



Southeastern Jurisdictional Conference of the United Methodist Church, Inc.

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Financial Statements

Years Ended December 31, 2020 and 2019



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Independent Auditors' Report

Committee on Finance and Administration of the
Southeastern Jurisdictional Conference of the United Methodist Church, Inc.
Glen Allen, VA

Report on the Financial Statements

We have audited the accompanying financial statements of Southeastern Jurisdictional Conference of the United Methodist Church, Inc. (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 audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit 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 we have obtained is sufficient and appropriate to provide a basis for our audit opinion.



Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Southeastern Jurisdictional Conference of the United Methodist Church, Inc. 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.

Dixon Hughes Goodman LLP

Richmond, VA
February 25, 2022

Southeastern Jurisdictional Conference of the United Methodist Church
 Statements of Financial Position
 December 31, 2020 and 2019

	<u>2020</u>	<u>2019</u>
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 224,826	\$ 93,053
Annual conference receivables	19,579	63,727
Prepaid expenses and other current assets	<u>30,666</u>	<u>-</u>
Total current assets	<u>275,071</u>	<u>156,780</u>
Other assets:		
Investments	2,663,220	2,689,830
Investments held as trustee for perpetual trust (Renfro Trust)	<u>879,408</u>	<u>815,513</u>
Total other assets	<u>3,542,628</u>	<u>3,505,343</u>
Total assets	<u><u>\$ 3,817,699</u></u>	<u><u>\$ 3,662,123</u></u>
LIABILITIES AND NET ASSETS		
Current liabilities:		
Accounts payable and accrued expenses	\$ -	\$ 15,000
Funds held for others	<u>43,018</u>	<u>43,018</u>
Total current liabilities	<u>43,018</u>	<u>58,018</u>
Net assets:		
Without donor restrictions	2,429,464	2,327,458
With donor restrictions	<u>1,345,217</u>	<u>1,276,647</u>
Total net assets	<u>3,774,681</u>	<u>3,604,105</u>
Total liabilities and net assets	<u><u>\$ 3,817,699</u></u>	<u><u>\$ 3,662,123</u></u>

Southeastern Jurisdictional Conference of the United Methodist Church
Statement of Activities
Year Ended December 31, 2020

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Support and revenue:			
Annual conference apportionment contributions	\$ 342,910	\$ -	\$ 342,910
Investment income, net	53,235	57,155	110,390
Change in value of perpetual trust	-	94,792	94,792
Contributions	5,800	4,775	10,575
Other revenue	1,591	-	1,591
Net assets released from restrictions	<u>88,152</u>	<u>(88,152)</u>	<u>-</u>
 Total support and revenue	 <u>491,688</u>	 <u>68,570</u>	 <u>560,258</u>
Expenses:			
Program services	274,512	-	274,512
Management and general	<u>115,170</u>	<u>-</u>	<u>115,170</u>
 Total expenses	 <u>389,682</u>	 <u>-</u>	 <u>389,682</u>
 Change in net assets	 102,006	 68,570	 170,576
 Net assets, beginning of year	 <u>2,327,458</u>	 <u>1,276,647</u>	 <u>3,604,105</u>
 Net assets, end of year	 <u>\$ 2,429,464</u>	 <u>\$ 1,345,217</u>	 <u>\$ 3,774,681</u>

Southeastern Jurisdictional Conference of the United Methodist Church
Statement of Activities
Year Ended December 31, 2019

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Support and revenue:			
Annual conference apportionment contributions	\$ 455,611	\$ -	\$ 455,611
Investment income, net	62,675	77,692	140,367
Change in value of perpetual trust	-	142,715	142,715
Contributions	7,236	1,000	8,236
Other revenue	4,903	-	4,903
Net assets released from restrictions	<u>83,808</u>	<u>(83,808)</u>	<u>-</u>
 Total support and revenue	 <u>614,233</u>	 <u>137,599</u>	 <u>751,832</u>
Expenses:			
Program services	157,237	-	157,237
Management and general	<u>96,426</u>	<u>-</u>	<u>96,426</u>
 Total expenses	 <u>253,663</u>	 <u>-</u>	 <u>253,663</u>
 Change in net assets	 360,570	 137,599	 498,169
 Net assets, beginning of year	 <u>1,966,888</u>	 <u>1,139,048</u>	 <u>3,105,936</u>
 Net assets, end of year	 <u>\$ 2,327,458</u>	 <u>\$ 1,276,647</u>	 <u>\$ 3,604,105</u>

Southeastern Jurisdictional Conference of the United Methodist Church
 Statements of Functional Expenses
 Years Ended December 31, 2020 and 2019

	2020		
	Program Services	Management and General	Total
Pandemic relief grants	\$ 125,000	\$ -	\$ 125,000
Personnel	51,311	22,358	73,669
Professional fees	-	73,300	73,300
Committees	47,528	-	47,528
Grants	30,997	-	30,997
Audit support	18,500	-	18,500
Other	1,176	15,738	16,914
Office expenses	-	3,774	3,774
	<u>\$ 274,512</u>	<u>\$ 115,170</u>	<u>\$ 389,682</u>
Total expenses			
	2019		
	Program Services	Management and General	Total
Personnel	\$ 48,932	\$ 21,530	\$ 70,462
Professional fees	-	20,000	20,000
Committees	46,514	8,917	55,431
Grants	32,850	-	32,850
Audit support	20,000	-	20,000
Other	8,941	15,315	24,256
Office expenses	-	30,664	30,664
	<u>\$ 157,237</u>	<u>\$ 96,426</u>	<u>\$ 253,663</u>
Total expenses			

See accompanying notes.

Southeastern Jurisdictional Conference of the United Methodist Church
 Statements of Cash Flows
 Years Ended December 31, 2020 and 2019

	<u>2020</u>	<u>2019</u>
Cash flows from operating activities:		
Change in net assets	\$ 170,576	\$ 498,169
Adjustments to reconcile change in net assets to net cash (used) provided by operating activities:		
Net reinvested interest and dividends	(36,011)	(64,669)
Net realized and unrealized gain on investments	(74,379)	(75,698)
Change in value of perpetual trust, net of withdrawals	(63,895)	(109,765)
Contributions restricted for endowment	(4,775)	(1,000)
Change in assets and liabilities:		
Annual conference receivables	44,148	(13,557)
Prepaid expenses and other current assets	(30,666)	-
Accounts payable and accrued expenses	(15,000)	(9,415)
Funds held for others	-	2,600
	<u>(10,002)</u>	<u>226,665</u>
Cash flows from by investing activities:		
Purchases of investments	(150,000)	(275,000)
Proceeds from sales of investments	<u>287,000</u>	<u>-</u>
	<u>137,000</u>	<u>(275,000)</u>
Cash flows from financing activities:		
Contributions restricted for endowment	<u>4,775</u>	<u>1,000</u>
	131,773	(47,335)
Net increase (decrease) in cash and cash equivalents		
Cash and cash equivalents, beginning of year	<u>93,053</u>	<u>140,388</u>
	<u>\$ 224,826</u>	<u>\$ 93,053</u>
Cash and cash equivalents, end of year		

See accompanying notes.

Notes to the Financial Statements

1. Organization and Nature of Activities

The accompanying financial statements include the accounts of Southeastern Jurisdictional Conference of the United Methodist Church, Inc. (the Organization).

The Organization functions as an agent of the United Methodist Church (Church) within the Southeastern region of the United States. The Organization receives apportionment contributions remitted by annual conferences and allocates the contributions received to affiliated committees and other associated groups and boards. The allocation of these funds to these related entities is made based on a quadrennial conference expense budget. The quadrennial budget also provides the Organization with certain funds for administrative and conference expenses.

The Southeastern Jurisdictional Commission on Archives and History (Commission) is a program within the Organization. The Commission's mission is to preserve and keep alive the stories of the remarkable persons, places, and events that make up the history of the United Methodists in the states that comprise the Southeastern Jurisdiction. The Commission operates the Heritage Center.

2. Summary of Significant Accounting Policies

Basis of presentation

The financial statements of the Organization have been prepared in accordance with accounting principles generally accepted in the United States of America ("U.S. GAAP"), which require the Organization to report information regarding its financial position and activities according to the following net asset classifications:

Net assets without donor restrictions: Net assets that are not subject to donor-imposed restrictions may be expended for any purpose in performing the primary objectives of the Organization. These net assets may be used at the discretion of the Organization's management and the Committee on Finance and Administration for use in the Organization's operations or may be designated for specific purposes by action of the Committee on Finance and Administration.

Net assets with donor restrictions: Net assets subject to stipulations imposed by donors and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of the Organization or by the passage of time. Other donor restrictions are perpetual in nature, whereby the donor has stipulated the funds be maintained in perpetuity.

Revenues and support are reported as increases in net assets without donor restrictions unless use of the related assets is limited by donor-imposed restrictions. Expenses are reported as decreases in net assets without donor restrictions. Gains and losses on investments and other assets or liabilities are reported as increases or decreases in net assets without donor restrictions unless their use is restricted by explicit donor-imposed stipulation or by law. Expirations of restrictions on net assets with donor restrictions (i.e., the donor stipulated purposes have been fulfilled and/or the stipulated time period has elapsed) are reported as net assets released from restrictions.

Recent Accounting Pronouncement

In May 2014, the Financial Accounting Standards Board (“FASB”) issued Accounting Standards Update (“ASU”) No. 2014-09, *Revenue from Contracts with Customers (Topic 606)*. The ASU and all subsequently issued clarifying ASUs replaced most existing revenue recognition guidance in U.S. GAAP. The ASU also required expanded disclosures relating to the nature, amount, timing, and uncertainty of revenue and cash flows arising from contracts with customers. The Organization adopted the new standard effective January 1, 2020, the first day of the Organization’s fiscal year using the modified retrospective approach. The Organization does not have significant exchange transactions. As a result, the adoption did not result in a material difference from the previous policy and therefore, the Organization’s beginning net assets have not been adjusted to reflect any adjustments.

In August 2018, the Financial Accounting Standards Board (“FASB”) issued Accounting Standards Update (“ASU”) 2018-13, *Fair Value Measurement (Topic 820): Disclosure Framework-Changes to the Disclosure Requirements for Fair Value Measurement*. The ASU removes, modifies, and adds certain disclosures required under Topic 820, Fair Value Measurement. The ASU is effective for fiscal years beginning after December 31, 2019, with early adoption permitted. The most significant change applicable to the Plan was modification of the disclosure requirements related to Level 3 fair value measurements which no longer requires detailed reconciliation from opening balances to closing balances. Instead, activity related to purchases, issuances and transfers in and out of Level 3 are required to be disclosed. The Organization has adopted this guidance for the year ended December 31, 2020.

Estimates

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

Cash and cash equivalents

For the purposes of the statement of cash flows, all highly liquid investments purchased with an original maturity of three months or less are considered to be cash and cash equivalents.

Annual conference receivables

As a significant dollar amount of the apportionments are received close to year end, the church conferences are provided a cut-off date subsequent to year end in order for churches to fulfill their annual apportionments. Thus, annual conference receivables are recognized at the dollar amount of apportionments received by the cut-off date. As such, no allowance for doubtful accounts is necessary.

Investments

Purchased investments are initially recorded at cost. Investments received by gift are initially recorded at fair value at the date of the donation. The Organization’s investments are either directly invested or pooled into larger investment funds. The Organization’s pooled investments are valued at fair value based upon the net asset value of each fund as provided by the investment holder or other observable information. The Organization’s direct investments, which consist of mutual funds, are valued at fair value.

Investments held as trustee for perpetual trust

The Organization has been named as trustee for a perpetual trust, the Cora Renfro Trust (the Renfro Trust) and is the sole beneficiary of the trust earnings. Assets in this trust are currently held in pooled investments under an investment agreement. Corpus of \$100,000 must be maintained at all times in the trust, but any excess earnings may be spent by the Organization for rural church development.

Southeastern Jurisdictional Conference of the United Methodist Church
Notes to the Financial Statements

Funds held for others

The Organization 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 in accordance with Accounting Standards Codification (ASC) 958-65-30, *Not-for-Profit Entities*.

Annual conference apportionment contributions

The principal source of income is apportionments received from underlying church conferences. Apportionments are the approved levels of support allocated to church conferences. Apportionments expire at the end of each calendar year. Although the church discipline requires the church conferences to satisfy their apportionment allocation, the conferences do not have any financial commitment for the underpayment of their apportionments.

Recognition of contributions

Contributions are recorded at their estimated fair value when the donor makes a promise to give that is, in substance, unconditional.

Functional expenses

The Organization allocates its expenses on a functional basis among its program and supporting services. Expenses are identified with a specific program or supporting service and are allocated directly as program or administrative expenses. The Organization has no fundraising costs.

Income taxes

The Organization is a not-for-profit organization and is exempt from federal and state income taxes as part of the United Methodist Church Group Tax Exemption Ruling. Accordingly, no provision for income taxes has been made in the accompanying financial statements. The Organization has determined that there are no material unrecognized tax benefits or obligations as of December 31, 2020 and 2019.

Concentration

Financial instruments that potentially subject the Organization to concentration of credit risk consist of cash and cash equivalents. The Organization places temporary cash investments with high credit quality financial institutions. At December 31, 2020 and 2019, the cash and cash equivalents did not exceed federally insured limits.

Subsequent events

In preparing these financial statements, the Organization has evaluated events and transactions for potential recognition or disclosure through February 25, 2022, the date the financial statements were available to be issued.

Southeastern Jurisdictional Conference of the United Methodist Church
Notes to the Financial Statements

3. Availability and Liquidity

The following represents the Organization's financial assets at December 31:

	<u>2020</u>	<u>2019</u>
Financial assets at year-end:		
Cash and cash equivalents	\$ 224,826	\$ 93,053
Annual conference receivables	19,579	63,727
Investments	<u>2,663,220</u>	<u>2,689,830</u>
Financial assets at year-end	<u>2,907,625</u>	2,846,610
Less:		
Financial assets with donor restrictions	(1,345,217)	(1,276,647)
Financial assets with board designations	<u>(8,551)</u>	<u>(14,201)</u>
Financial assets available to meet general expenditures over the next twelve months	<u>\$ 1,553,857</u>	<u>\$ 1,555,761</u>

The Organization's policy is to structure its financial assets to be available for general expenditures and other obligations come due.

4. Investments

Investments are carried at the instrument's fair value with any realized or unrealized gains or losses reported in the statements of activities. Realized gains or losses are reported in the period of sale and unrealized gains and losses are reported each year as the change in their fair value occurs. Investments consist of the following at December 31:

	<u>2020</u>		<u>2019</u>	
	<u>Amortized Cost</u>	<u>Fair Value</u>	<u>Amortized Cost</u>	<u>Fair Value</u>
Mutual funds	\$ 210,961	\$ 235,747	\$ 204,505	\$ 202,803
Alternative investments	<u>2,316,568</u>	<u>2,427,473</u>	<u>2,414,639</u>	<u>2,487,027</u>
	<u>\$ 2,527,529</u>	<u>\$ 2,663,220</u>	<u>\$ 2,619,144</u>	<u>\$ 2,689,830</u>
Investments held as trustee for Perpetual trust (Renfro Trust)	<u>\$ 643,072</u>	<u>\$ 879,408</u>	<u>\$ 660,356</u>	<u>\$ 815,513</u>

Net investment income consisted of the following for the years ended December 31:

	<u>2020</u>	<u>2019</u>
Interest and dividend income	\$ 37,229	\$ 66,146
Realized gains (losses), net	9,373	(7)
Unrealized gains, net	65,006	75,705
Investment fees	<u>(1,218)</u>	<u>(1,477)</u>
Investment income, net	<u>\$ 110,390</u>	<u>\$ 140,367</u>

5. Fair Value Measurements

Accounting standards establish a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurements) and the lowest priority to unobservable inputs (level 3 measurements). The three levels of the fair value hierarchy are described below:

Level 1: Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Trust has the ability to access.

Level 2: Inputs to the valuation methodology include:

- quoted prices for similar assets or liabilities in active markets;
- quoted prices for identical or similar assets or liabilities in inactive markets;
- inputs other than quoted prices that are observable for the asset or liability;
- inputs that are derived principally from or corroborated by observable market data by correlation or other means.

If the asset or liability has a specified (contractual) term, the level 2 input must be observable for substantially the full term of the asset or liability.

Level 3: Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs. The following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in the methodologies used during the years ended December 31, 2020 and 2019.

Mutual funds

Valued at the closing price reported on the active market on which the individual securities are traded.

Pooled investments

Alternative investments are valued using the practical expedient at the Organization's pro-rata interest in the net assets of these entities. Investments held by these entities are valued at prices which approximate fair value. The fair value of certain investments in the underlying entities, which may include private placements and other securities for which values are not readily available, are determined in good faith by the investment advisors of the respective entities and may not reflect amounts that could be realized upon immediate sale, nor amounts that may be ultimately realized. Net asset valuations (NAV) are provided daily, monthly, or quarterly by these entities. Appreciation of investments in these entities is net of all allocations to the investment advisors.

Southeastern Jurisdictional Conference of the United Methodist Church
Notes to the Financial Statements

The following tables set forth by level, within the fair value hierarchy, the Organization's assets at fair value as of December 31:

	2020			Total
	Level 1	Level 2	Level 3	
Mutual funds	<u>\$ 235,747</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 235,747</u>
Total assets in the fair value hierarchy	<u>\$ 235,747</u>	<u>\$ -</u>	<u>\$ -</u>	<u>235,747</u>
Assets measured at NAV (a)				
Pooled investments measured at NAV:				
Virginia United Methodist Development Company investment certificates				1,952,983
The United Methodist Church Foundation Balanced Fund				268,302
Wespath pooled funds				<u>206,188</u>
				2,663,220
Pooled investments held as trustee for perpetual trust:				
Virginia United Methodist Foundation				<u>879,408</u>
Total assets at fair value				<u>\$ 3,542,628</u>

	2019			Total
	Level 1	Level 2	Level 3	
Mutual funds	<u>\$ 202,803</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 202,803</u>
Total assets in the fair value hierarchy	<u>\$ 202,803</u>	<u>\$ -</u>	<u>\$ -</u>	<u>202,803</u>
Assets measured at NAV (a)				
Pooled investments measured at NAV:				
Virginia United Methodist Development Company investment certificates				2,057,442
The United Methodist Church Foundation Balanced Fund				403,053
Wespath pooled funds				<u>26,532</u>
				2,689,830
Pooled investments held as trustee for perpetual trust:				
Virginia United Methodist Foundation				<u>815,513</u>
Total assets at fair value				<u>\$ 3,505,343</u>

(a) Certain investments that are measured at fair value using the net asset value per share (or equivalent) practical expedient have not been recognized in the fair value hierarchy. The fair value amounts presented in this table are intended to show reconciliation to the amounts presented on the statements of financial position. The majority of these investments measured at NAV consist of pooled equity and fixed income funds. The Organization invests for the long-term, guided by its investment policy which reflects its macroeconomic views and expectations regarding the drivers of future economic growth.

Southeastern Jurisdictional Conference of the United Methodist Church
Notes to the Financial Statements

The preceding methods described may produce a fair value calculation that may not be indicative of the net realizable value or reflective of future values. Furthermore, although the Organization believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

6. Restricted Net Assets

Net assets with donor restrictions consist of the following at December 31:

	2020		
	<u>Temporary Restrictions</u>	<u>Perpetual Restrictions</u>	<u>Total with Donor Restrictions</u>
Rural church development under the Renfro Trust agreement	\$ 779,408	\$ 100,000	\$ 879,408
Endowment for Heritage Center operations and maintenance	<u>-</u>	<u>465,809</u>	<u>465,809</u>
	<u>\$ 779,408</u>	<u>\$ 565,809</u>	<u>\$ 1,345,217</u>
	2019		
	<u>Temporary Restrictions</u>	<u>Perpetual Restrictions</u>	<u>Total with Donor Restrictions</u>
Rural church development under the Renfro Trust agreement	\$ 715,613	\$ 100,000	\$ 815,613
Endowment for Heritage Center operations and maintenance	<u>-</u>	<u>461,034</u>	<u>461,034</u>
	<u>\$ 715,613</u>	<u>\$ 561,034</u>	<u>\$ 1,276,647</u>

7. Net Assets Released from Restrictions

During the years ended December 31, 2020 and 2019, net assets were released from donor restrictions by incurring expenses satisfying the restricted purposes or by occurrence of other events specified by donors.

	<u>2020</u>	<u>2019</u>
Rural church development under the Renfro Trust agreement	\$ 30,997	\$ 32,850
Heritage Center operations and maintenance	<u>57,155</u>	<u>50,958</u>
	<u>\$ 88,152</u>	<u>\$ 83,808</u>

Southeastern Jurisdictional Conference of the United Methodist Church
Notes to the Financial Statements

8. Endowment

The Organization's endowment consists of a fund established to support the operations and maintenance of the Commission, including acquisition of artifacts. As required by U.S. GAAP, net assets associated with the endowment fund are classified and reported based on the existence or absence of donor-imposed restrictions.

Endowment net composition by type is as follows at December 31:

	2020			Total
	Without Donor Restrictions	With Donor Restrictions		
		Temporary	Perpetual	
Donor-restricted endowment funds	\$ -	\$ -	\$ 465,809	\$ 465,809
Board designated endowment funds	<u>8,551</u>	<u>-</u>	<u>-</u>	<u>8,551</u>
	<u>\$ 8,551</u>	<u>\$ -</u>	<u>\$ 465,809</u>	<u>\$ 474,360</u>
	2019			
	Without Donor Restrictions	With Donor Restrictions		
		Temporary	Perpetual	Total
Donor-restricted endowment funds	\$ -	\$ -	\$ 461,034	\$ 461,034
Board designated endowment funds	<u>14,201</u>	<u>-</u>	<u>-</u>	<u>14,201</u>
	<u>\$ 14,201</u>	<u>\$ -</u>	<u>\$ 461,034</u>	<u>\$ 475,235</u>

The management of donor-restricted endowment funds is governed by state law under the Uniform Prudent Management of Institutional Funds (UPMIFA) law as adopted by the state legislature. North Carolina's version of UPMIFA was enacted during 2008. The Board of Directors has interpreted the relevant state law as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds, absent explicit donor stipulations to the contrary. As a result of this interpretation, the Organization classifies as permanently restricted net assets (a) the original value of gift 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 accumulation is added to the fund.

In accordance with the state UPMIFA law, the Organization considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds: (1) the duration and preservation of the fund, (2) the purpose of the organization and the donor-restricted endowment fund, (3) general economic conditions, (4) the possible effect of inflation and deflation, (5) the expected total return from income and the appreciation of investments, (6) other resources of the organization, and (7) the investment policies of the organization.

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor or state UPMIFA guidelines require the Organization to retain as a fund of perpetual duration. There were no deficiencies of this nature as of December 31, 2020 or 2019.

The Organization 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. Under this policy, as approved by the Board of Directors, the endowment assets are invested in a manner that is intended to maximize income available for operations while assuming a moderate level of investment risk. Actual returns in any given year may vary from these objectives.

Southeastern Jurisdictional Conference of the United Methodist Church
Notes to the Financial Statements

To satisfy its long-term rate of return objectives, the Organization 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 Organization targets a diversified asset allocation that places greater emphasis on equity-based investments to achieve its long-term return objectives within prudent risk constraints.

The Organization's endowment policy specifies that 90% of investment income will be used to supplement the annual operational budget of the Commission. The remaining 10% of this income is reinvested in the Endowment Fund as board designated funds within the permanent endowment. In establishing this policy, the Organization considered the long-term expected return on its endowment. Accordingly, over the long-term, the Organization expects the current spending policy to allow its endowment to grow at a rate sufficient to meet its ongoing operational needs. This is consistent with the Organization's objective to maintain the purchasing power of the endowment assets held in perpetuity as well as to provide additional real growth through new gifts and investment returns. During 2020, the Council on Finance and Administration voted to release \$12,000 board designated net assets to support the operating budget of the Organization.

A summary of the activity in endowment funds is as follows:

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>		<u>Total</u>
		<u>Temporary</u>	<u>Perpetual</u>	
Endowment net assets, December 31, 2018	\$ 5,569	\$ (26,734)	\$ 460,034	\$ 438,869
Investment return:				
Investment income, net	2,545	22,905	-	25,450
Net realized and unrealized gains	6,087	54,787	-	60,874
Contributions	-	-	1,000	1,000
Appropriation for expenditure	<u>-</u>	<u>(50,958)</u>	<u>-</u>	<u>(50,958)</u>
 Endowment net assets, December 31, 2019	 14,201	 -	 461,034	 475,235
Investment return:				
Investment income, net	1,093	9,841	-	10,934
Net realized and unrealized gains	5,257	47,314	-	52,571
Contributions	-	-	4,775	4,775
Appropriation for expenditure	<u>(12,000)</u>	<u>(57,155)</u>	<u>-</u>	<u>(69,155)</u>
 Endowment net assets, December 31, 2020	 <u>\$ 8,551</u>	 <u>\$ -</u>	 <u>\$ 465,809</u>	 <u>\$ 474,360</u>

9. Commitment and Subsequent Event

On November 20, 2020, the Committee on Finance and Administration of the Organization approved the intention to make contributions to the underlying church conferences. The allocation of funds to each conference was to be based upon a calculation of the historical apportionment contributions received from each conference through the 2020 apportionment year. As a result, the amount to be distributed to each recipient conference was not known as of year-end. Subsequent to December 31, 2020, the Organization distributed approximately \$1.1 million to the underlying church conferences.