8,797,702, respectively, of which UMCCom’s share, excluding retiree health benefits, was \$1,791,132 and \$1,525,530 received in 2020 and 2019, respectively.

**Note 10—Related party transactions**

UMCom receives the majority of its revenue through apportionments from the General Funds of UMC, which are administered by GCFA. In addition, GCFA provides various services to UMCCom, including cash management, payroll, and group insurance plan administration. As of and for the years ended December 31, 2020 and 2019, UMCCom had the following transactions with and through GCFA and other related agencies:

	<u>2020</u>	<u>2019</u>
Statements of Financial Position:		
Investment in UMCF's Balanced Plus Fund	\$ -	\$ 12,287,183
Investment in Notes UMDF	367,889	363,887
Invested in GCFA short-term pooled investment fund	2,721,279	1,122,990
Accrued World Service Fund Allocation	4,900,266	4,553,992
Accounts receivable, net from other United Methodist Agencies	54,607	25,945
Statements of Activities:		
Revenue:		
Allocation of World Service Fund	13,821,039	15,063,583
Revenue restricted for Connectional Giving Interpretation	1,067,580	1,067,184
Gross program revenue	239,701	273,471
Reimbursement from General Agency Benefit Trust	1,791,132	1,525,530
Investment return, net - UMCF	(775,166)	2,441,239
Investment return, net - UMDF	4,002	4,966
Services received from GCFA	31,953	28,666
Expenses:		
Services provided to:		
General Commission on Religion and Race	-	15,000
General Commission on Archives and History	38,725	52,577
General Commission on the Status and Role of Women	106,548	103,911
General Commission on United Methodist Men	77,628	75,360
Administration provided by GCFA	31,953	28,666
Group insurance expense	1,471,925	1,579,367

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**Note 11—Board-designated net assets**

Certain net assets without donor restrictions at December 31, 2020 and 2019 have been designated by the General Commission for the following purposes:

	<u>2020</u>	<u>2019</u>
Property Improvements	\$ 2,500,000	\$ 2,500,000
General Church Communications Ministry Foundation	5,950,000	5,950,000
	968,513	1,298,513
Total board-designated net assets	<u>\$ 9,418,513</u>	<u>\$ 9,748,513</u>

From time to time, the General Commission may designate other net assets without donor restrictions for specific purposes.

The Property Improvements reserve funds are designated for the maintenance and enhancement of existing and future facilities and property.

The General Church Communications Ministry reserve funds are designated for communications projects in partnership with United Methodist agencies and other General Church organizations' communications directives, communications staffing stipends for smaller agencies, communications campaigns for the denomination following upcoming General Conferences, and a communications summit that are not covered in the operational budget.

The UCom Foundation designated funds are designated for future initiatives approved by UCom for projects related to the improvement of communications with the church.

**Note 12—Net assets with donor restrictions**

Net assets with donor restrictions at December 31, 2020 and 2019 have been restricted by the donors for the following purpose restrictions:

	<u>2020</u>	<u>2019</u>
Subject to purpose restriction:		
Promotion	\$ 2,026,633	\$ 1,900,519
Communication	8,501,339	9,201,339
Children's TV Campaign	110,855	89,325
Total subject to purpose restriction	<u>10,638,827</u>	<u>11,191,183</u>
Endowments:		
Accumulated earnings on UCom's endowment fund	238,679	225,630
UCom endowment fund held in perpetuity	251,993	207,269
Total held in perpetuity	<u>490,672</u>	<u>432,899</u>
Total net assets with donor restrictions	<u>\$ 11,129,499</u>	<u>\$ 11,624,082</u>

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**Note 12—Net assets with donor restrictions (continued)**

Net assets with donor restrictions for the years ended December 31, 2020 and 2019 were released from donor restrictions by incurring expenses satisfying the restricted purposes or by occurrence of other events specified by donors as follows:

	<u>2020</u>	<u>2019</u>
Satisfaction of purpose restriction	\$ 1,619,935	\$ 1,487,991
Satisfaction of time restriction	-	30,095
Total net assets released from restriction	<u>\$ 1,619,935</u>	<u>\$ 1,518,086</u>

**Note 13—Endowments**

UMCom’s endowment consists of individual funds established for a variety of purposes, and is comprised of only donor-restricted endowment funds.

UMCom has interpreted the Uniform Prudent Management of Institutional Funds Act (“UPMIFA”) as requiring the preservation of the fair value of the original gift date of the donor restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, UMCom classifies as donor-restricted net assets (a) the original value of gifts donated to the endowment, (b) the original value of subsequent gifts to the endowment, and (c) 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. Donor-restricted amounts not retained in perpetuity are subject to appropriation for expenditure by UMCom in a manner consistent with the standard of prudence prescribed by UPMIFA.

In accordance with applicable state laws, UMCom considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- The duration and preservation of the fund
- The purposes of the donor-restricted endowment fund
- General economic conditions
- The possible effect of inflation and deflation
- The expected total return from income and the appreciation of investments
- Other resources of UMCom
- The investment policies of UMCom

As of December 31, 2020, UMCom had the following endowment net asset composition by type of fund:

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Donor-restricted endowment funds:			
Original donor-restricted gift amount and amounts required to be maintained in perpetuity by donor	\$ -	\$ 251,993	\$ 251,993
Accumulated investment gains	-	238,679	238,679
Endowment net assets, December 31, 2020	<u>\$ -</u>	<u>\$ 490,672</u>	<u>\$ 490,672</u>

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**Note 13—Endowments (continued)**

As of December 31, 2019, UCom had the following endowment net asset composition by type of fund:

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Donor-restricted endowment funds:			
Original donor-restricted gift amount and amounts required to be maintained in perpetuity by donor	\$ -	\$ 207,269	\$ 207,269
Accumulated investment gains	-	225,630	225,630
Endowment net assets, December 31, 2019	<u>\$ -</u>	<u>\$ 432,899</u>	<u>\$ 432,899</u>

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). UCom has interpreted UPMIFA to permit spending from underwater endowments in accordance with prudent measures required under law. At December 31, 2020 and 2019, UCom had no underwater endowments.

*Investment and Spending Policies* – UCom has not formally adopted an investment spending policy for their endowments.

*Return Objectives and Risk Parameters* – UCom has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets. Endowment assets include those assets of donor-restricted funds that UCom must hold in perpetuity or for a donor-specified period(s). Under this policy, as approved by The General Commission on Communication, the endowment assets are invested in a manner that is intended to produce results that provide for the preservation of capital and income for support of programs while assuming a moderate level of investment risk. UCom expects its endowment funds, over time, to produce current income within the total return strategy. Actual returns may vary.

*Strategies Employed for Achieving Objectives* – To satisfy its long-term rate-of-return objectives, UCom 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). UCom targets a diversified asset allocation that places a greater emphasis on corporate bonds and equity-based investments to achieve its long-term return objectives within prudent risk constraints.

Changes in endowment net assets for the years ended December 31, 2020 and 2019 are as follows:

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Endowment net assets, December 31, 2018	\$ -	\$ 390,540	\$ 390,540
Investment return, net	-	42,359	42,359
Endowment net assets, December 31, 2019	-	432,899	432,899
Investment return, net	-	57,773	57,773
Endowment net assets, December 31, 2020	<u>\$ -</u>	<u>\$ 490,672</u>	<u>\$ 490,672</u>

UCom did not appropriate endowment assets for the years ended December 31, 2020 and 2019.



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**Note 14—Paycheck protection program**

The Organization received a Paycheck Protection Program loan (“PPP”) in the amount of \$2,152,132 in May 2020 of which \$475,000 was returned to the Small Business Administration. The PPP loan is granted by the Small Business Administration under the Coronavirus Aid, Relief, and Economic Security Act (“CARES Act”). PPP loans are considered conditional contributions under ASC 958-605, *Not-for-Profit Entities – Revenue Recognition*. The loan must be repaid if UMCom does not overcome certain barriers within the CARES Act. The barriers under the program include the requirement to maintain employee headcount, spend up to 60% of the loan proceeds on certain payroll and employee benefits, and restricts other loan proceeds to be used for other qualifying expenses such as mortgage interest, rent, and utilities. UMCom believes it has not substantially met all barriers for full loan forgiveness yet and, therefore, has recorded the receipt of funds of \$1,677,132 as deferred revenue in the consolidated statements of financial position as of December 31, 2020.

**Note 15—Contingencies**

During 2020, an outbreak of a novel strain on coronavirus (“COVID-19”) emerged globally. As a result of the spread of COVID-19, economic uncertainties have arisen that could negatively impact the UMCom's revenue and operations for an indeterminable time period. Other financial impacts could occur that are unknown at this time.

The Protocol of Reconciliation and Grace Through Separation was introduced as legislation in early 2020 for the upcoming General Conference. This joins other legislative proposals that if adopted by the General Conference would provide an alternative way for churches to separate from the United Methodist Church. These proposals include a provision for new denominations to receive financial payments from the United Methodist Church and retain their real estate. The scheduled General Conference has been delayed until 2022, and the financial impact resulting from these potential separations on UMCom is unknown at this time.

**Note 16—Subsequent events**

Management has evaluated subsequent events through June 29, 2021, the date the consolidated financial statements were available for issuance, and has determined that there are no subsequent events requiring disclosure.

## **SUPPLEMENTARY SCHEDULES**

**UNITED METHODIST COMMUNICATIONS OF  
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CONSOLIDATING SCHEDULE OF FINANCIAL POSITION**

SCHEDULE 1

DECEMBER 31, 2020

	<u>UMCOM</u>	<u>UMCOM Foundation</u>	<u>Kingswood</u>	<u>Consolidating Entries</u>	<u>2020 Total</u>
<b>ASSETS</b>					
Cash and cash equivalents	\$ 27,833	\$ -	\$ -	\$ -	\$ 27,833
Investments	34,706,773	15,363,869	-	-	50,070,642
Due from GCFA short-term pooled investment fund	1,982,032	1,029,270	(290,023)	-	2,721,279
Intercompany due to/from	1,077,960	(1,079,718)	1,758	-	-
Accrued World Service Fund allocation	4,900,266	-	-	-	4,900,266
Accounts receivable, net	232,599	-	-	-	232,599
Inventory	7,478	-	-	-	7,478
Prepaid expenses	78,939	-	-	-	78,939
Property and equipment, net	1,237,642	13,412	-	-	1,251,054
<b>Total Assets</b>	<b>\$ 44,251,522</b>	<b>\$ 15,326,833</b>	<b>\$ (288,265)</b>	<b>\$ -</b>	<b>\$ 59,290,090</b>
<b>LIABILITIES AND NET ASSETS</b>					
Liabilities:					
Accounts payable and accrued liabilities	\$ 1,739,565	\$ 19,433	\$ 22,888	-	\$ 1,781,886
Deferred income	19,320	-	-	-	19,320
Paycheck Protection Program deferred revenue	1,677,132	-	-	-	1,677,132
<b>Total Liabilities</b>	<b>3,436,017</b>	<b>19,433</b>	<b>22,888</b>	<b>-</b>	<b>3,478,338</b>
Net Assets:					
Without Donor Restrictions:					
Invested in property and equipment	1,237,642	13,412	-	-	1,251,054
Board designated	8,450,000	968,513	-	-	9,418,513
Undesignated	28,518,592	5,805,247	(311,153)	-	34,012,686
<b>Total Without Donor Restrictions</b>	<b>38,206,234</b>	<b>6,787,172</b>	<b>(311,153)</b>	<b>-</b>	<b>44,682,253</b>
With Donor Restrictions:					
Subject to purpose restrictions	2,137,488	8,501,339	-	-	10,638,827
Endowments	471,783	18,889	-	-	490,672
<b>Total With Donor Restrictions</b>	<b>2,609,271</b>	<b>8,520,228</b>	<b>-</b>	<b>-</b>	<b>11,129,499</b>
<b>Total Net Assets</b>	<b>40,815,505</b>	<b>15,307,400</b>	<b>(311,153)</b>	<b>-</b>	<b>55,811,752</b>
<b>Total Liabilities and Net Assets</b>	<b>\$ 44,251,522</b>	<b>\$ 15,326,833</b>	<b>\$ (288,265)</b>	<b>\$ -</b>	<b>\$ 59,290,090</b>

**UNITED METHODIST COMMUNICATIONS OF  
THE UNITED METHODIST CHURCH AND SUBSIDIARIES  
CONSOLIDATING SCHEDULE OF ACTIVITIES**

SCHEDULE 2

YEAR ENDED DECEMBER 31, 2020

	UMCOM	UMCOM Foundation	Kingswood	Consolidating Entries	2020 Total
Activites Without Donor Restrictions:					
General Church Funds:					
Allocation of World Service Fund	\$ 13,821,039	\$ -	\$ -	\$ -	\$ 13,821,039
Net program revenue	654,562	-	-	-	654,562
Reimbursement from Benefit Trust	1,791,132	-	-	-	1,791,132
Services received from GCFA	31,953	-	-	-	31,953
Investment return from GCFA short-term pooled investment fund	-	23,709	-	-	23,709
Investment return, net	6,356,971	2,443,517	-	-	8,800,488
Contributions	-	11,021	-	-	11,021
Grant Income	700,000	-	-	(700,000)	-
Other income	265,816	-	-	(84,000)	181,816
Production rental and services	-	-	133,146	-	133,146
Net assets released from restrictions	919,935	700,000	-	-	1,619,935
Total expenses	(21,879,190)	(892,626)	(189,960)	784,000	(22,177,776)
Change in Net Assets Without Donor Restrictions	2,662,218	2,285,621	(56,814)	-	4,891,025
Activites With Donor Restrictions:					
Connectional Giving Interpretation	1,067,580	-	-	-	1,067,580
Investment return, net	57,193	579	-	-	57,772
Net assets released from restriction	(919,935)	(700,000)	-	-	(1,619,935)
Change in Net Assets With Donor Restrictions	204,838	(699,421)	-	-	(494,583)
Change in net assets	2,867,056	1,586,200	(56,814)	-	4,396,442
Net assets, beginning of year	37,948,449	13,721,200	(254,339)	-	51,415,310
Net assets, end of year	\$ 40,815,505	\$ 15,307,400	\$ (311,153)	\$ -	\$ 55,811,752

**UNITED METHODIST COMMUNICATIONS OF  
THE UNITED METHODIST CHURCH AND SUBSIDIARIES  
CONSOLIDATING SCHEDULE OF FINANCIAL POSITION**

SCHEDULE 3

DECEMBER 31, 2019

	UMCOM	UMCOM Foundation	Kingswood	Consolidating Entries	2019 Total
<b>ASSETS</b>					
Cash and cash equivalents	\$ 1,000	\$ -	\$ -	\$ -	\$ 1,000
Investments	31,792,609	12,919,773	-	-	44,712,382
Due from GCFA short-term pooled investment fund	99,230	1,324,726	(300,966)	-	1,122,990
Intercompany Due to/from	492,749	(532,274)	39,525	-	-
Accrued World Service Fund allocation	4,553,992	-	-	-	4,553,992
Accounts receivable, net	126,430	-	13,246	-	139,676
Inventory	7,456	-	-	-	7,456
Productions in progress	611	-	-	-	611
Prepaid expenses	329,051	-	-	-	329,051
Property and equipment, net	1,743,780	19,160	-	-	1,762,940
<b>Total Assets</b>	<b>\$ 39,146,908</b>	<b>\$ 13,731,385</b>	<b>\$ (248,195)</b>	<b>\$ -</b>	<b>\$ 52,630,098</b>
<b>LIABILITIES AND NET ASSETS</b>					
Liabilities:					
Accounts payable and accrued liabilities	\$ 1,121,486	\$ 10,185	\$ 6,144	\$ -	\$ 1,137,815
Deferred income	76,973	-	-	-	76,973
<b>Total Liabilities</b>	<b>1,198,459</b>	<b>10,185</b>	<b>6,144</b>	<b>-</b>	<b>1,214,788</b>
Net Assets:					
Without Donor Restrictions:					
Invested in property and equipment	1,743,780	19,160	-	-	1,762,940
Board designated	8,450,000	1,298,513	-	-	9,748,513
Undesignated	25,350,236	3,183,878	(254,339)	-	28,279,775
<b>Total Without Donor Restrictions</b>	<b>35,544,016</b>	<b>4,501,551</b>	<b>(254,339)</b>	<b>-</b>	<b>39,791,228</b>
With Donor Restrictions:					
Subject to purpose restrictions	1,989,844	9,201,339	-	-	11,191,183
Endowments	414,589	18,310	-	-	432,899
<b>Total With Donor Restrictions</b>	<b>2,404,433</b>	<b>9,219,649</b>	<b>-</b>	<b>-</b>	<b>11,624,082</b>
<b>Total Net Assets</b>	<b>37,948,449</b>	<b>13,721,200</b>	<b>(254,339)</b>	<b>-</b>	<b>51,415,310</b>
<b>Total Liabilities and Net Assets</b>	<b>\$ 39,146,908</b>	<b>\$ 13,731,385</b>	<b>\$ (248,195)</b>	<b>\$ -</b>	<b>\$ 52,630,098</b>

**UNITED METHODIST COMMUNICATIONS OF  
THE UNITED METHODIST CHURCH AND SUBSIDIARIES  
CONSOLIDATING SCHEDULE OF ACTIVITIES**

**SCHEDULE 4**

*YEAR ENDED DECEMBER 31, 2019*

	<b>UMCOM</b>	<b>UMCOM Foundation</b>	<b>Kingswood</b>	<b>Consolidating Entries</b>	<b>2019 Total</b>
<b>Activites Without Donor Restrictions:</b>					
<b>General Church Funds:</b>					
Allocation of World Service Fund	\$ 15,063,583	\$ -	\$ -	\$ -	\$ 15,063,583
Net program revenue	453,451	-	-	-	453,451
Reimbursement from Benefit Trust	1,525,530	-	-	-	1,525,530
Services received from GCFA	28,666	-	-	-	28,666
Investment return from GCFA short-term pooled investment fund	-	39,403	-	-	39,403
Investment return, net	5,842,976	2,221,107	-	-	8,064,083
Contributions	-	10,621	-	-	10,621
Grant Income	330,000	-	-	(330,000)	-
Other income	142,991	-	-	(84,000)	58,991
Production rental and services	-	-	94,895	-	94,895
Net assets released from restrictions	1,089,104	428,982	-	-	1,518,086
<b>Total expenses</b>	<b>(22,794,769)</b>	<b>(636,664)</b>	<b>(192,208)</b>	<b>414,000</b>	<b>(23,209,641)</b>
<b>Change in Net Assets Without Donor Restrictions</b>	<b>1,681,532</b>	<b>2,063,449</b>	<b>(97,313)</b>	<b>-</b>	<b>3,647,668</b>
<b>Activites With Donor Restrictions:</b>					
Connectional Giving Interpretation	1,067,184	-	-	-	1,067,184
Investment return, net	41,833	526	-	-	42,359
Contributions	-	68,887	-	-	68,887
Net assets released from restriction	(1,089,104)	(428,982)	-	-	(1,518,086)
<b>Change in Net Assets With Donor Restrictions</b>	<b>19,913</b>	<b>(359,569)</b>	<b>-</b>	<b>-</b>	<b>(339,656)</b>
<b>Change in net assets</b>	<b>1,701,445</b>	<b>1,703,880</b>	<b>(97,313)</b>	<b>-</b>	<b>3,308,012</b>
Net assets, beginning of year	36,247,004	12,017,320	(157,026)	-	48,107,298
<b>Net assets, end of year</b>	<b>\$ 37,948,449</b>	<b>\$ 13,721,200</b>	<b>\$ (254,339)</b>	<b>\$ -</b>	<b>\$ 51,415,310</b>

