

**WEST VIRGINIA
CONFERENCE OF THE UNITED METHODIST CHURCH
CONSOLIDATED FINANCIAL REPORT**

Year Ended December 31, 2022

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INDEPENDENT AUDITOR'S REPORT

To the Council on Finance and Administration
West Virginia Conference of the United Methodist Church
Charleston, West Virginia

Opinion

We have audited the accompanying consolidated financial statements of West Virginia Conference of the United Methodist Church (the Conference), which comprise the consolidated statements of assets, liabilities, and net assets – modified cash basis as of December 31, 2022 and 2021, and the related consolidated statements of changes in net assets – modified cash basis and statements of functional expenses – modified cash basis for the years then ended, and the related notes to the consolidated financial statements.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the assets, liabilities, and net assets of West Virginia Conference of the United Methodist Church as of December 31, 2022 and 2021, and its changes in net assets for the years then ended in accordance with the modified cash basis of accounting as described in Note 1.

Basis for 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 the Conference 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.

Basis of Accounting

We draw attention to Note 1 of the consolidated financial statements, which describes the basis of accounting. The consolidated financial statements are prepared on the modified cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to that matter.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with the modified cash basis of accounting; this includes determining the modified cash basis of accounting is an acceptable basis for the preparation of the financial statements in the circumstances. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of the consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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Responsibilities of Management for the Financial Statements (Continued)

In preparing the consolidated financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Conference's ability to continue as a going concern within one year after the date that the consolidated 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 consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's 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 consolidated financial statements.

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the consolidated 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 consolidated financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Conference'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 consolidated financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Conference'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 Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The supplementary information on page 17 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

Report on Supplementary Information (Continued)

used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the consolidated financial statements as a whole.

Brown, Edwards & Company, L.L.P.
CERTIFIED PUBLIC ACCOUNTANTS

Charleston, West Virginia
July 5, 2023

WEST VIRGINIA CONFERENCE OF THE UNITED METHODIST CHURCH**CONSOLIDATED STATEMENTS OF ASSETS, LIABILITIES, AND NET ASSETS -
MODIFIED CASH BASIS
December 31, 2022 and 2021**

	<u>2022</u>	<u>2021</u>
<u>ASSETS</u>		
Cash	\$ 1,625,990	\$ 1,674,919
Investments (Note 3)	26,827,671	29,289,686
Loans receivable	159,384	202,607
Beneficial interest in external trusts (Note 3)	1,156,761	1,420,854
Beneficial interest in net assets with affiliates (Note 3)	494,242	584,318
Other assets	5,000	-
	<u>5,000</u>	<u>-</u>
Total assets	<u>\$ 30,269,048</u>	<u>\$ 33,172,384</u>
 <u>LIABILITIES AND NET ASSETS</u>		
Distributions payable	\$ 365,636	\$ 414,614
	<u>365,636</u>	<u>414,614</u>
Total liabilities	<u>365,636</u>	<u>414,614</u>
Net assets:		
Without donor restrictions (Note 5)	27,715,571	30,140,874
With donor restrictions (Note 5)	2,187,841	2,616,896
Total net assets	<u>29,903,412</u>	<u>32,757,770</u>
Total liabilities and net assets	<u>\$ 30,269,048</u>	<u>\$ 33,172,384</u>

The Notes to Consolidated Financial Statements are an integral part of these statements.

WEST VIRGINIA CONFERENCE OF THE UNITED METHODIST CHURCH**CONSOLIDATED STATEMENT OF CHANGES IN NET ASSETS -
MODIFIED CASH BASIS****Year Ended December 31, 2022**

	Without Donor Restrictions	With Donor Restrictions	Total
REVENUES AND SUPPORT			
Fair Share	\$ 9,511,218	\$ -	\$ 9,511,218
Benevolence	167,415	225,354	392,769
Insurance and pension plan payments	4,594,088	-	4,594,088
Church closure proceeds	208,131	-	208,131
Royalty income	828,900	-	828,900
Grants	57,754	1,282	59,036
Other	805,255	1,759	807,014
Net assets released from restrictions (Note 4)	303,282	(303,282)	-
Total revenues and other support	<u>16,476,043</u>	<u>(74,887)</u>	<u>16,401,156</u>
EXPENSES			
Program services:			
Clergy support and benefits	8,211,648	-	8,211,648
Ministerial support and benevolences	2,825,419	-	2,825,419
General church and jurisdictional apportionments	1,405,227	-	1,405,227
	<u>12,442,294</u>	<u>-</u>	<u>12,442,294</u>
General administration	2,664,507	-	2,664,507
Total expenses	<u>15,106,801</u>	<u>-</u>	<u>15,106,801</u>
Change in net assets before investment income	1,369,242	(74,887)	1,294,355
INVESTMENT INCOME			
Investment income (loss), net	(3,808,792)	-	(3,808,792)
Net loss on beneficial interests	-	(354,168)	(354,168)
Other interest income	14,247	-	14,247
Change in net assets	<u>(2,425,303)</u>	<u>(429,055)</u>	<u>(2,854,358)</u>
Net assets, beginning	<u>30,140,874</u>	<u>2,616,896</u>	<u>32,757,770</u>
Net assets, ending	<u>\$ 27,715,571</u>	<u>\$ 2,187,841</u>	<u>\$ 29,903,412</u>

The Notes to Consolidated Financial Statements are an integral part of these statements.

WEST VIRGINIA CONFERENCE OF THE UNITED METHODIST CHURCH**CONSOLIDATED STATEMENT OF CHANGES IN NET ASSETS -
MODIFIED CASH BASIS****Year Ended December 31, 2021**

	Without Donor Restrictions	With Donor Restrictions	Total
REVENUES AND SUPPORT			
Fair Share	\$ 10,048,124	\$ -	\$ 10,048,124
Benevolence	184,040	228,097	412,137
Insurance and pension plan payments	5,595,146	-	5,595,146
Church closure proceeds	233,146	-	233,146
Royalty income	465,238	-	465,238
Grants	29,084	11,152	40,236
Other	618,510	101,422	719,932
Net assets released from restrictions (Note 4)	243,282	(243,282)	-
Total revenues and other support	17,416,570	97,389	17,513,959
EXPENSES			
Program services:			
Clergy support and benefits	8,159,902	-	8,159,902
Ministerial support and benevolences	2,769,845	-	2,769,845
General church and jurisdictional apportionments	1,468,883	-	1,468,883
	12,398,630	-	12,398,630
General administration	2,740,002	-	2,740,002
Total expenses	15,138,632	-	15,138,632
Change in net assets before investment income	2,277,938	97,389	2,375,327
INVESTMENT INCOME			
Investment income, net	1,330,975	-	1,330,975
Net gain on beneficial interests	-	161,893	161,893
Other interest income	18,473	-	18,473
Change in net assets	3,627,386	259,282	3,886,668
Net assets, beginning	26,513,488	2,357,614	28,871,102
Net assets, ending	\$ 30,140,874	\$ 2,616,896	\$ 32,757,770

The Notes to Consolidated Financial Statements are an integral part of these statements.

WEST VIRGINIA CONFERENCE OF THE UNITED METHODIST CHURCH

**CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES -
MODIFIED CASH BASIS
Year Ended December 31, 2022**

	Clergy Support and Benefits	Ministerial Support and Benevolences	General Church and Jurisdictional Apportionment	Total Program Services	General Administration	Total
Employee compensation and benefits	\$ 108,743	\$ 1,344,335	\$ -	\$ 1,453,078	\$ 1,440,398	\$ 2,893,476
Continuing education	34,669	65,512	-	100,181	362	100,543
Office administration	8,805	110,035	1,900	120,740	293,209	413,949
Occupancy	-	42,662	-	42,662	193,398	236,060
Travel	26,424	85,220	1,283	112,927	102,734	215,661
Professional services and fees	22,121	-	-	22,121	40,520	62,641
Health care costs	7,004,958	-	-	7,004,958	-	7,004,958
Maintenance	6,552	87,117	-	93,669	39,785	133,454
Clergy support	63,055	182,955	-	246,010	-	246,010
Evangelism and outreach	62,852	726,633	13,258	802,743	306,349	1,109,092
Communications	-	40,702	-	40,702	-	40,702
Equipment and furnishings	-	21,624	-	21,624	5,967	27,591
Camping program expenses	-	56,500	-	56,500	-	56,500
Denominational apportionments	-	20,014	1,388,786	1,408,800	-	1,408,800
Leadership expenses	11,600	11,128	-	22,728	663	23,391
Event expenses	30,443	26,845	-	57,288	25,438	82,726
Property and liability insurance	-	-	-	-	215,684	215,684
Grants seminary students	77,225	-	-	77,225	-	77,225
Disaster recovery services	-	4,137	-	4,137	-	4,137
Wespath transactions	754,201	-	-	754,201	-	754,201
Total expenses	\$ 8,211,648	\$ 2,825,419	\$ 1,405,227	\$ 12,442,294	\$ 2,664,507	\$ 15,106,801

The Notes to Consolidated Financial Statements are an integral part of these statements.

WEST VIRGINIA CONFERENCE OF THE UNITED METHODIST CHURCH

CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES -
 MODIFIED CASH BASIS
 Year Ended December 31, 2021

	Clergy Support and Benefits	Ministerial Support and Benevolences	General Church and Jurisdictional Apportionment	Total Program Services	General Administration	Total
Employee compensation and benefits	\$ 131,995	\$ 1,316,682	\$ 7,200	\$ 1,455,877	\$ 1,566,221	\$ 3,022,098
Continuing education	34,253	61,068	-	95,321	542	95,863
Office administration	12,073	76,718	-	88,791	257,769	346,560
Occupancy	-	37,796	-	37,796	195,982	233,778
Travel	1,701	53,444	2,868	58,013	59,319	117,332
Professional services and fees	11,600	-	-	11,600	82,670	94,270
Health care costs	7,007,538	-	-	7,007,538	-	7,007,538
Maintenance	6,097	62,586	-	68,683	78,979	147,662
Clergy support	62,761	242,207	-	304,968	-	304,968
Evangelism and outreach	69,767	742,455	4,820	817,042	160,535	977,577
Communications	-	28,145	-	28,145	-	28,145
Equipment and furnishings	-	19,416	-	19,416	2,997	22,413
Camping program expenses	-	22,685	-	22,685	-	22,685
Denominational apportionments	-	16,143	1,453,995	1,470,138	-	1,470,138
Leadership expenses	413	323	-	736	1,137	1,873
Event expenses	-	20,378	-	20,378	3,239	23,617
Property and liability insurance	-	-	-	-	330,612	330,612
Grants seminary students	51,000	-	-	51,000	-	51,000
Mission grants	-	25,000	-	25,000	-	25,000
Disaster recovery services	-	44,799	-	44,799	-	44,799
Wespath transactions	770,704	-	-	770,704	-	770,704
Total expenses	\$ 8,159,902	\$ 2,769,845	\$ 1,468,883	\$ 12,398,630	\$ 2,740,002	\$ 15,138,632

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The Notes to Consolidated Financial Statements are an integral part of these statements.

WEST VIRGINIA CONFERENCE OF THE UNITED METHODIST CHURCH**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2022****Note 1. Description of Organization and Summary of Significant Accounting Policies**Organization and principles of consolidation

West Virginia Conference of the United Methodist Church represents one of the basic organization bodies in the global United Methodist Conference and serves approximately 1,100 local United Methodist churches in West Virginia and Garrett County, Maryland. The Conference provides administrative and program services to clergy and laypeople within West Virginia. Pension Funds, Inc. was incorporated for the purpose of being the plan sponsor of the Conference's health insurance plan and the beneficiary of certain beneficial interests.

These financial statements present the consolidated financial position and results of operations for West Virginia Conference of the United Methodist Church and Pension Funds, Inc. (collectively referred to as the "Conference"). The governing body of Pension Funds, Inc. is appointed by the West Virginia Conference of the United Methodist Church. The statements do not include the activities of the Conference's districts and local congregations because they do not meet the requirements of consolidation. All significant intercompany accounts and transactions have been eliminated.

Basis of accounting

The consolidated financial statements of the Conference are presented on the modified cash basis of accounting, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. Under this basis, revenue is reported when cash is received, and expenses are recorded when paid, and certain assets and liabilities arising from noncash transactions are not recognized. This basis differs from generally accepted accounting principles which require that revenue be recognized when earned rather than when received, and that expenses be recognized when incurred rather than when paid.

Use of estimates

The preparation of financial statements in conformity with the modified cash basis of accounting requires management to make estimates and assumptions that affect certain amounts and disclosures. Accordingly, actual results could differ from those estimates.

Income taxes

West Virginia Conference of the United Methodist Church and Pension Funds, Inc. are exempt from federal and state income taxes under Internal Revenue Code Section 501(c)(3).

Cash

Cash includes demand deposits with a regional financial institution. At December 31, 2022 and 2021, the Conference's cash accounts exceeded federally insured limits by approximately \$1,375,990 and \$1,424,919, respectively.

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WEST VIRGINIA CONFERENCE OF THE UNITED METHODIST CHURCH**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2022****Note 1. Description of Organization and Summary of Significant Accounting Policies
(Continued)**Investments

Investments are held at Wespath Benefits and Investments (Wespath) and at United Methodist Foundation of West Virginia, Inc. (the Foundation). Wespath is a general agency of The United Methodist Church, and provides investment services to United Methodist – related institutional investors through a portfolio of proprietary investment funds, and is one of the world's largest faith-based investment companies. The Foundation is a legally separate 501(c)(3) corporation charged with raising, managing, and distributing funds for charitable and religious purposes, with a special interest in United Methodist causes. The Foundation maintains amounts deposited in pooled investment portfolios where the underlying investments consist principally of investments in Wespath funds. Additions to the investment portfolio are assigned shares in the investment pool based upon the per share estimated fair value at the beginning of the month in which the funds are deposited. Income, including unrealized appreciation or depreciation and realized capital gains and losses, is allocated on a monthly basis based on the proportionate share of the total Foundation portfolio. The Conference does not require collateral to secure these investments.

Investments are stated at fair value. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. See Note 3 for discussion of fair value measurements.

Beneficial interest in perpetual trusts held by others

The Conference is the beneficiary under various perpetual trusts administered by the Foundation. Under the terms of the trusts, the Conference has the irrevocable right to receive income earned on the trusts' assets in perpetuity but will never receive the assets held in the trust. The underlying assets of the trusts are securities that are actively traded in the market.

Loans receivable

Loans receivable consists of loans made to clergy and laypeople. The carrying amount of loans receivable is reduced by an allowance that reflects management's estimate of collectability based upon the specific identification of doubtful accounts. No allowance for doubtful accounts was deemed necessary at December 31, 2022.

Contributions

The principal source of support is apportionments, also known as Fair Share, which are received from local churches. Apportionments are the recommended contributions for the local churches. Apportionments expire at the end of each calendar year. Local churches do not have any commitment on any underpayment of their apportionments. Additional contributions are received directly from donors. Such contributions are recognized at their estimated fair value and are considered to be available for unrestricted use unless specifically restricted by the donor. Amounts received that are designated for future periods or restricted by the donor for specific purposes are reported as net assets with donor restriction.

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WEST VIRGINIA CONFERENCE OF THE UNITED METHODIST CHURCH

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2022

**Note 1. Description of Organization and Summary of Significant Accounting Policies
(Continued)**Net assets

The Conference has classified its net assets based on the existence or absence of donor-imposed restrictions as follows:

Without donor restrictions: Assets that are not restricted by donors or for which restrictions have expired are unrestricted. Net assets without donor restrictions are available for use by the Conference at the discretion of the Board of Trustees.

With donor restrictions: Assets resulting from contributions whose use is limited by donor-imposed stipulations that either expire by the passage of time or by actions of the Conference are considered net assets with donor restrictions.

Functional expenses

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

Reclassification

Certain 2021 amounts have been reclassified to conform to the 2022 presentation.

Subsequent events

The date to which events occurring after December 31, 2022 have been evaluated for possible adjustment to or disclosure in the consolidated financial statements is July 5, 2023, which is the date the consolidated financial statements were available to be issued.

Note 2. Liquidity and Availability of Resources

The Conference regularly monitors the availability of resources required to meet its operating needs and other contractual commitments, while also striving to maximize the investment of its available funds. For purposes of analyzing resources available to meet general expenditures over a 12-month period, the Conference considers all expenditures related to its ongoing activities of ministry, outreach, and evangelism as well as the conduct of services undertaken to support those activities to be general expenditures.

At December 31, the Conference's financial resources were earmarked as follows:

Financial assets:		
Cash	2022	2021
	\$ 1,625,990	\$ 1,674,919
Investments	26,827,671	29,289,686
	28,453,661	30,964,605

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WEST VIRGINIA CONFERENCE OF THE UNITED METHODIST CHURCH

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2022**Note 2. Liquidity and Availability of Resources (Continued)**

Less those unavailable for general expenditure within one year:

Purpose restrictions	536,838	611,724
Conference board or agency designated financial assets	<u>24,122,155</u>	<u>24,805,199</u>
	<u>24,658,993</u>	<u>25,416,921</u>
Financial assets available within one year of the statement of financial position date for general expenditures	<u>\$ 3,794,668</u>	<u>\$ 5,547,682</u>

In addition to financial assets available to meet general expenditures over the next 12 months, the Conference operates with a balanced budget and anticipates collecting sufficient revenue to cover general expenditures not covered by donor-restricted resources.

The members of the Conference have designated a portion of its unrestricted resources for endowment and other purposes. Those amounts are identified as board or agency designated in the table above. These funds are invested for long-term appreciation and current income but remain available and may be spent at the discretion of the board or agency.

Note 3. Fair Value Measurements

The framework for measuring fair value provides 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). Valuation techniques maximize the use of observable inputs. The three levels of the fair value hierarchy are described as follows:

Level 1 - Inputs to the valuation methodology are quoted (unadjusted) in active market prices for identical assets or liabilities that the Conference can access at the measurement date.

Level 2 - Inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly, such as:

- 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 that are unobservable inputs for the asset or liability.

The following is a description of the valuation methodologies used for assets measured at fair value.

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WEST VIRGINIA CONFERENCE OF THE UNITED METHODIST CHURCH

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2022**

Note 3. Fair Value Measurements (Continued)

Funds held at the Foundation and Wespath: Net asset value (NAV) per unit equivalent is used as a practical expedient to estimate fair value. Investments that are measured at net asset value as a practical expedient are not classified in the fair value hierarchy. These investments consist of pooled funds, and the Conference owns shares of the pool and does not have direct ownership of the underlying investments.

Beneficial interests in external trusts and in net assets with affiliate: Valued using the fair value of the assets in the trusts as a practical expedient unless facts and circumstances indicate the fair value in the trust differs from the fair value of the beneficial interests.

	2022	
	Level 2	Total
Beneficial interest in external trust	\$ 1,156,761	\$ 1,156,761
Beneficial interest in net assets with affiliate	494,242	494,242
	<u>\$ 1,651,003</u>	<u>\$ 1,651,003</u>
Investments measured at net asset value:		
Funds held at the Foundation		\$ 20,284,895
Funds held at Wespath		6,542,776
		<u>\$ 26,827,671</u>

	2021	
	Level 2	Total
Beneficial interest in external trust	\$ 1,420,854	\$ 1,420,854
Beneficial interest in net assets with affiliate	584,318	584,318
	<u>\$ 2,005,172</u>	<u>\$ 2,005,172</u>
Investments measured at net asset value:		
Funds held at the Foundation		\$ 24,069,008
Funds held at Wespath		5,220,678
		<u>\$ 29,289,686</u>

Note 4. Net Assets Released From Restrictions

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purposes or by occurrence of other events specified by donors as follows:

	2022	2021
UMCOR Flood	\$ -	\$ 12,960
Educational Funds	152,068	80,202
WV Emergency Fund	5,623	48,564
COME Events	100,432	101,556
Volunteers in Mission	45,159	-
	<u>\$ 303,282</u>	<u>\$ 243,282</u>

WEST VIRGINIA CONFERENCE OF THE UNITED METHODIST CHURCH**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2022****Note 5. Net Assets**

Net assets consisted of the following:

	2022	2021
Without donor restrictions:		
Undesignated	\$ 3,593,416	\$ 5,335,675
Board designated	<u>24,122,155</u>	<u>24,805,199</u>
Total net assets without donor restrictions	<u>27,715,571</u>	<u>30,140,874</u>
With donor restrictions:		
Subject to expenditure for specific purposes and time:		
WV Emergency Fund	70,086	56,369
Discover U Grant	51,911	51,911
Volunteers in Mission	116,894	157,238
Educational Funds	160,956	221,252
Other	<u>136,991</u>	<u>124,954</u>
	<u>536,838</u>	<u>611,724</u>
Investment in perpetuity:		
Beneficial interest in net assets with affiliate	494,242	584,318
Beneficial interest in external trusts	<u>1,156,761</u>	<u>1,420,854</u>
	<u>1,651,003</u>	<u>2,005,172</u>
Total net assets with donor restrictions	<u>2,187,841</u>	<u>2,616,896</u>
Total net assets	<u>\$ 29,903,412</u>	<u>\$ 32,757,770</u>

Note 6. Pensions and Other Post Retirement BenefitsClergy Retirement Security Program

The Conference participates in the Clergy Retirement Security Program (CRSP), which is administered by the General Board of Pensions and Health Benefits ("General Board"). CRSP is a retirement program providing lifetime income for substantially all clergy and lay pastors. The CRSP is a result of an amendment and restatement of the Ministerial Pension Plan (MPP). The CRSP program consists of different benefit structures based on periods of service:

- CRSP (a multiemployer program) for service beginning January 1, 2007
- MPP (a multiemployer program) for service from January 1, 1982 to December 31, 2006
- Supplement One to the Clergy Retirement Security Program for service prior to 1982 (Pre-82 Plan)

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WEST VIRGINIA CONFERENCE OF THE UNITED METHODIST CHURCH**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2022****Note 6. Pensions and Other Post Retirement Benefits (Continued)**Clergy Retirement Security Program (Continued)

The CRSP has two components, a defined benefit component that requires contributions to be made by the Conference based on either denominational average compensation or actual compensation, and a defined contribution component that requires contributions to be made by the Conference based on at least 2% of eligible compensation for eligible participants or 3% if the participant contributes 1%. The Conference made contributions under the defined contribution component of \$387,701 and \$398,134 for the years ended December 31, 2022 and 2021, respectively. The Conference made contributions to the CRSP program of \$1,455,551 and \$1,503,148 under the defined benefit component for the year ended December 31, 2022 and 2021, respectively, which was funded by Pre-82 monies as described below.

The CRSP Plan is a common control church defined benefit pension plan. The assets that have been contributed to the CRSP Plan by the Conference could be used to provide benefits to clergy members of other annual conferences if another annual conference was unable to fund their portion of the pension liability.

The Conference made no contributions to the Pre-82 Plan in the year ending December 31, 2022. Based on the 2022 actuarial report received from the General Board, the Conference assets in the Pre-82 Plan were \$9,346,982 more than the plan's obligations of \$31,062,347. The status of any of the overfunding of the Conference's share as of January 1, 2022 of this plan is such that all assets held by Wespath for the Pre-82 plan are available to pay any and all obligations of the plan, regardless of the annual conference from which contributions came or under which benefits were accrued. It has been determined that any of the Conference's overfunded amount will be used to satisfy the Conference's future retirement or pension plan obligations.

Comprehensive Protection Plan

The Conference also participates in the Comprehensive Protection Plan (CPP) which provides disability and death benefits for clergy members. The Conference made contributions of \$369,722 and \$378,087 to the CPP for the years ended December 31, 2022 and 2021, respectively.

United Methodist Personal Investment Plan (UMPIP)

UMPIP is an Internal Revenue Code section 403(b) defined contribution multi-employer pension plan and provided a retirement savings plan for eligible clergy and employees of the Conference. The Conference contributes 9% of an eligible employee's compensation to a personal UMPIP account. Employees may contribute up to the dollar limits which are set law. The Conference made contributions of \$94,854 and \$96,031 for 2022 and 2021, respectively.

WEST VIRGINIA CONFERENCE OF THE UNITED METHODIST CHURCH**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS****December 31, 2022****Note 7. Contingencies**

The Conference sponsors a partially self-funded health care plan. During 2022, the Plan became fully insured, except for claims of participants in the Conference's Medicare supplement coverage. Estimated unpaid health care claims incurred as of December 31, 2022 and 2021 were approximately \$222,468 and \$891,253, respectively. This liability is not reflected in the accompanying consolidated financial statements in accordance with the modified cash basis of accounting.

The United Methodist Church is party to the Boy Scouts of America (BSA) bankruptcy. Leaders of the United Methodist Church negotiated a settlement in the matter of the BSA's pending bankruptcy proceedings that would resolve any claims of sexual abuse that may have occurred in congregation-sponsored Scouting programs. Under the terms of the settlement, United Methodists would raise and give \$30 million over a three-year period into a fund that will be utilized to compensate survivors, and United Methodist congregations that charter Scout troops and packs would be released from all abuse claims involving Scouting activities. In September 2022, the bankruptcy court approved a reorganization plan for the BSA that included the settlement negotiated by the United Methodist Church; however, the court's ruling has been appealed to the United States District Court. Subsequent to year end, on June 14, 2023, the Conference remitted payment for its share of the settlement in the amount of \$760,360. This liability is not reflected in the accompanying consolidated financial statements in accordance with the modified cash basis of accounting.

Note 8. Uncertainties

In 2019, the General Conference of the United Methodist Church adopted a provision to *The Book of Discipline* to allow churches to disaffiliate from The United Methodist Church over issues related to human sexuality. The Conference has fulfilled the responsibilities of *The Book of Discipline* by creating a plan for disaffiliation for those who seek to disaffiliate from the United Methodist Church. While the Conference has not experienced the rate of disaffiliation as seen by other conferences, future impact of any disaffiliations on pension and apportionment amounts due to the Conference are unknown at this time.

SUPPLEMENTARY INFORMATION**WEST VIRGINIA AREA OFFICE OF THE UNITED METHODIST CHURCH****STATEMENT OF CHANGES IN NET ASSETS - MODIFIED CASH BASIS****Year Ended December 31, 2022****with Comparative Totals for December 31, 2021**

	2022			2021
	Office Fund	Area Fund	Total	Total
REVENUES AND SUPPORT				
Fair Share	\$ -	\$ 18,961	\$ 18,961	\$ 23,257
Other	75,470	-	75,470	75,470
Total revenues and other support	75,470	18,961	94,431	98,727
EXPENSES				
Program services:				
General church and jurisdictional apportionments	-	5,563	5,563	14,888
Total program services	-	5,563	5,563	14,888
General administration	67,938	1,900	69,838	61,130
Total expenses	67,938	7,463	75,401	76,018
Change in net assets before investment income	7,532	11,498	19,030	22,709
INVESTMENT GAIN (LOSS)	(38,414)	-	(38,414)	11,967
TRANSFER TO CONFERENCE OPERATING FUND	-	(11,498)	(11,498)	(8,369)
Change in net assets	(30,882)	-	(30,882)	26,307
Net assets, beginning	243,516	-	243,516	217,209
Net assets, ending	\$ 212,634	\$ -	\$ 212,634	\$ 243,516

See Independent Auditor's Report.

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