

XI. TREASURY SERVICES DOCUMENTS**A. REPORT OF THE ANNUAL AUDIT***Western North Carolina Conference of the United Methodist
Church and Subsidiary**Financial Statements**December 31, 2022*

Western North Carolina Conference of the United Methodist Church and Subsidiary
Table of Contents
December 31, 2022

	Page
Independent Auditors' Report	1-2
Audited Financial Statements:	
Consolidated Statement of Financial Position.....	3
Consolidated Statement of Activities	4
Consolidated Statement of Functional Expenses	5
Consolidated Statement of Cash Flows.....	6
Notes to Financial Statements	7-24
Independent Auditors' Report on the Supplementary Information	25
Schedule of Cash Receipts and Disbursements	
Of the Charlotte Area Episcopal Fund	26



INDEPENDENT AUDITORS' REPORT

To the Council on Finance and Administration of
Western North Carolina Conference of the United Methodist Church and Subsidiary
Huntersville, North Carolina

Opinion

We have audited the accompanying consolidated financial statements of Western North Carolina Conference of the United Methodist Church and Subsidiary (the "Conference" - a nonprofit organization), which comprise the consolidated statement of financial position as of December 31, 2022, and the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to financial statements.

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

Basis of Opinion

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

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

Misstatements, including omissions, are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

Western North Carolina Conference of the United Methodist Church and Subsidiary
Huntersville, North Carolina

In performing an audit in accordance with generally accepted auditing standards, we:

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

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

Report on Summarized Comparative Information

We have previously audited the Conference's 2021 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated June 3, 2022. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2021, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Foard & Company, P.A.
July 24, 2023

Western North Carolina Conference of the United Methodist Church and Subsidiary
Consolidated Statement of Financial Position
December 31, 2022, with prior year comparative totals

	December 31,	
	2022	2021
<u>ASSETS</u>		
Cash and cash equivalents	\$ 5,450,775	\$ 9,317,218
Accounts receivable	3,102,062	4,147,460
Investments	83,076,368	101,508,038
Notes receivable	-	234,387
Prepaid expenses	154,711	768,182
Inventory	493,013	445,688
Property and equipment, net	9,107,473	9,194,612
Operating right of use asset	249,091	-
<i>TOTAL</i>	<i>\$ 101,633,493</i>	<i>\$ 125,615,585</i>
<u>LIABILITIES AND NET ASSETS</u>		
Liabilities:		
Accounts payable and accrued expenses	\$ 1,406,599	\$ 615,539
Agency liabilities	914,299	2,788,289
Liability for amounts held in trust	188,043	228,641
Deferred revenue	100,922	452,229
Accrued health benefits	793,179	1,306,236
Notes payable	218,984	267,334
Accrued postretirement health benefit obligation	7,455,752	8,893,533
Operating lease liability	249,091	-
<i>Total Liabilities</i>	<i>11,326,869</i>	<i>14,551,801</i>
Net Assets:		
Without Donor Restrictions:		
Undesignated	14,533,539	15,528,440
Board-designated	64,148,810	82,598,439
Investment in property and equipment	9,107,473	9,194,612
Total Net Assets Without Donor Restrictions	87,789,822	107,321,491
With Donor Restrictions	2,516,802	3,742,293
Total Net Assets	90,306,624	111,063,784
<i>TOTAL</i>	<i>\$ 101,633,493</i>	<i>\$ 125,615,585</i>

Western North Carolina Conference of the United Methodist Church and Subsidiary**Consolidated Statement of Activities****Year Ended December 31, 2022, with prior year comparative totals**

	Without Donor Restrictions	With Donor Restrictions	TOTALS	Prior Year Comparative Totals
<u>SUPPORT AND REVENUE</u>				
Apportionment income	\$ 13,836,434	\$ -	\$ 13,836,434	\$ 13,354,894
Premium income	10,640,760	-	10,640,760	12,123,581
Pension direct invoicing	3,971,048	-	3,971,048	4,514,076
Contributions	3,941,149	1,954,583	5,895,732	5,711,193
Grants	1,739,871	-	1,739,871	2,051,051
Investment income	2,175,996	-	2,175,996	1,779,333
Gain on sale of closed churches and properties	1,466,537	-	1,466,537	3,047,939
Net assets released from restrictions	3,072,888	(3,072,888)	-	-
<u>TOTAL</u>	<u>40,844,683</u>	<u>(1,118,305)</u>	<u>39,726,378</u>	<u>42,582,067</u>
<u>EXPENSES</u>				
Program:				
Conference operations	21,307,892	-	21,307,892	18,837,451
Benefits and pension	20,239,747	-	20,239,747	19,715,073
Management and general	2,967,186	-	2,967,186	1,842,284
<u>TOTAL</u>	<u>44,514,825</u>	<u>-</u>	<u>44,514,825</u>	<u>40,394,808</u>
<u>CHANGE IN NET ASSETS</u>				
<u>FROM OPERATING ACTIVITIES</u>	<u>(3,670,142)</u>	<u>(1,118,305)</u>	<u>(4,788,447)</u>	<u>2,187,259</u>
<u>NONOPERATING GAINS (LOSSES)</u>				
Net gain (loss) on investments	(16,623,899)	(107,186)	(16,731,085)	8,891,499
Settlement of claim	-	-	-	(1,065,004)
Rental income	306,164	-	306,164	179,908
Net gain on fixed asset disposals	456,208	-	456,208	758,754
<u>TOTAL</u>	<u>(15,861,527)</u>	<u>(107,186)</u>	<u>(15,968,713)</u>	<u>8,765,157</u>
<u>CHANGE IN NET ASSETS</u>	<u>(19,531,669)</u>	<u>(1,225,491)</u>	<u>(20,757,160)</u>	<u>10,952,416</u>
<u>NET ASSETS, BEGINNING</u>	<u>107,321,491</u>	<u>3,742,293</u>	<u>111,063,784</u>	<u>100,111,368</u>
<u>NET ASSETS, ENDING</u>	<u>\$ 87,789,822</u>	<u>\$ 2,516,802</u>	<u>\$ 90,306,624</u>	<u>\$ 111,063,784</u>

Western North Carolina Conference of the United Methodist Church and Subsidiary
Consolidated Statement of Functional Expenses
Year Ended December 31, 2022, with prior year comparative totals

	Program Services		Management and General	TOTAL	Prior Year Comparative Totals
	Conference	Benefits			
Medical claims	\$ -	\$ 11,900,271	\$ -	\$ 11,900,271	\$ 10,686,148
Pension distributions	-	7,077,029	-	7,077,029	7,462,583
Salaries and wages	5,280,721	131,786	1,799,458	7,211,965	5,253,636
Apportionments	5,066,328	-	-	5,066,328	5,131,794
Ministries and missions	6,041,412	50,707	97,728	6,189,847	3,680,422
Properties expenses	1,303,591	-	134,721	1,438,312	2,411,372
Benefits and payroll taxes	1,153,341	185,433	196,181	1,534,955	1,783,977
Contracted services	669,245	825,379	130,928	1,625,552	1,664,340
Occupancy	297,731	-	165,232	462,963	392,958
Training and events	215,490	28,237	17,953	261,680	316,207
Depreciation expense	320,468	-	-	320,468	270,796
Telephone and communications	207,488	-	19,920	227,408	237,389
Supplies	205,955	866	59,643	266,464	175,854
Travel	193,667	-	10,202	203,869	162,170
Insurance	32,085	37,487	48,733	118,305	147,715
Office supplies	116,537	2,552	42,004	161,093	136,551
Scholarships	126,027	-	-	126,027	129,301
Legal and audit	-	-	206,723	206,723	336,240
Equipment and technology	77,806	-	11,603	89,409	94,626
Interest	-	-	26,157	26,157	18,880
Bad debts	-	-	-	-	7,206
TOTAL EXPENSES	21,307,892	20,239,747	2,967,186	44,514,825	40,500,165
Less - expenses deducted directly against rental income		-	-	-	105,357
NET EXPENSES	\$ 21,307,892	\$ 20,239,747	\$ 2,967,186	\$ 44,514,825	\$ 40,394,808

Western North Carolina Conference of the United Methodist Church and Subsidiary
Consolidated Statement of Cash Flows
Year Ended December 31, 2022, with prior year comparative totals

	Year Ended December 31,	
	2022	2021
<u>OPERATING ACTIVITIES</u>		
Change in net assets	\$ (20,757,160)	\$ 10,952,416
Adjustments to reconcile change in net assets to cash flows from operating activities:		
Depreciation	320,468	270,796
Loss (gain) on investments	16,731,085	(8,891,499)
Gain on sale of fixed assets	(456,208)	(758,754)
Donated fixed assets	(81,200)	-
(Increase) decrease in operating assets:		
Accounts receivables	1,045,398	(1,222,152)
Prepaid expenses	613,471	(97,704)
Inventory	(47,325)	(79,875)
Increase (decrease) in operating liabilities:		
Accounts payable and accrued expenses	791,060	(232,456)
Agency liabilities	(1,873,990)	1,900,380
Liability for amounts held in trust	(40,598)	12,117
Deferred revenue	(351,307)	(458,722)
Accrued health benefits	(513,057)	129,460
Accrued postretirement health benefit obligation	(1,437,781)	(2,712,502)
<i>Cash Flows from Operating Activities</i>	<i>(6,057,144)</i>	<i>(1,188,495)</i>
<u>INVESTING ACTIVITIES</u>		
Proceeds from sale of investments	15,825,803	14,447,731
Purchases of investments	(14,125,218)	(14,299,261)
Payments received on notes receivable (net)	234,387	334,603
Proceeds on sale of fixed assets	386,143	758,096
Purchase of fixed assets	(82,064)	(384,918)
<i>Cash Flows from Investing Activities</i>	<i>2,239,051</i>	<i>856,251</i>
<u>FINANCING ACTIVITIES</u>		
Proceeds from notes payable	-	277,158
Principal paid on notes payable	(48,350)	(9,824)
<i>Cash Flows from Financing Activities</i>	<i>(48,350)</i>	<i>267,334</i>
CHANGE IN CASH AND CASH EQUIVALENTS	(3,866,443)	(64,910)
CASH AND CASH EQUIVALENTS, BEGINNING	9,317,218	9,382,128
CASH AND CASH EQUIVALENTS, ENDING	\$ 5,450,775	\$ 9,317,218

Western North Carolina Conference of the United Methodist Church and Subsidiary
Notes to Financial Statements
December 31, 2022

NOTE 1 – NATURE OF ORGANIZATION

Nature of organization

The Western North Carolina Conference of the United Methodist Church and Subsidiary (the Conference) is a not-for-profit organization representing approximately 1,000-member churches and is comprised of eight districts. The Conference provides various services for its member churches including administration of health benefits and retirement plans available to member clergy and Conference lay employees and collection of funds for remittance to various regional, national and global benevolences.

A portion of the funds collected from its member churches is remitted to the General Council on Finance and Administration of the United Methodist Church, which provides funds to national and global benevolences. The amounts remitted have been included in the consolidated statements of activities as general church expenses.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING PRINCIPLES

Principles of consolidation

The Conference's consolidated financial statements include the accounts of the Western North Carolina Conference of the United Methodist Church and the Board of Pensions and Health Benefits, Inc., Western North Carolina Conference, The United Methodist Church (Conference Board of Pensions and Health Benefits), as the Conference Board of Pension and Health Benefits' Board of Directors is appointed by the Conference. Beginning in late 2019, the Conference's financial statements include the activity of the Heritage Cemetery Association, LLC, a single-member LLC wholly owned by the Conference whose primary activity is the preservation of cemeteries. Beginning in 2020, the Conference's financial statements also include the activity of WNCC Trustee Services, LLC, a single-member LLC wholly owned by the Conference whose principal activity is the rental of space within the Conference's main building. All significant intercompany accounts and transactions have been eliminated in consolidation. The consolidated financial statements of the Conference also include the funds of the Charlotte Area Episcopal Office.

Accrual basis

The consolidated financial statements are prepared on the accrual basis in accordance with U.S. generally accepted accounting principles (GAAP).

Basis of presentation

Net assets and revenues, expenses, gains and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

Net Assets Without Donor Restrictions - are those currently available for use in the day-to-day operations of the Conference and those resources invested in property and equipment. Designated net assets represent amounts designated by the Board of Directors for purposes other than operations.

Western North Carolina Conference of the United Methodist Church and Subsidiary
Notes to Financial Statements
December 31, 2022

Net Assets With Donor Restrictions – These amounts are subject to donor-imposed stipulations. These restrictions may be temporary in nature, with the restriction being met either by actions of the Conference or the passage of time, or permanent, such that the net assets will be held in perpetuity by the Conference. When donor restrictions expire, that is, when the assets are spent for the stipulated purpose or the restricted time passes, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restriction. The Conference has also received amounts subject to donor-imposed stipulations that they be maintained permanently by the Conference. They consist of contributions whose use is limited by donor-imposed stipulations that neither expire by the passage of time nor can be fulfilled or otherwise removed by the Conference’s actions. Generally, the donors of these assets permit the use of all or part of the income earned on related investments for general or specific purposes in accordance with the Conference’s spending rule.

Revenue and support

The principal source of revenue and support is apportionments received from the local churches. Apportionments are the approved levels of allocated support from the local churches. Apportionments expire at the end of each calendar year. Although the church discipline requires local churches to satisfy their apportionment allocation as their first benevolent response, local churches do not have any financial commitment for the underpayment of their apportionments. The Conference has adopted the requirements of the Financial Accounting Standards Board’s Accounting Standards Update No. 2014-09, “*Revenue from Contracts with Customers*” (ASU 2014-09), in 2020. The core principle of this standard is that an entity recognizes revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services.

Insurance premiums

The Conference administers a self-funded insurance program under which health benefits are provided for clergy and select lay employees of the Conference. Insurance premiums and related expenses are recorded in the period to which the premium and claim relate.

Contributions

Contributions are recognized as restricted support if they are pledged or received with donor stipulations that limit the use of the donation. Donor-restricted contributions whose restrictions are met in their same reporting period are reported as net assets without donor restrictions. Conditional promises are not included as support until such time as conditions are substantially met.

Grants

Grant awards are evaluated by management and determined to be either unconditional contributions or exchange transactions. If considered to be a contribution, revenue from grants is recorded upon notification of the award. If considered to be an exchange transaction, revenue from grants is recorded as expenditures made under the terms of the respective grant agreement.

Western North Carolina Conference of the United Methodist Church and Subsidiary
Notes to Financial Statements
December 31, 2022

Cash

At various times throughout the year, cash balances in financial institutions exceed the amounts which are federally insured. At December 31, 2022, the balance of uninsured cash was \$5,351,634. The Conference periodically assesses the financial condition of the institutions and believes that the risk of any loss is minimal.

Assets held for others

The Conference is due apportionments and holds funds in various operating accounts related to payments to be made on behalf of other affiliated related ministries. These funds are directed by third parties and are not available for the Conference operations.

Accounts receivable

As a significant dollar amount of church member apportionments are received close to year-end, member churches are provided a cut-off date subsequent to year-end in order for churches to fulfill their annual apportionments. Thus, accounts receivable is recorded based on the actual amount of apportionments received by the cut-off date. As such, no allowance for doubtful accounts is necessary.

Notes receivable

The Conference previously held notes receivable relating to the sale of land and other funds loaned to member churches. During 2022 all notes were collected in full.

Investments

Purchased investments are initially recorded at cost. Investments received by gift are initially recorded at fair value at the date of donation. The Conference's investments are assets invested by the United Methodist Foundation of Western North Carolina, Inc. (the Foundation) and Wespath, the investment agency of the Board of Pension and Health Benefits of the United Methodist Church, under investment agreements wherein the investments are either directly invested or pooled into larger investment funds of the Foundation and Wespath. The Conference's pooled investments are valued at fair value based upon the net asset value (NAV) of each fund as provided by the Foundation and Wespath. The Conference's direct investments, which consist primarily of cash and money market funds, are valued at cost, which approximates fair value.

Board-designated investments

The Conference has designated certain investments to function as endowments to fund the Conference's pension and postretirement health benefits.

Property and equipment

Building, improvements and equipment are stated at cost less accumulated depreciation. Building, improvements and equipment received by gift are initially recorded at fair value at the date of donation. Minor renewals and replacements are expensed when incurred. Depreciation is computed on a straight-line basis over the estimated economic lives of the respective assets held, which are assumed to be 10-40 years for buildings and improvements and 3-10 years for furniture and equipment.

Western North Carolina Conference of the United Methodist Church and Subsidiary
Notes to Financial Statements
December 31, 2022

Agency liabilities

The Conference is an agent for various affiliates and constituents. Amounts received and not yet expended on behalf of beneficiaries have been reported as a liability for amounts held for others.

Accrued health benefits

The Conference records a liability for their healthcare claims incurred but not reported, which is estimated using the actual claims expense and the expected lag in days the claims are outstanding.

Leases

The Conference recently adopted the FASB issued ASU 2016-02, *Leases* (Topic 842). The guidance in this ASU supersedes the leasing guidance in Topic 840, *Leases*. Under the new guidance, lessees are required to recognize lease assets and lease liabilities on the statement of financial position for all leases with terms longer than 12 months. Leases are classified as either financing or operating, with classifications affecting the pattern of expense recognition in the statement of activities. The Foundation elected not to reassess at adoption (i) expired or existing contracts to determine whether they are or contain a lease, (ii) the lease classification of any existing leases, or (iii) initial direct costs for existing leases. As a result of the implementation, the Foundation recognized ROU assets and operating lease liabilities of \$249,091. The adoption resulted in no change in net assets.

The Conference determines if an arrangement is or contains a lease at inception. Leases are included in the right of use (ROU) assets and lease liabilities in the statement of financial position. ROU assets and lease liabilities reflect the present value of the future minimum lease payments over the lease term. Operating lease expense is recognized on a straight-line basis over the lease term. The Conference does not report ROU assets and lease liabilities for its leases with a term of 12 months or less; rather they are reported as a lease expense on a straight-line basis over the lease term. The Conference entered into one operating lease agreement in 2022 and had no finance leases as of the end of the year. During the year ended December 31, 2021, the Conference had no operating lease agreements which met the criteria for recording.

Federal income tax status

The Conference is exempt from Federal income tax under Internal Revenue Code Section 501(c)(3). The Conference is classified as other than a private foundation as defined by Section 509(a) of the Internal Revenue Code.

Operating and nonoperating activities

The consolidated statements of activities report the change in net assets from operating and nonoperating activities. Operating revenues consist of substantially all of the activity of the Conference except for certain items specifically considered to be of a nonoperating nature. Nonoperating activities include contributions restricted for capital expenditures and permanently restricted endowment contributions, net gain (loss) on investments, postretirement changes other than net periodic postretirement health benefit costs and significant items of an unusual or nonrecurring nature.

Western North Carolina Conference of the United Methodist Church and Subsidiary
Notes to Financial Statements
December 31, 2022

Allocation of functional expenses

The Conference's activities are focused in two functional areas. Program services represent the primary focus of the Conference's activities. Supporting services are general and administrative activities. No significant resources are expended for fundraising. Personnel expenses, benefits and payroll taxes, and depreciation are allocated based on management's estimate of time spent. Contracted services, supplies and insurance are allocated based on an analysis of the purpose of the underlying expenditure.

Use of estimates

The preparation of consolidated financial statements in accordance with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from these estimates.

Prior-year comparative totals

The financial statements include certain prior-year summarized information, which is presented for comparative purposes only. Accordingly, such information should be read in conjunction with the Conference's 2021 financial statements, from which the summarized information was derived. Also, certain prior-year amounts have been restated to conform to the current-year presentation.

Income taxes

The Conference is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code and applicable state statutes, and accordingly, no income taxes have been provided for the Conference in the accompanying financial statements. Management of the Conference does not believe the financial statements include any uncertain tax positions.

NOTE 3 – INVESTMENTS

The Conference has an agreement with the Foundation, in which the Foundation acts as agent and investment manager of the Conference's investments. These investments are either directly invested or pooled by the Foundation into larger investment funds. The Foundation adheres to the Statement of Investment Guidelines adopted by the General Council Finance and Administration of the United Methodist Church.

The Conference also maintains investments with Wespath, which are invested by Wespath in pooled investment funds. Wespath investments are comprised of approved investment instruments in accordance with the funds' objectives.

Western North Carolina Conference of the United Methodist Church and Subsidiary
Notes to Financial Statements
December 31, 2022

The Conference's investments at December 31, 2022, are as follows:

Assets invested by the Foundation:

Direct investments	\$ 1,382,767
Pooled investments	81,423,075
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Total Foundation	82,805,842

Assets invested by Wespath:

Pooled investments	270,526
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<i>TOTAL INVESTMENTS</i>	<i>\$ 83,076,368</i>
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The Conference's investment securities are exposed to various risks, such as interest rate, market and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the value of investment securities will occur in the near term and that such changes could materially affect the amounts reported in the statement of financial position.

Total investment return is comprised of the following for the year ended December 31, 2022:

Investment income, net of investment fees	\$ 2,175,996
Net loss on investments	(16,731,085)
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<i>TOTAL INVESTMENT INCOME</i>	<i>\$ (14,555,089)</i>

NOTE 4 – FAIR VALUE MEASUREMENT

Fair value measurements apply to all financial assets and liabilities that are being measured and reported on a fair value basis. GAAP establishes a framework for measuring the fair value of assets and liabilities and requires fair value measurements to be classified and disclosed in one of three categories. Level 1 assets are those financial instruments with unadjusted, quoted prices listed on active market exchanges. Level 2 assets are those financial instruments that are valued using pricing inputs other than quoted prices in active markets, which are either directly or indirectly observable as of the reporting date. The Conference's Level 2 assets were valued based on the interest rates utilized for loans made by the Foundation under the Clergy Loan program. Level 3 assets are those financial instruments that are not actively traded on a market exchange and require using significant unobservable inputs in determining fair value. The Conference had no Level 3 assets.

Western North Carolina Conference of the United Methodist Church and Subsidiary
Notes to Financial Statements
December 31, 2022

The Conference has segregated its financial instruments into the most appropriate level within the fair value hierarchy at December 31, 2022, as follows:

Financial Assets:

Direct Investments:

Cash and money market funds – Level 1	\$ 5,721,515
Clergy Debt Program – Level 2	1,382,767

Investments measured at net asset value not subject to classification	75,972,086
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<i>TOTAL INVESTMENTS</i>	<i>\$ 83,076,368</i>
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NOTE 5 – NET ASSET VALUE (NAV)

The Conference's assets measured at NAV are held with the Foundation and Wespath under investment agreements wherein the investments are pooled into larger investment funds of the Foundation and Wespath. None of the funds had any unfunded commitments or redemption restrictions and may be redeemed daily with no advance notice.

Commingled pool of assets:

Assets invested by the Foundation:

Balance fund (a)	\$ 16,850,014
Conservative fund (b)	4,517,399
Diversified fund (c)	52,461,592
Development fund (d)	1,224,975
All-equity fund (e)	647,580

Assets invested by Wespath:

Short-term investment fund (g)	104,799
Multiple asset fund (h)	165,727

<i>TOTAL</i>	<i>\$ 75,972,086</i>
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- (a) Seeks to provide investment income while growing principal over the long-term by investing in a balanced portfolio of stocks and bonds.
- (b) Seeks to preserve both invested principal and earned interest while minimizing the risk of loss of principal.
- (c) Seeks to attain current income and capital appreciation by investing in a broad mix of different types of investments with a long-term horizon. Investors should be willing to experience some fluctuations in the fund's value, though not as much as from holding a fund comprised exclusively of common stocks.
- (d) Seeks to provide an investment alternative for those seeking the security of a fixed-type vehicle at competitive rates. The offering is made to individuals serving the United Methodist Church and church institutions in North Carolina or South Carolina to finance Methodist institutions for building programs and other capital investments.

Western North Carolina Conference of the United Methodist Church and Subsidiary
Notes to Financial Statements
December 31, 2022

- (e) Seeks to attain long-term capital appreciation from a broadly diversified portfolio that includes domestic and foreign common stocks. It is designed for investors who seek long-term investment growth through exposures to the broad domestic stock market as well as regulated foreign stock exchanges and who are willing to accept the risk of possible wide fluctuations in the unit price of the fund.
- (f) Seeks to maximize current income consistent with preservation of capital. This type of fund usually ranks low on the risk-return spectrum and is designed for low-risk-tolerant institutional investors who are reluctant to risk losing any capital contributions or accumulated interest.
- (g) Seeks long-term investment growth and income from exposure to a broadly diversified portfolio. Balanced funds generally rank moderate to high on the risk-return spectrum. The fund is designed for investors with a relatively long-term horizon who are willing to experience some fluctuations in the fund's value, though not as much as from holding a fund comprised exclusively of common stocks.

NOTE 6 – PROPERTY AND EQUIPMENT

Fixed assets consist of the following at December 31, 2022:

Building and improvements	\$	9,013,220
Furniture and equipment		983,084
Land		1,465,708
<hr/>		
TOTAL		11,462,012
<hr/>		
Less accumulated depreciation		2,354,539
<hr/>		
<i>PROPERTY AND EQUIPMENT, net</i>	\$	<i>9,107,473</i>

Depreciation expense was \$320,468 for the year ended December 31, 2022.

NOTE 7 – NOTES PAYABLE

During 2021 the Conference financed the purchase of eleven automobiles with the proceeds of eleven separate notes from a local financial institution. The notes are secured by the related vehicles and require monthly payments, applied first to the principal and then to interest at a fixed rate of 2.50%. Interest incurred and paid during the year was \$5,933, and the notes mature as follows:

Current (2023)	\$	54,287
Long-Term:		
2024	\$	55,660
2025		57,068
2027		51,969
<hr/>		
<i>TOTAL</i>	\$	<i>218,984</i>

Western North Carolina Conference of the United Methodist Church and Subsidiary
Notes to Financial Statements
December 31, 2022

NOTE 8 – RETIREMENT PLANS

Ministers Reserve Pension Fund (MRPF):

The Conference participates in the MRPF, which is a multi-employer defined benefit pension plan administered by Wespath. The fund covers service prior to 1982 for substantially all clergy and lay pastors. For service subsequent to 1981, clergy members of the Conference are eligible to participate in the multi-employer retirement plan offered by the United Methodist Church as described below.

The Conference Board of Pension and Health Benefits acts as trustee responsible for deposits with Wespath. All assets of the plan are available to pay all benefits of the plan, regardless of the Conference from which the contributions came or under which benefits were accrued. However, each Conference controls certain benefit provisions of the plan and may choose to fund this plan using different funding methodologies. In the past, the Conference has chosen to fund the plan using the full actuarial allocation and is overfunded. Therefore, no contributions were made to this plan in 2022 and 2021, and the Conference's excess funding in this plan has been used to fund the benefits for the Clergy Retirement Security Program (CRSP) shown below. An actuarial report is available from Wespath that shows the funding requirements and funded status of all the conferences for the MRPF.

Because employers that contribute to multi-employer plans are responsible only for making the contributions called for and they do not have a directly identified or separate interest in investment gains or losses or administrative costs, nor do the employers have a directly identified or separate obligation for benefit payments, separate assets and liabilities for their portion of the plan are not recognized and the contributions are recognized as an expense in the period in which they are paid.

Ministerial Pension Plan (MPP):

U.S. bishops, Conference members and local pastors under Episcopal appointment are eligible for pension coverage under the MPP. The MPP is a multi-employer defined contribution plan which required the Conference to contribute 12% of each participant's compensation, subject to a limit on total compensation. This plan was frozen effective December 31, 2006; however, the Conference is required to make payments to the plan as needed. In 2010, the Conference established an investment account to fund the required payments to the MPP. As of December 31, 2022, the investment account has a balance of \$6,264,972. Payment to the MPP was not required during 2022, although future payments toward the plan are possible. This plan was replaced by the CRSP described below.

Comprehensive Protection Plan (CPP)

In addition to the MRPF described above, certain ministerial employees are provided disability and death benefits as well as certain minimum benefits related to pension coverage through participation in the CPP. The CPP is a multi-employer defined benefit pension plan administered by Wespath. There were no contributions made for the plan year ended December 31, 2022.

Western North Carolina Conference of the United Methodist Church and Subsidiary
Notes to Financial Statements
December 31, 2022

United Methodist Personal Investment Plan (UMPIP):

Effective January 1, 2006, the Cumulative Pension and Benefit Fund and the Personal Investment Plan were merged to form the UMPIP. Conference clergy members, lay employees and local church personnel are eligible to participate in this multi-employer defined contribution plan administered by Wespath, which currently allows an employer contribution of up to 12%. The Conference contributes 9% of all eligible lay participants' compensation and 3% of clergy participants' plan compensation. Total contributions to the plan for the year ended December 31, 2022 was \$361,076.

Clergy Retirement Security Program (CRSP):

Effective January 1, 2007, the Conference established the CRSP, which is a multi-employer defined benefit plan and a multi-employer defined contribution plan administered by Wespath. Clergy members and local pastors under Episcopal appointment to a conference, church, charge, district or conference-controlled entity or unit are eligible to participate. Effective January 1, 2014, clergy members and local pastors serving less than half-time were no longer eligible to participate, but received benefits accrued through December 31, 2013.

For the defined benefit plan, the contribution is based on a formula using the average denominational compensation and the year of credited service beginning January 1, 2007. For the defined contribution plan, contributions are 2% of each eligible participant's compensation, with an additional match of up to 1% based on each participant's contributions.

Total contributions to the CRSP for the year ended December 31, 2022, were as follows:

Defined contribution plan, funded from the Conference	\$	1,428,476
Defined benefit plan, funded from the Conference		3,725,544
<i>TOTAL</i>	<i>\$</i>	<i>5,154,020</i>

The Conference expects the annual contributions for all of the plans above to be approximately \$8,000,000 a year. The total costs for the above benefit plans are generally billed to the churches of the Conference; however, any shortfalls are obligations of the Conference.

NOTE 9 – POSTRETIREMENT HEALTH BENEFIT PLAN

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

Western North Carolina Conference of the United Methodist Church and Subsidiary
Notes to Financial Statements
December 31, 2022

The following table provides a reconciliation of the changes in the plan's accumulated postretirement health benefits obligation and fair value of plan assets for the year ended December 31, 2022.

Reconciliation of accumulated postretirement health benefit obligation:

Accumulated postretirement health benefit obligation, beginning	\$ 8,893,533
Service cost for benefits earned during the year	183,913
Interest cost on accumulated postretirement health benefit obligation	263,857
Actuarial gain	(1,584,174)
Contributions by plan participants	722,281
Benefit payments	(1,023,658)
<u>Accumulated postretirement health benefits obligation, ending</u>	<u>7,455,752</u>

Reconciliation of fair value of plan assets:

Fair value of plan assets, beginning	-
Employer contributions	301,377
Contributions by plan participants	722,281
Benefit payments	(1,023,658)
<u>Fair value of plan assets, ending</u>	<u>-</u>

Accumulated postretirement health benefits obligation in excess of plan assets \$ ***7,455,752***

The components of the net periodic postretirement health benefit net value (added) cost charged to expense for the year ended December 31, 2022, consisted of the following:

Service cost for benefits earned during the year	\$ 183,913
Interest cost on accumulated postretirement health benefit obligation	263,857
Amortization of net gain	(1,342,627)
<u>Total net value-added</u>	<u>(894,857)</u>

Amounts recognized in postretirement changes other than net periodic

Postretirement health benefit costs:	
Actuarial loss for current year	\$ 1,584,174
Amortization of actuarial gain	(1,342,627)

Postretirement changes other than net periodic postretirement health benefit costs 241,547

Amounts recognized in net assets without donor restrictions but not yet recognized as components of net periodic postretirement health benefit costs:

Unamortized actuarial gain	\$ 13,952,986
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Amount in net assets without donor restrictions expected to be recognized in net periodic postretirement health benefit costs in 2023:

Net actuarial gain	\$ 1,351,833
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Western North Carolina Conference of the United Methodist Church and Subsidiary
Notes to Financial Statements
December 31, 2022

The actuarial gain in 2022 is due primarily to demographic and claims experience during 2022, along with per-capita cost updates to reflect the actual historical experience. The discount rate has been updated from 2.75% to 3.00%, and the mortality table has been updated to the MP-2014, modified with MP-2018, projected generationally.

The following benefit payments, which reflect expected future service, are expected to be paid by the Conference in future years:

Years ended December 31:		
2023	\$	40,190
2024		49,701
2025		64,849
2026		82,736
2027		104,800
2028-2032		944,362
<i>TOTAL</i>	\$	<i>1,286,638</i>

The accumulated postretirement health benefits obligation was computed using an assumed discount rate of 3.00% for 2022. The actuarial assumptions relating to health care trend rates are evaluated for participants over 65 years of age and under 65 years of age separately. The under 65 health care trend rate was assumed to be 7.0% for 2022 and is assumed to decline by .25% until reaching 5.00% in 2027, and remaining level thereafter. The over 65 health care trend rate was assumed to be 7% for 2022 and is assumed to decline to 3.93% going forward.

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

	<u>1% Decrease</u>	<u>1% Increase</u>
Effect on total service and interest cost components	\$ (135,378)	\$ 181,628
Effect on the accumulated postretirement health benefit obligation	(1,362,414)	1,765,233

As of December 31, 2022, the Conference has approximately \$9,799,826 designated by the Board to be used for payment of future net periodic postretirement health benefit costs. Any changes in the plan or revisions to assumptions that affect the amounts of expected future benefits may have a significant effect on the amount of the reported obligation and future annual expense.

Western North Carolina Conference of the United Methodist Church and Subsidiary
Notes to Financial Statements
December 31, 2022

NOTE 10 – NET ASSETS

Net assets consist of the following as of December 31, 2022:

Net assets without donor restrictions:

Board Designated:

Endowment	\$ 42,084,925
Church vitality	12,409,438
Pension and health benefits	3,670,193
Property maintenance and acquisition	4,648,774
Program Ministries	1,164,193
Accumulated income	171,287
<u>Total Board Designated</u>	<u>64,148,810</u>

Investment in land, building, improvements and equipment	9,107,473
Undesignated	14,533,539

<i>Total net assets without donor restrictions</i>	<i>87,789,822</i>
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Net assets with donor restrictions:

Subject to expenditure for specified purpose:

Disaster response	329,877
Church legacy initiative	201,645
Church without walls	139,327
Residency in ordained ministry	122,301
Emerging leaders	113,854
Retired ministers	63,127
All other, no fund greater than \$50,000	151,637
<u>Subtotal</u>	<u>1,121,768</u>

Permanent endowment funds restricted in perpetuity:

Endowment funds	1,395,034
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<i>Total net assets with donor restrictions</i>	<i>2,516,802</i>
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<i>TOTAL NET ASSETS</i>	<i>\$ 90,238,870</i>
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During the year ended December 31, 2022, net assets were released from donor restrictions by incurring expenses satisfying the restricted purposes or by the occurrence of other events specified by donors.

Western North Carolina Conference of the United Methodist Church and Subsidiary
Notes to Financial Statements
December 31, 2022

The Conference recognizes support under split-interest agreements when the agreements become irrevocable or when the assets are distributed to the Conference for charitable causes, whichever occurs first. The assets held in trust are recorded at their estimated fair value when received, with the obligation to the donor or their beneficiary recorded at the estimated fair value of the future annuities payable. The fair value of the estimated future payments is calculated using applicable distribution rates, a discount rate adjusted to reflect the lower market risk of obligations that are largely limited to segregated trust assets, and applicable mortality tables. The amount of the contribution is the difference between these amounts and is classified as either temporarily or permanently restricted support. Adjustments to the liability to reflect the amortization of the discount, remeasurement of the fair value of the obligation, and changes in actuarial assumptions, as well as the close-out of the liability upon the death of the donor (or beneficiary), are recognized as changes in the value of split-interest agreements in either the temporarily or permanently restricted net asset class. The fair value of the obligations as of December 31, 2022, was calculated using a discount rate of 2.51%.

Net assets without donor restrictions include amounts that have been designated by the Board of Trustees, Conference Board of Pension and Health Benefits, and the General Council on Finance and Administration of the United Methodist Church for specific purposes and other amounts that are unavailable for operational use by the Conference. As of December 31, 2022, the Board of Trustees, Board of Pension and Health Benefits, and the General Council on Finance and Administration of the United Methodist Church have designated \$42,084,925 as board designated endowment funds.

NOTE 11 – ENDOWMENT

The Conference's endowment consists of seven individual funds established for a variety of purposes. Its endowment includes both donor-restricted endowment funds and funds designated by the Conference to function as endowments. As required by GAAP, net assets associated with endowment funds, including funds designated by the Conference to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

Interpretation of relevant law

The Conference has interpreted the North Carolina enacted version of the Uniform Prudent Management of Institutional Funds Act (NC UPMIFA) as requiring the preservation of the corpus of the original gift. As a result of this interpretation, the Conference classifies as permanently restricted net assets: (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulations are added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the Conference in a manner consistent with the standards of prudence prescribed by NC UPMIFA. In accordance with NC UPMIFA, the Conference considers the following factors in deciding to appropriate or accumulate donor-restricted endowment funds:

Western North Carolina Conference of the United Methodist Church and Subsidiary
Notes to Financial Statements
December 31, 2022

1. The duration and preservation of the fund.
2. The purposes of the Conference and the donor-restricted endowment fund.
3. General economic conditions.
4. The possible effects of inflation and deflation.
5. The expected total return from income and the appreciation of investments.
6. Other resources of the Conference.
7. The investment policies of the Conference.

Endowment net composition by type of fund as of December 31, 2022, is as follows:

Board-designated	\$ 42,084,925
Donor-restricted	2,073,594
<i>TOTAL</i>	<i>\$ 44,158,519</i>

Return objectives and risk parameters

The Conference 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 the Conference must hold in perpetuity or for a donor-specified period(s) as well as board designated funds. Under this policy, as approved by the Conference, the endowment assets are invested in a manner that is identified to produce results that exceed the price yield results of the S&P 500 index while assuming a moderate level of investment risk. The Conference expects its endowment funds, over time, to provide an average rate of return of approximately 5% annually. Actual returns in any given year may vary from this amount.

Spending policy and how the investment objectives relate to spending policy

The Conference has a policy of appropriating for distribution each year 4% of its endowment fund's average fair value over the prior 12 quarters through the calendar year-end preceding the fiscal year in which the distribution is planned. In establishing this policy, the Conference considered the long-term expected return on its endowment. Accordingly, over the long term, the Conference expects the current spending policy to allow its endowment to grow at an average of 1% annually. This is consistent with the Conference's objectives to maintain the purchasing power of the endowment assets held in perpetuity or for a specific term as well as to provide additional real growth through new gifts and investment returns.

Strategies employed for achieving objectives

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

Western North Carolina Conference of the United Methodist Church and Subsidiary
Notes to Financial Statements
December 31, 2022

NOTE 12 – LEASES

The Conference entered into a non-cancellable operating lease agreement during 2022. This lease contains no significant restrictions. In addition, the Conference did not have any finance leases during the year. The operating ROU assets represent the Conference's right to use underlying assets for the lease term, and the operating lease liability represents the Conference's obligation to make lease payments arising from the leases. The ROU assets and lease liabilities were calculated based on the present value of future lease payments over the lease terms. The Conference has made an accounting election to use a risk-free rate in lieu of its incremental borrowing rate to discount future lease payments. The weighted average discount rate to calculate lease liabilities as of December 31, 2022, was 3.99%.

For the year ended December 31, 2022, the total operating lease cost and cash paid out was \$30,849. Total short-term lease costs were \$17,090. As of December 31, 2022, the remaining lease term was five years.

Lease liabilities mature during the years:

2023	\$	55,035
2024		55,035
2025		55,035
2026		55,035
2027		55,035
Total lease payments		275,175
Less present value discount		26,084
<i>TOTAL</i>		<i>\$ 249,091</i>

NOTE 13 – ABANDONED OR DISCONTINUED PROPERTY

When a member church is abandoned or discontinued, the deed is transferred from the church's Board of Trustees to the Conference's Board of Trustees. The properties are recorded by the Conference at the lower of the carrying amount or fair value. As there is generally no carrying value and the fair market value of the properties is not easily estimated when abandoned, the properties are recorded by the Conference at no value. When sold, the Conference will normally utilize 75% of the net proceeds for church vitality and utilize the remaining amount for church vitality in the applicable district in the area where the church was sold.

NOTE 14 – UNCONSOLIDATED CONSTITUENT MINISTRY

GAAP requires the Conference to consolidate entities in which it has control and an economic interest, when that control is evidenced through majority ownership or voting interests. Because the Conference has an economic interest in and control of a constituent through means other than majority

Western North Carolina Conference of the United Methodist Church and Subsidiary
Notes to Financial Statements
December 31, 2022

ownership or voting interests, consolidation is permitted, but not required. Therefore, the Conference has elected not to consolidate the constituent as described below. The non-consolidated constituent is the Foundation, a not-for-profit organization providing various investment management services for its clients, which consist of the Conference and United Methodist churches, institutions and agencies in Western North Carolina. The primary purpose of the Foundation is to act as an agent to provide professional investment management services to its clients. According to the statement of the relationship between the Conference and the Foundation, the organizations have similar purposes and interests but are separate, self-governing associations.

The Foundation has assets of approximately \$289,100,395 as of December 31, 2022. Of those assets, approximately \$245,695,046 are investments. See Note 2 for the Conference's portions of those investments.

The summary financial information does not eliminate the transactions between the Conference and the constituent, such as investment activity with the Foundation and contributions from the Conference to the Foundation, if any.

The Conference is also affiliated with a significant number of related ministries through its connection with the United Methodist Church. The Conference has signed a statement of relationship with other entities that defines this connectional relationship and states that neither entity may require the other entity to assume any contractual, financial or other obligation. The Conference does not have control or financial interest in these affiliated entities. Grants and operating support provided to these entities totaled approximately \$557,205 for the year ended December 31, 2022. These entities provided contributions to the Conference totaling approximately \$216,496 for the year ended December 31, 2022.

NOTE 15 – LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS

The Conference has \$91,629,205 of financial assets available within one year of the balance sheet date to meet cash needs for general expenditure consisting of cash of \$5,450,775, investments of \$83,076,368, and receivables of \$83,076,368. Of that amount, \$2,516,802 of the financial assets are subject to donor or other contractual restrictions that make them unavailable for general expenditure within one year of the balance sheet date and \$64,148,810 are board-designated for specific purposes. The receivables were collected in the following year. The Conference has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due. In addition, as part of its liquidity management the Conference invests cash in excess of daily requirements in money market funds.

NOTE 16 – SETTLEMENT OF CLAIM

During 2021 the trustees for the bankruptcy of Boy Scouts of America, Inc., negotiated a settlement with the United Methodist Church to establish victims' funds to settle claims of sexual abuse occurring at Boy Scout troops using the facilities of Methodist churches. The total settlement has been allocated

Western North Carolina Conference of the United Methodist Church and Subsidiary
Notes to Financial Statements
December 31, 2022

by the United Methodist Church to individual conferences and the Conference's share of the liability was \$1,065,004, which is included in accounts payable in the accompanying financial statements.

NOTE 17 - UNCERTAINTIES

Pending litigation

The Conference has been named as a defendant in various lawsuits alleging sexual misconduct at Children's Homes in Winston Salem, North Carolina, that took place in the late 1960s to early 1970s. At this point, the Conference's share of any liability is not reasonably estimated and no provision for any uninsured loss has been made in the accompanying financial statements. In 2021 the Conference established a designated fund with a year-end balance of \$782,050 to cover the legal costs and any potential liability that might arise from this litigation.

NOTE 18 – SUBSEQUENT EVENTS

The Conference has evaluated subsequent events from the date of the statement of financial position through the date of the independent auditors' report, which is the date the financial statements were available to be issued. During this period, one material recognizable subsequent event was identified. In 2023 the Conference permitted churches to disaffiliate by paying one additional year of apportionment and their pension liability. 192 churches chose to do so, resulting in \$2,214,304 of additional apportionment and \$5,594,583 of pension due in 2024. However, it is expected that annual apportionment income after 2024 will decrease by \$2,214,304.



INDEPENDENT AUDITORS' REPORT ON THE SUPPLEMENTARY INFORMATION

To the Council on Finance and Administration of
Western North Carolina Conference of the United Methodist Church and Subsidiary
Huntersville, North Carolina

We have audited the consolidated financial statements of Western North Carolina Conference of the United Methodist Church and Subsidiary (the "Conference"), as of and for the year ended December 31, 2022, and have issued our report thereon, which contains an unmodified opinion on those consolidated financial statements.

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The supplementary information is presented for purposes of additional analysis and is not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audits of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying account and other records used to prepare the consolidated financial statement 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.

Foard & Company, P.A.
July 24, 2023

***Charlotte Area Episcopal Fund of the
Western North Carolina Conference of the United Methodist Church and Subsidiary
Schedule of Cash Receipts and Disbursements
Years Ended December 31, 2022 and 2021***

	December 31,	
	2022	2021
<u>CASH RECEIPTS</u>		
Episcopal Fund allocation	\$ 75,470	\$ 75,470
<i>TOTAL</i>	<i>75,470</i>	<i>75,470</i>
<u>CASH DISBURSEMENTS</u>		
Staff salary	60,800	59,861
Travel	3,042	6,837
Telephone	2,167	2,000
Postage	1,005	625
Office supplies	275	784
Printing and copying	-	1,075
Rent	6,500	6,000
Employee benefits	18,183	5,009
Professional entertainment	997	309
All other disbursements	11,546	(1,953)
<i>TOTAL CASH DISBURSEMENTS</i>	<i>104,515</i>	<i>80,547</i>
<i>DECREASE IN CASH DURING YEAR</i>	<i>(29,045)</i>	<i>(5,077)</i>
<i>AMOUNT ALLOCATED FROM GENERAL FUND</i>	<i>29,045</i>	<i>5,077</i>
<i>FUND BALANCE, BEGINNING</i>	<i>-</i>	<i>-</i>
<i>FUND BALANCE, ENDING</i>	<i>\$ -</i>	<i>\$ -</i>

B. 2024 COMPREHENSIVE BENEFIT FUNDING PLAN SUMMARY

INTRODUCTION

The 2012 Book of Discipline ¶1506.6 requires that each annual conference develop, adopt, and implement a formal comprehensive funding plan for funding all of its benefit obligations. The funding plan shall be submitted annually to Wespath Benefits and Investments (Wespath) for review and be approved annually by the annual conference, following the receipt and inclusion of a favorable written opinion from Wespath. This document is only a summary of the information contained in the actual signed funding plan and does not contain all the information required for a comprehensive view of the conference's benefit obligations. You may request the full contents of the 2024 comprehensive benefit funding plan from your conference benefit office.

CLERGY RETIREMENT SECURITY PROGRAM (CRSP)

Defined Benefit (DB) and Defined Contribution (DC)

Program overview:

The Clergy Retirement Security Program (CRSP) is an Internal Revenue Code section 403(b) retirement program providing lifetime income and account flexibility designed for those who serve as clergy of The United Methodist Church. The program is designed to provide participants with one portion of their overall retirement benefits. CRSP replaced the Ministerial Pension Plan (MPP) effective January 1, 2007, which had previously replaced the Pre 82 Plan for service rendered prior to January 1, 1982.

CRSP consists of both a defined benefit (DB) plan, which provides a monthly benefit at retirement based upon years of credited service to The United Methodist Church, and a defined contribution (DC) plan, which provides a retirement account balance established and funded by the annual conferences.

Current funding plan information:

The Clergy Retirement Security Program (CRSP DB) annuities total liability as of January 1, 2022, is \$2,285,443,615, while total plan assets are \$2,829,122,591, resulting in a current plan funded ratio of 124%. The Western North Carolina Conference portion of the liability is 4.0923% and the 2024 contribution is \$3,423,315. The conference anticipates that the amount will be funded by direct billing. Additionally, General Conference 2012 approved a change to CRSP that provides each annual conference the discretion to determine whether to cover three quarter and/or half time clergy. The Western North Carolina Conference has elected to cover clergy serving 50%+ under CRSP effective January 1, 2024.

Effective January 1, 2014, the CRSP DC plan was reduced from a 3% to a 2% of plan compensation non matching contribution. Clergy can earn up to an additional 1% CRSP DC contribution by contributing at least 1% of their plan compensation to UMPIP; therefore, if a participant contributes at least 1% of plan compensation to UMPIP, the individual will receive a contribution of 3% to CRSP DC. The 2024 CRSP DC contribution is anticipated to be \$1,442,498 and will be funded by direct billing.

MINISTERIAL PENSION PLAN (MPP)

Plan overview:

Supplement Three to the Clergy Retirement Security Program (CRSP), also known as the Ministerial Pension Plan (MPP), provides clergy with a pension benefit for their years of ministry with The United Methodist Church from 1982 through 2006. MPP is an Internal Revenue Code section 403(b) retirement plan. MPP requires that exactly 65% of the account balance must be annuitized when the funds are to be distributed. The remainder may be rolled over to UMPIP, another qualified plan or an IRA, or it may be paid in a lump sum.

Current funding plan information:

The Ministerial Pension Plan (MPP) annuities' total liability as of January 1, 2022, is \$3,665,135,772, while total plan assets are \$4,758,759,842, resulting in a current plan funded ratio of 130%. The required contribution for 2024 is zero dollars. The Western North Carolina Conference's percentage of the total liability is 3.0618%. Future MPP annuitants have a total account balance of \$3,172,631,225 and the Western North Carolina Conference's portion of that balance is \$136,736,228 or 4.31% of the total.

PRE-82 PLAN (PRE-82)

Plan overview:

Supplement One to the Clergy Retirement Security Program (CRSP), also known as the Pre-82 Plan, provides clergy with a pension benefit for their years of ministry with The United Methodist Church prior to 1982. The Pre-82 Plan was replaced by MPP effective January 1, 1982. If a clergyperson retires within the Conference (and does not terminate), the minimum benefit payable is based on two factors:

- 1) Years of service with pension credit approved by each conference on the recommendation of the Conference Board of Pensions (CBOP) in accordance with plan provisions and *The Book of Discipline*.
- 2) The conference pension rate (past service rate) the dollar amount chosen by the conference as the amount payable for each approved year of service with pension credit (may change from year to year).

The number of years of service with pension credit is multiplied by the pension rate, and the product is the minimum annual benefit payable to those clergy eligible for Pre-82 Plan benefits. In certain situations, the benefit received from the Pre-82 plan may vary based on the applicability of what is referred to as Defined Benefit Service Money (DBSM), which is the defined contribution feature of the Pre-82 Plan. At the time that a participant retires, the DBSM account is converted to a life-based benefit and, at that point, the clergy's benefit is the greater of the PSR or DBSM benefit. If the conference increases the PSR, the clergy's benefit is recalculated; but the DBSM-based benefit does not change.

Current funding plan information:

The 2024 PSR recommended to the Western North Carolina Conference will be \$875, representing a 2% increase from the 2023 rate. The conference expects future annual increases to be approximately 2.00%.

The contingent annuitant percentage is recommended to remain at the 70% level.

ACTIVE HEALTH BENEFIT PROGRAM

Program Overview:

The Western North Carolina Conference offers the following active health benefit to its active eligible participants: Self-Funded - Non-HealthFlex.

Current funding plan information:

The total cost of the program for 2024 is anticipated to be \$19,014,271 and will be funded by direct billing. It is anticipated that increases for future years will average 12.50%.

Claims Incurred But Not Reported (if applicable)

The Western North Carolina Conference provides the following health plan to its eligible participants: Self-Funded - Non-HealthFlex. As of 12/31/2024, the estimated IBNR claims total is \$792,895. It is anticipated that increases for future years will average 12.50%. It is anticipated that the IBNR claims, if applicable, will be funded by billed premiums and premium reserves.

Additional Conference-Sponsored Coverage (if applicable)

The Western North Carolina Conference has elected to provide health benefits coverage to the following groups during periods where-without plan sponsor-funded premiums--the participants would not be provided coverage or benefits (all figures as of 12/31/2022):

1. Clergy or lay on disability (including pending disability): 11 participants at an estimated cost of \$176,220.

The projected annual cost as of 12/31/2024 for additional plan sponsor funded coverage is \$223,028.

The rationale for these changes is that less claims were demonstrated in 2023.

POST RETIREMENT MEDICAL (PRM)

Program Overview:

The Western North Carolina Conference currently offers Insurance for Post-Retirement Medical coverage.

Current funding plan information:

The plan sponsor's intention for 2024 is to retain current plan benefit. PRM benefits provided are as follows: The PRM for WNCC is a Medicare Advantage PPO Plan that is fully funded with premiums charged to retired clergy and spouses based on a range of years of service.

Based on the most recent PRM valuation dated 12/31/2022, the following is the funded position of the PRM benefits:

1. Expected Post-Retirement Obligation (EPBO) net plan sponsor cost.....	\$7,455,752
2. Accumulated Post-Retirement Obligation (APBO) net plan sponsor cost	\$7,455,752
3. Net PRM Assets	\$7,455,752
4. Funding plan service cost (\$0 if Net PRM Assets ≥ EPBO).....	\$0
5. Funded status, [3. - 2.]	\$0
6. Portion of funded status payable (\$0 if Funded status ≥ 0).....	\$0
7. Ongoing funding contribution, [4. + 6.]	\$0

Future increases/decreases to the assets or APBO will be funded over the duration of the program as calculated in the PRM valuation report, or five years if not available.

These values are based on a 5.00% long term discount rate, a 1.50% long term expected rate of return on assets, and a valuation year medical trend (inflation rate) of 7.00% with an ultimate medical trend (inflation rate) of 3.93%, beginning in 2075.

In addition to the PRM funding contribution listed above, the projected annual plan benefit cost for 2024 (subsidies, HRAs, claims or premiums) is \$49,741.

COMPREHENSIVE PROTECTION PLAN (CPP)

Plan Overview:

The Comprehensive Protection Plan (CPP) provides death, long-term disability, and other welfare benefits for eligible clergy of The United Methodist Church and their families. It is an Internal Revenue Code 414(e) “church plan” funded by plan sponsor insurance premiums. Generally, clergy are eligible to participate in CPP if they satisfy the eligibility requirements, including full-time appointment with plan compensation of at least 25% of the Denominational Average Compensation (DAC). Plan sponsors may elect to cover participants with three-quarter time appointments and/or to continue to cover clergy who, due to certain leaves or appointments, are not otherwise eligible to continue coverage.

The CPP adoption agreement executed by the Western North Carolina Conference contains its elections to cover or not to cover categories mentioned above.

Current funding plan information:

For 2024, the Western North Carolina Conference has an expected required contribution to the Comprehensive Protection Plan of \$1,380,000, which is anticipated to be funded by direct billing. The anticipated average increase in future years is expected to be 1.00% per year due to recommendations received.

UNITED METHODIST PERSONAL INVESTMENT PLAN (UMPIP) FOR LAY AND CLERGY

Plan Overview:

The United Methodist Personal Investment Plan (UMPIP) is an Internal Revenue Code section 403(b) defined contribution retirement savings plan for clergy and lay employees of The United Methodist Church and affiliated organizations. Participants may make before-tax, Roth and/or after-tax contributions through payroll deductions. Participant contributions, various optional plan sponsor contributions and investment earnings comprise the individual’s retirement account balance.

Current funding plan information:

Conference office lay employees working an average of 20 hours per week or more are eligible after 12 months for a plan sponsor-funded pension contribution of 9% of salary. Lay employees are encouraged to make contributions toward their retirement through payroll deductions to the UMPIP. The conference’s estimated contribution for 2024 is \$111,367 and will be funded via conference apportionments.

OTHER DEFINED CONTRIBUTION (DC) OBLIGATIONS

Plan Overview:

The Western North Carolina currently offers the following DC benefit(s): **Supplemental Life Insurance for Clergy and Conference staff.** The estimated contribution for 2024 is \$55,000 with the funding sources to be direct billing and conference apportionments. The anticipated average increase in future years is expected to be 0.00% per year due to an expected increase in cost.

Plan Overview:

The Western North Carolina currently offers the following DC benefit(s): **Ministers Moving Allowance (provides moving expense).** The estimated contribution for 2024 is \$110,000 with the funding sources to be apportionments. The anticipated average increase in future years is expected to be 0.00% per year due to less clergy moving which allows for a decrease in anticipated moving costs.

CONCLUSION

The 2024 Comprehensive Benefit Funding Plan and this summary document incorporates, to the best of our understanding, the Western North Carolina’s obligations and funding requirements of the benefits provided to the clergy and laity of the Western North Carolina Conference.

