



FINANCIAL STATEMENTS

Years Ended December 31, 2020 and 2019



BRADY WARE
& SCHOENFELD

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INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying financial statements of the **North Georgia Conference of the United Methodist Church** (a nonprofit organization), which comprise the statements of financial position as of December 31, 2020 and 2019, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

INDEPENDENT AUDITORS' REPORT - CONTINUED

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the **North Georgia Conference of the United Methodist Church** as of December 31, 2020 and 2019, 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.

Brady, Ware & Schoenfeld, Inc.

Atlanta, Georgia
October 25, 2021

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

STATEMENTS OF FINANCIAL POSITION

December 31, 2020 and 2019

	<u>2020</u>	<u>2019</u>
ASSETS		
Cash	\$ 6,317,613	\$ 4,424,592
Apportionments receivable	1,292,151	984,436
Accounts receivable	333,491	149,678
Investments	112,641,624	89,875,946
Prepaid expenses and other	961,238	910,628
Property held for sale	3,791,400	5,829,900
Property and equipment, net	<u>539,624</u>	<u>645,035</u>
Total assets	<u>\$ 125,877,141</u>	<u>\$102,820,215</u>
LIABILITIES AND NET ASSETS		
Accounts payable and accrued expenses	\$ 1,910,474	\$ 4,212,978
Due to affiliated organizations	-	4,316,250
Unfunded post-retirement health care benefit plan	<u>48,189,093</u>	<u>43,616,105</u>
Total liabilities	<u>50,099,567</u>	<u>52,145,333</u>
NET ASSETS		
Without donor restrictions:		
Undesignated	6,627,362	4,248,033
Designated	<u>66,755,170</u>	<u>43,680,079</u>
	<u>73,382,532</u>	<u>47,928,112</u>
With donor restrictions:		
Purpose restrictions	2,235,938	2,587,666
Perpetual in nature	<u>159,104</u>	<u>159,104</u>
	<u>2,395,042</u>	<u>2,746,770</u>
Total net assets	<u>75,777,574</u>	<u>50,674,882</u>
Total liabilities and net assets	<u>\$ 125,877,141</u>	<u>\$102,820,215</u>

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

STATEMENT OF ACTIVITIES

Year Ended December 31, 2020

	Without Donor Restrictions	With Donor Restrictions	Total
REVENUE AND SUPPORT			
Apportionments	\$ 18,782,015	\$ -	\$ 18,782,015
Contributions	1,731,895	18,094	1,749,989
Insurance and pension plan payments	14,011,512	-	14,011,512
Net investment return	38,532	236	38,768
Net realized and unrealized gains on investments	17,602,092	557,987	18,160,079
Net revenue from property held for sale	13,129,748	-	13,129,748
Other revenue	313,561	-	313,561
Net assets released from restrictions: Restrictions satisfied by payments	<u>928,045</u>	<u>(928,045)</u>	<u>-</u>
Total revenue and support and reclassifications	<u>66,537,400</u>	<u>(351,728)</u>	<u>66,185,672</u>
FUNCTIONAL EXPENSES			
Program services:			
Ministerial support	845,990	-	845,990
Connectional ministries	981,199	-	981,199
Church development	1,813,656	-	1,813,656
Other missions	10,094,411	-	10,094,411
Supporting services:			
General and administrative	4,967,817	-	4,967,817
Pension and benefits	<u>16,421,615</u>	<u>-</u>	<u>16,421,615</u>
Total expenses	<u>35,124,688</u>	<u>-</u>	<u>35,124,688</u>
CHANGE IN NET ASSETS BEFORE ACTUARIAL LOSS IN POST-RETIREMENT HEALTHCARE BENEFIT PLAN			
	31,412,712	(351,728)	31,060,984
Actuarial loss in post-retirement healthcare benefit plan	<u>(5,958,292)</u>	<u>-</u>	<u>(5,958,292)</u>
CHANGE IN NET ASSETS	25,454,420	(351,728)	25,102,692
NET ASSETS			
Beginning of year	<u>47,928,112</u>	<u>2,746,770</u>	<u>50,674,882</u>
End of year	<u>\$ 73,382,532</u>	<u>\$ 2,395,042</u>	<u>\$ 75,777,574</u>

See notes to financial statements.

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

STATEMENT OF ACTIVITIES

Year Ended December 31, 2019

	Without Donor Restrictions	With Donor Restrictions	Total
REVENUE AND SUPPORT			
Apportionments	\$ 19,923,386	\$ -	\$ 19,923,386
Contributions	1,477,416	25,739	1,503,155
Insurance and pension plan payments	16,986,628	-	16,986,628
Net investment return	88,125	225	88,350
Net realized and unrealized losses on investments	14,566,540	556,980	15,123,520
Net revenue from property held for sale	3,433,118	-	3,433,118
Other revenue	494,425	11,108	505,533
Net assets released from restrictions:			
Restrictions satisfied by payments	<u>701,722</u>	<u>(701,722)</u>	<u>-</u>
Total revenue and support and reclassifications	<u>57,671,360</u>	<u>(107,670)</u>	<u>57,563,690</u>
FUNCTIONAL EXPENSES			
Program services:			
Ministerial support	1,296,264	-	1,296,264
Connectional ministries	1,251,716	-	1,251,716
Church development	2,693,719	-	2,693,719
Other missions	10,606,739	-	10,606,739
Supporting services:			
General and administrative	5,166,472	-	5,166,472
Pension and benefits	<u>19,404,551</u>	<u>-</u>	<u>19,404,551</u>
Total expenses	<u>40,419,461</u>	<u>-</u>	<u>40,419,461</u>
CHANGE IN NET ASSETS BEFORE ACTUARIAL LOSS IN POST-RETIREMENT HEALTHCARE BENEFIT PLAN			
	17,251,899	(107,670)	17,144,229
Actuarial loss in post-retirement healthcare benefit plan	<u>(6,393,641)</u>	<u>-</u>	<u>(6,393,641)</u>
CHANGE IN NET ASSETS	10,858,258	(107,670)	10,750,588
NET ASSETS			
Beginning of year	<u>37,069,854</u>	<u>2,854,440</u>	<u>39,924,294</u>
End of year	<u>\$ 47,928,112</u>	<u>\$ 2,746,770</u>	<u>\$ 50,674,882</u>

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

STATEMENT OF FUNCTIONAL EXPENSES

Year Ended December 31, 2020

	Program Services				Supporting Services		Total Expenses
	Ministerial Support	Connectional Ministries	Church Development	Other Missions	General and Administrative	Pension and Benefits	
General and jurisdictional apportionments	\$ -	\$ -	\$ -	\$ 8,272,127	\$ -	\$ -	\$ 8,272,127
Salaries and wages	222,359	516,006	945,742	153,756	2,887,233	152,696	4,877,792
Premiums remitted	46,229	102,747	51,195	29,630	658,794	15,305,875	16,194,470
Retirement benefit cost	-	-	-	-	-	924,982	924,982
Advertising	-	5,380	-	-	-	-	5,380
Depreciation	10,418	31,253	20,836	-	42,904	-	105,411
Insurance	-	-	-	-	59,257	-	59,257
Bank and processing fees	128	661	289	79	29,218	-	30,375
Office expenses	8,354	2,102	4,032	598	34,226	560	49,872
Dues and subscriptions	84	275	376	200	3,010	580	4,525
Professional fees	76,539	9,885	69,341	-	276,490	15,000	447,255
Rent	51,056	153,169	102,113	6,000	246,566	-	558,904
Repairs and maintenance	512	516	675	-	62,256	350	64,309
Utilities	9,912	31,971	23,139	905	71,659	1,048	138,634
Supplies	959	8,568	6,398	1,368	4,560	155	22,008
Payroll taxes	5,827	13,427	3,775	286	79,451	11,724	114,490
Meetings and conventions	78,478	20,498	13,542	3,841	138,784	245	255,388
Travel and related	2,303	24,680	10,490	1,120	67,150	-	105,743
Scholarships	328,885	-	5,400	404,000	-	-	738,285
Advances payout	-	150	-	595,766	-	-	595,916
Grants	-	41,520	554,929	624,735	282,764	8,400	1,512,348
Continuing education	3,947	6,841	1,384	-	15,484	-	27,656
Other expenses	-	11,550	-	-	8,011	-	19,561
Total functional expenses	\$ 845,990	\$ 981,199	\$ 1,813,656	\$ 10,094,411	\$ 4,967,817	\$ 16,421,615	\$ 35,124,688
Percent of total	2%	3%	5%	29%	14%	47%	100%

See notes to financial statements.

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

STATEMENT OF FUNCTIONAL EXPENSES

Year Ended December 31, 2019

	Program Services				Supporting Services		Total Expenses
	Ministerial Support	Connectional Ministries	Church Development	Other Missions	General and Administrative	Pension and Benefits	
General and jurisdictional apportionments	\$ -	\$ -	\$ -	\$ 8,416,015	\$ -	\$ -	\$ 8,416,015
Salaries and wages	392,429	520,623	1,331,385	72,160	2,560,377	233,109	5,110,083
Premiums remitted	61,430	111,702	70,745	16,979	788,163	15,745,017	16,794,036
Retirement benefit cost	-	-	-	-	-	3,380,380	3,380,380
Advertising	-	19,921	5,871	6,505	1,639	-	33,936
Depreciation	11,178	33,534	22,356	-	44,711	-	111,779
Insurance	-	-	-	-	62,921	-	62,921
Bank and processing fees	1,110	2,357	474	199	29,019	-	33,159
Office expenses	14,648	1,899	15,909	1,132	42,234	2,863	78,685
Dues and subscriptions	1,340	3,952	12,497	200	4,128	125	22,242
Professional fees	80,903	7,050	102,226	50	385,946	14,500	590,675
Rent	50,571	151,744	101,141	5,500	322,416	-	631,372
Repairs and maintenance	708	2,580	678	-	44,666	339	48,971
Utilities	7,878	23,678	18,210	2,694	56,575	844	109,879
Supplies	1,167	12,849	6,899	1,330	13,582	253	36,080
Payroll taxes	6,670	11,394	3,654	1,130	44,285	17,781	84,914
Meetings and conventions	162,026	135,418	68,609	4,450	410,810	879	782,192
Travel and related	22,446	60,652	64,495	3,528	268,053	4,261	423,435
Scholarships	415,614	-	66,300	113,502	-	-	595,416
Advances payout	-	-	-	1,192,744	-	-	1,192,744
Grants	59,914	78,050	796,080	768,407	30,697	4,200	1,737,348
Continuing education	3,096	4,703	5,432	-	54,543	-	67,774
Other expenses	3,136	69,610	758	214	1,707	-	75,425
Total functional expenses	\$ 1,296,264	\$ 1,251,716	\$ 2,693,719	\$ 10,606,739	\$ 5,166,472	\$ 19,404,551	\$ 40,419,461
Percent of total	3%	3%	6%	26%	13%	49%	100%

See notes to financial statements.

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

STATEMENTS OF CASH FLOWS

Years Ended December 31, 2020 and 2019

	<u>2020</u>	<u>2019</u>
OPERATING ACTIVITIES		
Change in net assets	\$ 25,102,692	\$ 10,750,588
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	105,411	111,779
Net realized and unrealized gains on investments	(18,160,079)	(15,123,520)
Net realized and unrealized losses on property held for sale	721,527	463,303
Noncash contribution of property held for sale	(3,604,040)	(2,029,125)
Actuarial loss in post-retirement health care benefit plan	5,958,292	6,393,641
Forgiveness of amounts due to affiliated organizations	(4,316,250)	-
Paycheck Protection Program loan forgiveness	(912,900)	-
	<u>4,894,653</u>	566,666
Changes in operating assets and liabilities:		
Apportionments receivable	(307,715)	(431,500)
Accounts receivable	(183,813)	51,895
Prepaid expenses and other	(50,610)	(19,796)
Accounts payable and other accrued expenses	(2,302,504)	2,540,977
Unfunded post-retirement healthcare benefit obligation	(1,385,304)	(1,393,003)
	<u>664,707</u>	<u>1,315,239</u>
INVESTING ACTIVITIES		
Proceeds from sale of investments	19,585,791	7,529,200
Purchase of investments	(24,191,390)	(10,356,656)
Proceeds from sales of property held for sale	4,921,013	4,083,692
Payments to affiliated organizations for sales of property held for sale	-	(3,240,120)
	<u>315,414</u>	<u>(1,983,884)</u>
FINANCING ACTIVITIES		
Proceeds from Paycheck Protection Program loan payable	912,900	-
NET INCREASE (DECREASE) IN CASH	1,893,021	(668,645)
CASH		
Beginning of year	<u>4,424,592</u>	<u>5,093,237</u>
End of year	<u>\$ 6,317,613</u>	<u>\$ 4,424,592</u>
NONCASH TRANSACTIONS:		
Due to affiliated organizations from property held for sale	<u>\$ -</u>	<u>\$ 5,406,870</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 global United Methodist Church. The Conference serves as the denominational arm for approximately 780 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 donated noncash 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, 2020.

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, 2020.

Recently Issued Accounting Standards Not Yet Adopted - In February 2016, the FASB issued ASU 2016-02, *Leases (Topic 842)*, which will require the recognition of right-to-use assets and lease liabilities for leases previously classified as operating leases by lessees. Since the issuance of this standard, there have been several additional standards issued relative to this topic. These standards will be effective for the calendar year ending December 31, 2022. Early application will be permitted. The Conference is currently in the process of evaluating the impact of adoption of these standards on the financial statements.

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

NOTES TO FINANCIAL STATEMENTS

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Reclassifications - Certain prior year amounts have been reclassified to conform with current year presentation.

Subsequent Events - The Conference has evaluated subsequent events through October 25, 2021, the date which the financial statements were available to be issued.

NOTE 2 - REVENUE RECOGNITION

The FASB issued new guidance that created Topic 606, *Revenue from Contracts with Customers*, in the Accounting Standards Codification ("ASC"). Topic 606 supersedes the revenue recognition requirements in FASB ASC 605, *Revenue Recognition*, and requires the recognition of revenue when promised goods or services are transferred to customers in an amount that reflects the consideration to which an entity expects to be entitled in exchange for those goods or services. The new guidance also added Subtopic 340-40, *Other Assets and Deferred Costs—Contracts with Customers*, to the ASC to require the deferral of incremental costs of obtaining a contract with a customer. Collectively, we refer to the new Topic 606 and Subtopic 340-40 as the "new guidance."

The Conference adopted the requirements of the new guidance as of January 1, 2019, utilizing the modified retrospective method of transition. Adoption of the new guidance did not require any significant changes to the Conference's accounting policies for revenue recognition, trade and other receivables, contract costs, contract liabilities, or deferred costs. Accordingly, there has been no adjustment to net assets or any other statement of financial position accounts as of January 1, 2019, to reflect adoption of the new guidance. At December 31, 2018, accounts receivable totaled \$201,573.

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.

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.

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

NOTES TO FINANCIAL STATEMENTS

NOTE 2 - REVENUE RECOGNITION - CONTINUED

Disaggregation of revenue from contracts with customers for the years ended December 31, 2020 and 2019 are as follows:

	<u>2020</u>	<u>2019</u>
Performance obligations satisfied at a point in time	\$ 95,173	\$ 307,865
Performance obligations satisfied over time	14,204,420	17,182,493

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.

Financial Assets	
Cash	\$ 6,317,613
Apportionments receivable	1,292,151
Accounts receivable	333,491
Investments	<u>112,641,624</u>
	120,584,879
Less those unavailable for general expenditure within one year:	
Purpose restrictions	2,235,938
Endowment funds	17,607,873
Investments designated for post-retirement healthcare benefits	<u>60,585,930</u>
Financial assets available within one year of the statement of financial position date for general expenditure	<u>\$ 40,155,138</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.

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 2020 and 2019, 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.

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

NOTES TO FINANCIAL STATEMENTS

NOTE 5 - FAIR VALUE MEASUREMENTS

The fair value of the Conference's assets measured on a recurring basis at December 31, 2020 and 2019 are as follows:

	2020			
	Level 1	Level 2	Net Asset Value	Total
Investments:				
Georgia United Methodist Foundation, Inc.:				
Certificates of deposit	\$ -	\$ 1,109,654	\$ -	\$ 1,109,654
Fixed income funds	17,195,136	-	-	17,195,136
Equity funds	-	-	33,659,240	33,659,240
Multiple asset funds	-	-	9,455,975	9,455,975
Money market funds	544,039	-	-	544,039
Wespath Benefits and Investments:				
Multiple asset funds	-	-	49,429,720	49,429,720
Superannuate funds	-	-	159,650	159,650
United Methodist Development Fund:				
Money market funds	1,002,528	-	-	1,002,528
Equity fund	71,640	-	-	71,640
Common stock	14,042	-	-	14,042
Total Investments	\$ 18,827,385	\$ 1,109,654	\$ 92,704,585	\$ 112,641,624
Property Held for Sale	\$ -	\$ 3,791,400	\$ -	\$ 3,791,400
	2019			
	Level 1	Level 2	Net Asset Value	Total
Investments:				
Certificates of deposit	\$ -	\$ 1,033,705	\$ -	\$ 1,033,705
Georgia United Methodist Foundation, Inc.:				
Certificates of deposit	-	1,620,825	-	1,620,825
Fixed income funds	12,785,145	-	-	12,785,145
Equity funds	-	-	24,778,874	24,778,874
Multiple asset funds	-	-	7,054,861	7,054,861
Money market funds	444,944	-	-	444,944
Wespath Benefits and Investments:				
Multiple asset funds	-	-	41,406,783	41,406,783
Superannuate funds	-	-	135,058	135,058
United Methodist Development Fund:				
Money market funds	531,651	-	-	531,651
Equity fund	70,058	-	-	70,058
Common stock	14,042	-	-	14,042
Total Investments	\$ 13,845,840	\$ 2,654,530	\$ 73,375,576	\$ 89,875,946
Property Held for Sale	\$ -	\$ 5,829,900	\$ -	\$ 5,829,900

**NORTH GEORGIA CONFERENCE OF THE UNITED
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NOTES TO FINANCIAL STATEMENTS

NOTE 5 - FAIR VALUE MEASUREMENTS - CONTINUED

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, 2020 and 2019 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, 2020 for the payment of the following obligations:

Post-retirement health care plan benefits	\$ 60,585,930
Church development endowment funds	15,414,752
Housing and homeless endowment funds	1,827,220
Restricted by donors for specified purpose	2,447,121
Restricted by donors in perpetuity	<u>159,104</u>
 Total	 <u>\$ 80,434,127</u>

NOTE 6 - INVESTMENTS

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

	<u>2020</u>	<u>2019</u>
Certificates of deposit	\$ -	\$ 1,033,705
Georgia United Methodist Foundation, Inc.:		
Certificates of deposit	1,109,654	1,620,825
Fixed income funds	17,195,136	12,785,145
Equity funds	33,659,240	24,778,874
Multiple asset funds	9,455,975	7,054,861
Money market funds	544,039	444,944
Wespath Benefits and Investments:		
Multiple asset funds	49,429,720	41,406,783
Superannuate funds	159,650	135,058
United Methodist Development Fund:		
Money market funds	1,002,528	531,651
Equity fund	71,640	70,058
Common stock	<u>14,042</u>	<u>14,042</u>
	<u>\$112,641,624</u>	<u>\$ 89,875,946</u>

**NORTH GEORGIA CONFERENCE OF THE UNITED
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NOTES TO FINANCIAL STATEMENTS

NOTE 7 - PROPERTY AND EQUIPMENT

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

	<u>2020</u>	<u>2019</u>
Episcopal Residence	\$ 811,268	\$ 811,268
Leasehold improvements	282,522	282,522
Furniture and fixtures	195,420	195,420
Office equipment	130,703	130,703
Computer equipment	<u>96,107</u>	<u>122,691</u>
Total	1,516,020	1,542,604
Less accumulated depreciation	<u>976,396</u>	<u>897,569</u>
	<u>\$ 539,624</u>	<u>\$ 645,035</u>

NOTE 8 - PROPERTY HELD FOR SALE

Property held for sale includes land held for future church development and closed church properties. In 2020 and 2019, the Conference received properties from Districts within the Conference for maintenance services and future sales. In accordance with a fund resolution prior to August 29, 2020, the Conference remitted 75% of the net proceeds from future sales of these properties to the respective District for future church development, and the remaining 25% was used by the Conference for future church development. Accordingly, due to affiliated organizations at December 31, 2019 represented estimated amounts due to Districts in connection with future sales of properties held for sale. On August 29, 2020, the 2020 Annual Conference approved a revision to the Charles Barnes Fund for Church Development ("Barnes Fund") to pool net sales proceeds of property held for sale. 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. Additionally, proceeds and accumulated earnings from property sales between July 1, 2017 and August 31, 2020, were transferred from the Districts to the Barnes Fund prior to December 31, 2020.

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 \$65,392 and \$41,500 for the Office of the Resident Bishop at December 31, 2020 and 2019.

As of January 1, 2019, the Conference assumed 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 \$680,188 and \$254,503 for the District offices at December 31, 2020 and 2019.

**NORTH GEORGIA CONFERENCE OF THE UNITED
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NOTES TO FINANCIAL STATEMENTS

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 2020 and 2019 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.

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 presents a plan each year at Annual Conference to amortize and pay the past service liability by December 31, 2021. The Conference made contributions of \$0 and \$2,386,462 for 2020 and 2019. The Conference will continue to apportion funds annually to offset any changes in market conditions and actuarial assumptions.

**NORTH GEORGIA CONFERENCE OF THE UNITED
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NOTES TO FINANCIAL STATEMENTS

NOTE 10 - RETIREMENT BENEFITS - CONTINUED

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 2020 and 2019 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 \$251,373 and \$296,863 for 2020 and 2019. The plan is funded at December 31, 2020.

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 2020 and 2019 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 \$87,480 and \$72,125 for 2020 and 2019.

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 \$2,310,286 and \$2,386,272 in 2020 and 2019 that are included in retirement benefit cost expense.

The fair value of plan assets totaled \$0 and the Plan was unfunded at December 31, 2020 and 2019. However, the Conference has designated investment funds totaling approximately \$60,585,930 and \$50,842,636 at December 31, 2020 and 2019, for payment of the unfunded benefit obligation.

The employer recognizes the underfunded status of defined benefit post-retirement plans as a liability in its statement of financial position and the changes in the funded status in unrestricted net assets in the year in which the changes occur. Effective January 1, 2019, 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.

**NORTH GEORGIA CONFERENCE OF THE UNITED
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NOTES TO FINANCIAL STATEMENTS

NOTE 10 - RETIREMENT BENEFITS - CONTINUED

The following table presents a reconciliation of the changes in the benefit obligation for the years ended December 31, 2020 and 2019:

	<u>2020</u>	<u>2019</u>
Benefit obligation, beginning of year	\$ 43,616,105	\$ 38,615,467
Service cost	940,328	798,535
Interest cost	1,273,599	1,519,548
Benefit payments	(2,325,632)	(2,191,538)
Actuarial loss	<u>4,684,693</u>	<u>4,874,093</u>
Benefit obligation, end of year	<u>\$ 48,189,093</u>	<u>\$ 43,616,105</u>

Net Periodic Benefit Costs:

Components of periodic pension cost for 2020 and 2019 are as follows:

	<u>2020</u>	<u>2019</u>
Service cost	\$ 940,328	\$ 798,535
Interest cost	1,273,599	1,519,548
Amortization of prior service benefit	(1,013,311)	(1,027,273)
Amortization of actuarial loss	<u>488,267</u>	<u>107,701</u>
	<u>\$ 1,688,883</u>	<u>\$ 1,398,511</u>

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

	<u>2020</u>	<u>2019</u>
Amortization of actuarial loss	\$ 488,267	\$ 107,701
Amortization of prior service benefit	(1,013,311)	(1,027,273)
Actuarial loss	<u>(4,684,693)</u>	<u>(4,874,093)</u>
	<u>\$ (5,209,737)</u>	<u>\$ (5,793,665)</u>

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

	<u>2020</u>	<u>2019</u>
Unamortized prior service benefit	\$ (1,889,691)	\$ (2,903,002)
Unamortized actuarial loss	<u>13,903,872</u>	<u>9,707,446</u>
	<u>\$ 12,014,181</u>	<u>\$ 6,804,444</u>

**NORTH GEORGIA CONFERENCE OF THE UNITED
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NOTES TO FINANCIAL STATEMENTS

NOTE 10 - RETIREMENT BENEFITS - CONTINUED

The amounts in unrestricted net assets expected to be recognized in periodic benefit cost in 2021 and 2020 are as follows:

	<u>2021</u>	<u>2020</u>
Prior service benefit	\$ (1,013,311)	\$ (1,013,311)
Net actuarial loss	<u>851,991</u>	<u>488,267</u>
	<u>\$ (161,320)</u>	<u>\$ (525,044)</u>

The accumulated benefit obligation for the Plan was \$48,189,093 at December 31, 2020, and the expected projected benefit obligation for the Plan was \$58,695,990 at December 31, 2020. The accumulated benefit obligation for the Plan was \$43,616,105 at December 31, 2019, and the expected projected benefit obligation for the Plan was \$52,253,607 at December 31, 2019.

Actuarial assumptions applicable in the valuation are as follows:

	<u>2020</u>	<u>2019</u>
Discount rate to determine benefit obligations	2.20%	3.00%
Health care cost trend rates assumed for next year	6.50%	6.75%
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	2027	2027

Assumed health care rates have a significant effect on the amounts reported for the Plan. A one percent decrease in assumed health care cost trend rates would have the following effect:

	<u>2020</u>	<u>2019</u>
Effect on total service cost and interest cost components	\$ (39,619)	\$ (33,721)
Effect on accumulated post-retirement benefit obligation	(458,770)	(357,498)

Expected benefit payments at December 31, 2020 for the next five years and in aggregate for the five years thereafter are as follows:

2021	\$ 2,315,954
2022	2,391,011
2023	2,453,567
2024	2,485,199
2025	2,509,380
2026 - 2029	12,445,428

**NORTH GEORGIA CONFERENCE OF THE UNITED
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NOTES TO FINANCIAL STATEMENTS

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, 2020:

	2020			
	Without donor restrictions	With donor restrictions purpose	With donor restrictions perpetual	Total
Donor-restricted funds	\$ -	\$ -	\$ 159,104	\$ 159,104
Annual Conference designated funds	<u>17,448,769</u>	<u>-</u>	<u>-</u>	<u>17,448,769</u>
Total	<u>\$ 17,448,769</u>	<u>\$ -</u>	<u>\$ 159,104</u>	<u>\$ 17,607,873</u>

**NORTH GEORGIA CONFERENCE OF THE UNITED
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NOTES TO FINANCIAL STATEMENTS

NOTE 11 - ENDOWMENT - CONTINUED

Changes in endowment net assets consist of the following for 2020:

	2020			Total
	Without donor restrictions	With donor restrictions purpose	With donor restrictions perpetual	
Endowment net assets, December 31, 2019	\$ 5,193,851	\$ 220,415	\$ 159,104	\$ 5,573,370
Investment income:				
Investment income (loss)	6,146	(564)	-	5,582
Net unrealized gains	<u>2,592,011</u>	<u>6,122</u>	-	<u>2,598,133</u>
Total	2,598,157	5,558	-	2,603,715
Contributions	9,589,413	-	-	9,589,413
Transfer to consolidate church development funds	225,973	(225,973)	-	-
Appropriation of endowment assets for expenditure	<u>(158,627)</u>	-	-	<u>(158,627)</u>
Total change in endowment funds	<u>12,254,916</u>	<u>(220,415)</u>	-	<u>12,034,501</u>
Endowment net assets, December 31, 2020	<u>\$ 17,448,767</u>	<u>\$ -</u>	<u>\$ 159,104</u>	<u>\$ 17,607,871</u>

Endowment net assets consist of the following types of funds as of December 31, 2019:

	2019			Total
	Without donor restrictions	With donor restrictions purpose	With donor restrictions perpetual	
Donor-restricted funds	\$ -	\$ 220,415	\$ 159,104	\$ 379,519
Annual Conference designated funds	<u>5,193,851</u>	-	-	<u>5,193,851</u>
Total	<u>\$ 5,193,851</u>	<u>\$ 220,415</u>	<u>\$ 159,104</u>	<u>\$ 5,573,370</u>

**NORTH GEORGIA CONFERENCE OF THE UNITED
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NOTES TO FINANCIAL STATEMENTS

NOTE 11 - ENDOWMENT - CONTINUED

Changes in endowment net assets consist of the following for 2019:

	2019			Total
	Without donor restrictions	With donor restrictions purpose	With donor restrictions perpetual	
Endowment net assets, December 31, 2018	\$ 3,473,185	\$ 178,868	\$ 159,104	\$ 3,811,157
Investment income:				
Investment income (loss)	6,327	(964)	-	5,363
Net unrealized gains (losses)	<u>808,933</u>	<u>52,829</u>	-	<u>861,762</u>
Total	815,260	51,865	-	867,125
Contributions	1,026,026	-	-	1,026,026
Appropriation of endowment assets for expenditure	<u>(120,620)</u>	<u>(10,318)</u>	-	<u>(130,938)</u>
Total change in endowment funds	<u>1,720,666</u>	<u>41,547</u>	-	<u>1,762,213</u>
Endowment net assets, December 31, 2019	<u>\$ 5,193,851</u>	<u>\$ 220,415</u>	<u>\$ 159,104</u>	<u>\$ 5,573,370</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.

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.

**NORTH GEORGIA CONFERENCE OF THE UNITED
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NOTES TO FINANCIAL STATEMENTS

NOTE 11 - ENDOWMENT - CONTINUED

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, 2020 and 2019 are as follows:

	<u>2020</u>	<u>2019</u>
Without donor restrictions:		
Undesignated	\$ 6,627,362	\$ 4,248,033
Designated for the following purposes:		
Retirement benefits	25,923,699	19,848,367
Local church support and church development	11,999,201	9,845,617
Property and equipment reserve	8,308,763	5,854,078
Missional support	3,074,740	2,938,166
Endowments	<u>17,448,767</u>	<u>5,193,851</u>
Total designated	66,755,170	43,680,079
With donor restrictions for the following purposes:		
Missional support	1,103,180	1,300,252
Clergy support	<u>1,132,758</u>	<u>1,287,414</u>
Total subject to expenditure	2,235,938	2,587,666
Endowments not available for expenditure	<u>159,104</u>	<u>159,104</u>
Total net assets	<u>\$ 75,777,574</u>	<u>\$ 50,674,882</u>

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purpose as follows for the years ended December 31, 2020 and 2019:

	<u>2020</u>	<u>2019</u>
Satisfaction of purpose restrictions:		
Missional support	\$ 485,516	\$ 271,763
Church development	225,973	-
Clergy support	<u>216,556</u>	<u>429,959</u>
Total	<u>\$ 928,045</u>	<u>\$ 701,722</u>

**NORTH GEORGIA CONFERENCE OF THE UNITED
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NOTES TO FINANCIAL STATEMENTS

NOTE 13 - OPERATING LEASES

The Conference leases office space and equipment under noncancellable operating leases expiring at various dates through November 2025.

Future minimum rental payments for all operating lease payments are as follows:

2021	\$ 559,065
2022	575,275
2023	148,549
2024	2,172
2025	<u>1,991</u>
	<u>\$ 1,287,052</u>

A portion of the leased space is subleased to an affiliated not-for-profit organization. The above lease will be offset by payments due under the sublease in 2021 totaling \$162,335. Rental expense for all operating leases was \$516,563 and \$498,486 for 2020 and 2019. Rental income under the sublease was \$192,908 for 2020 and \$195,865 for 2019.

NOTE 14 - PAYCHECK PROTECTION PROGRAM LOAN

In April 2020, the Conference received loan proceeds in the amount of \$912,900 under the Paycheck Protection Program ("PPP") which was established as part of the Coronavirus Aid, Relief and Economic Securities Act ("CARES Act"). The Conference initially recorded the loan as a refundable advance and subsequently recognized grant revenue in accordance with guidance for conditional contributions; that is, once the measurable performance or other barrier and right of return of the PPP loan no longer exist. The Conference subsequently recognized \$912,900 as a contribution in the accompanying statement of activities, for the year ended December 31, 2020 when the Conference received forgiveness in April 2021.

NOTE 15 - SUBSEQUENT EVENT

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 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. The ultimate outcome of the claim and litigation should not have a material adverse effect on the Conference's financial position.