



**THE UNITED METHODIST FOUNDATION OF
NORTHERN ILLINOIS CONFERENCE, INC.**

FINANCIAL STATEMENTS AND
INDEPENDENT AUDITOR'S REPORT

For the Years Ended December 31, 2021 and 2020



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**THE UNITED METHODIST FOUNDATION OF
NORTHERN ILLINOIS CONFERENCE, INC.
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1415 West Diehl Road, Suite 400
Naperville, IL 60563
630.566.8400

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INDEPENDENT AUDITOR'S REPORT

Board of Directors
The United Methodist Foundation of
Northern Illinois Conference, Inc.
Chicago, Illinois 60602

Opinion

We have audited the accompanying financial statements of the United Methodist Foundation of Northern Illinois Conference, Inc. (the Foundation), which comprise the statements of financial position as of December 31, 2021 and 2020, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects the financial position of the United Methodist Foundation of Northern Illinois Conference, Inc. at December 31, 2021 and 2020, and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits 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 Foundation 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 the Foundation'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 auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but it 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 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.

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 purpose of expressing an opinion on the effectiveness of the Foundation'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 the Foundation'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.

Sikich LLP

Naperville, Illinois
June 9, 2022

FINANCIAL STATEMENTS

**THE UNITED METHODIST FOUNDATION OF
NORTHERN ILLINOIS CONFERENCE, INC.**

STATEMENTS OF FINANCIAL POSITION

December 31, 2021 and 2020

| | 2021 | 2020 |
|---|---|----------------------|
| ASSETS | | |
| Cash and cash equivalents | \$ 190,063 | \$ 253,837 |
| Investments - operating | 546,091 | 380,469 |
| Investments - board designated | 4,221,861 | 3,583,063 |
| Amounts held on behalf of others | 89,502,425 | 78,044,765 |
| Split-interest investments | 4,992,728 | 5,054,312 |
| | TOTAL ASSETS | \$ 99,453,168 |
| | \$ 99,453,168 | \$ 87,316,446 |
| LIABILITIES AND NET ASSETS | | |
| LIABILITIES | | |
| Accounts payable and other accrued expenses | \$ 4,225 | \$ 4,206 |
| Amounts held on behalf of others | 89,502,425 | 78,044,765 |
| Split-interest obligations | 4,587,231 | 4,775,770 |
| | Total liabilities | 94,093,881 |
| | 94,093,881 | 82,824,741 |
| NET ASSETS | | |
| Without donor restrictions | | |
| Undesignated | 427,233 | 360,589 |
| Board-designated | 4,221,861 | 3,583,063 |
| | Total without donor restrictions | 4,649,094 |
| | 4,649,094 | 3,943,652 |
| With donor restrictions | | |
| | 710,193 | 548,053 |
| | Total net assets | 5,359,287 |
| | 5,359,287 | 4,491,705 |
| | TOTAL LIABILITIES AND NET ASSETS | \$ 99,453,168 |
| | \$ 99,453,168 | \$ 87,316,446 |

See accompanying notes to financial statements.

**THE UNITED METHODIST FOUNDATION OF
NORTHERN ILLINOIS CONFERENCE, INC.**

STATEMENT OF ACTIVITIES

For the Year Ended December 31, 2021

| | Without Donor Restrictions | With Donor Restrictions | Total |
|--|---------------------------------------|------------------------------------|---------------------|
| REVENUES | | | |
| Investment return | \$ 790,949 | \$ 193,361 | \$ 984,310 |
| Contributions, gifts, and bequests | 111,666 | - | 111,666 |
| Management fees | 545,199 | - | 545,199 |
| Other income | 183,973 | - | 183,973 |
| Change in value of split-interest agreements | - | (31,221) | (31,221) |
| Total revenues | 1,631,787 | 162,140 | 1,793,927 |
| EXPENSES | | | |
| Program expenses | 798,874 | - | 798,874 |
| Management and general expenses | 114,144 | - | 114,144 |
| Fundraising expenses | 13,327 | - | 13,327 |
| Total expenses | 926,345 | - | 926,345 |
| CHANGE IN NET ASSETS | 705,442 | 162,140 | 867,582 |
| NET ASSETS, BEGINNING OF THE YEAR | 3,943,652 | 548,053 | 4,491,705 |
| NET ASSETS, END OF YEAR | \$ 4,649,094 | \$ 710,193 | \$ 5,359,287 |

(This statement is continued on the following page.)

**THE UNITED METHODIST FOUNDATION OF
NORTHERN ILLINOIS CONFERENCE, INC.**

STATEMENT OF ACTIVITIES (Continued)

For the Year Ended December 31, 2020

| | Without Donor Restrictions | With Donor Restrictions | Total |
|--|---------------------------------------|------------------------------------|---------------------|
| REVENUES | | | |
| Investment return | \$ 304,466 | \$ 766,189 | \$ 1,070,655 |
| Contributions, gifts, and bequests | 171,513 | - | 171,513 |
| Management fees | 454,187 | - | 454,187 |
| Other income | 37,636 | - | 37,636 |
| Change in value of split-interest agreements | - | (468,718) | (468,718) |
| Total revenues | 967,802 | 297,471 | 1,265,273 |
| EXPENSES | | | |
| Program expenses | 721,360 | - | 721,360 |
| Management and general expenses | 104,976 | - | 104,976 |
| Fundraising expenses | 9,794 | - | 9,794 |
| Total expenses | 836,130 | - | 836,130 |
| CHANGE IN NET ASSETS | 131,672 | 297,471 | 429,143 |
| NET ASSETS, BEGINNING OF THE YEAR | 3,811,980 | 250,582 | 4,062,562 |
| NET ASSETS, END OF YEAR | \$ 3,943,652 | \$ 548,053 | \$ 4,491,705 |

See accompanying notes to financial statements.

**THE UNITED METHODIST FOUNDATION OF
NORTHERN ILLINOIS CONFERENCE, INC.**

STATEMENT OF FUNCTIONAL EXPENSES

For the Year Ended December 31, 2021

| | Program Services | Management and General | Fundraising | Total |
|----------------------------|-----------------------------|-----------------------------------|--------------------|-------------------|
| Administrative fees | \$ - | \$ 68,830 | \$ - | \$ 68,830 |
| Advertising and promotions | 1,182 | - | - | 1,182 |
| Conferences and meetings | 3,000 | - | - | 3,000 |
| Distributions | 490,221 | - | - | 490,221 |
| Dues | - | 1,315 | - | 1,315 |
| Employee benefits | 35,767 | 5,162 | 669 | 41,598 |
| Equipment rental | 683 | 683 | - | 1,366 |
| Facilities | 27,361 | 3,040 | - | 30,401 |
| Information technology | 47,946 | 1,387 | - | 49,333 |
| Insurance | - | 3,330 | - | 3,330 |
| Office expenses | 2,070 | 732 | - | 2,802 |
| Other | 3,760 | 854 | 7,200 | 11,814 |
| Payroll taxes | 5,492 | 610 | - | 6,102 |
| Printing and postage | 800 | 800 | 57 | 1,657 |
| Professional services | 24,722 | 4,078 | 3,500 | 32,300 |
| Salaries and wages | 152,165 | 20,269 | 1,891 | 174,325 |
| Service fee | 170 | - | - | 170 |
| Telephone | 2,278 | 271 | 10 | 2,559 |
| Training and development | - | 1,990 | - | 1,990 |
| Travel | 735 | 735 | - | 1,470 |
| Utilities | 522 | 58 | - | 580 |
| TOTAL | \$ 798,874 | \$ 114,144 | \$ 13,327 | \$ 926,345 |

(This statement is continued on the following page.)

**THE UNITED METHODIST FOUNDATION OF
NORTHERN ILLINOIS CONFERENCE, INC.**

STATEMENT OF FUNCTIONAL EXPENSES (Continued)

For the Year Ended December 31, 2020

| | Program Services | Management and General | Fundraising | Total |
|----------------------------|-----------------------------|-----------------------------------|--------------------|-------------------|
| Administrative fees | \$ - | \$ 60,087 | \$ - | \$ 60,087 |
| Advertising and promotions | 1,028 | - | - | 1,028 |
| Conferences and meetings | 12,543 | - | - | 12,543 |
| Distributions | 406,800 | - | - | 406,800 |
| Dues | - | 983 | - | 983 |
| Employee benefits | 41,879 | 5,827 | 660 | 48,366 |
| Equipment rental | 683 | 683 | - | 1,366 |
| Facilities | 27,361 | 3,040 | - | 30,401 |
| Information technology | 47,526 | 1,391 | - | 48,917 |
| Insurance | - | 3,330 | - | 3,330 |
| Legal fees | 1,283 | 1,390 | - | 2,673 |
| Office expenses | 2,024 | 1,982 | - | 4,006 |
| Other | 3,226 | 1,011 | 7,200 | 11,437 |
| Payroll taxes | 4,899 | 544 | - | 5,443 |
| Printing and postage | 289 | 289 | 74 | 652 |
| Professional services | 25,993 | 4,348 | - | 30,341 |
| Salaries and wages | 142,290 | 19,074 | 1,836 | 163,200 |
| Service fee | 91 | - | - | 91 |
| Telephone | 2,439 | 314 | 24 | 2,777 |
| Training and development | - | 23 | - | 23 |
| Travel | 483 | 602 | - | 1,085 |
| Utilities | 523 | 58 | - | 581 |
| TOTAL | \$ 721,360 | \$ 104,976 | \$ 9,794 | \$ 836,130 |

See accompanying notes to financial statements.

**THE UNITED METHODIST FOUNDATION OF
NORTHERN ILLINOIS CONFERENCE, INC.**

STATEMENTS OF CASH FLOWS

For the Years Ended December 31, 2021 and 2020

| | 2021 | 2020 |
|--|--------------|--------------|
| CASH FLOWS FROM OPERATING ACTIVITIES | | |
| Change in net assets | \$ 867,582 | \$ 429,143 |
| Adjustments to reconcile change in net assets to net cash from operating activities | | |
| Net realized and unrealized gains in investments | (851,823) | (925,592) |
| Change in fair value of split-interest agreements | (31,221) | (468,718) |
| Changes in operating assets and liabilities | | |
| Accounts payable and other accrued expenses | 19 | (16,407) |
| | (15,443) | (981,574) |
| CASH FLOWS FROM INVESTING ACTIVITIES | | |
| Purchases of investments | (11,814,462) | (36,926,602) |
| Proceeds from sale of investments | 11,733,909 | 37,493,117 |
| | (80,553) | 566,515 |
| CASH FLOWS FROM FINANCING ACTIVITIES | | |
| Proceeds from issuance of split-interest obligations | 199,999 | 785,571 |
| Payment of split-interest obligations | (167,777) | (305,725) |
| | 32,222 | 479,846 |
| NET INCREASE (DECREASE) | | |
| CASH AND CASH EQUIVALENTS | (63,774) | 64,787 |
| CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR | | |
| | 253,837 | 189,050 |
| CASH AND CASH EQUIVALENTS, END OF YEAR | | |
| | \$ 190,063 | \$ 253,837 |

See accompanying notes to financial statements.

**THE UNITED METHODIST FOUNDATION OF
NORTHERN ILLINOIS CONFERENCE, INC.**

NOTES TO FINANCIAL STATEMENTS

December 31, 2021 and 2020

1. NATURE OF ORGANIZATION

The United Methodist Foundation of Northern Illinois Conference, Inc. (the Foundation) is a not-for-profit organization providing stewardship opportunities for United Methodist churches and members through various programs which support the ministries of the Northern Illinois Conference of the United Methodist Church, Inc. (the Conference). Services are also available to assist donors in making cash gifts, bequests, annuities, and trust agreements with the Conference and its agencies as beneficiaries. The Foundation also acts as a custodian of funds subject to market fluctuations for account holders which are distributable at fair market value upon demand.

The Foundation is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code. Contributions to the Foundation are deductible for income tax purposes within the limitations of the law. The Foundation is not classified as a private foundation.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

The financial statements of the Foundation have been prepared on the accrual basis of accounting, whereby revenues are recognized when earned and expenses are recognized when incurred. The significant accounting policies followed are described below.

Financial Statement Presentation

The accompanying financial statements have been prepared to present balances and transactions according to the existence or absence of donor-imposed restrictions. Accordingly, net assets and changes therein are classified as follows:

Net Assets Without Donor Restrictions - Net assets available for use in general operations and not subject to donor restrictions. The Board of Directors (the Board) has designated, from net assets without donor restrictions, net assets for an operating reserve and other uses.

Net Assets With Donor Restrictions - Net assets subject to donor-imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity.

**THE UNITED METHODIST FOUNDATION OF
NORTHERN ILLINOIS CONFERENCE, INC.**
NOTES TO FINANCIAL STATEMENTS (Continued)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Cash and Cash Equivalents

The Foundation considers all investments purchased with an original maturity date less than three months to be cash equivalents, except amounts classified as investments due to pooling arrangements. The Foundation maintains its cash balance in financial institutions, which at times may exceed federally insured limits. As of December 31, 2021 and 2020, there was \$271,706 and \$351,690, respectively, in uninsured cash. The Foundation has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk on cash.

Investments

Money market funds are stated at cost. Investments, other than money market funds, are reflected in the accompanying financial statements at fair value. Investment return is reported net in the statement of activities and consists of interest and dividend income, realized and unrealized gains and losses, less external and direct internal investment expenses. Investment return is reflected in the statement of activities as income without donor restrictions, or income with donor restrictions based upon the existence and nature of any donor restrictions.

Amounts Held on Behalf of Others

Amounts held on behalf of others include pooled investments and cash held temporarily while awaiting investment. The statement of activities does not include revenues and expenses related to funds placed with the Foundation by various churches and agencies, except for management fees received on these funds. Earnings and distributions of investment income on these funds are similarly not shown since the Foundation acts only as fiscal agent for these account holders. The funds are distributable at fair market value upon demand.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles (USGAAP) requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses. It is reasonably possible that the significant estimates used will change within the next year. Accordingly, actual results could differ from those estimates.

**THE UNITED METHODIST FOUNDATION OF
NORTHERN ILLINOIS CONFERENCE, INC.**
NOTES TO FINANCIAL STATEMENTS (Continued)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Management Fees

The Foundation charges a management fee of 65 basis points (0.65%) for balances from \$0 to \$500,000, 60 basis points (0.60%) from \$500,000 to \$1,000,000, and 50 basis points (0.50%) for values above \$1,000,000. The performance obligation is holding the investments. These fees are charged on a monthly basis once the performance obligation is met. Revenue is recognized monthly at a point in time.

There are no opening balances for contract assets or contract liabilities with customers.

No significant judgments involved in the recognition of revenue.

The key economic factor that affects the recognition of revenues and cash flows is the investment market.

Fair Value Measurements

USGAAP establishes a framework for measuring fair value. That framework uses a hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. USGAAP requires the Foundation to maximize the use of observable inputs when measuring fair value. The hierarchy describes three levels of inputs, which are as follows:

Level 1: Quoted prices in active markets for identical assets or liabilities.

Level 2: Quoted prices for similar assets or liabilities in active markets; quoted prices for identical assets or liabilities in inactive markets; or inputs that are derived principally from or corroborated by observable market data by correlation or other means.

Level 3: Significant unobservable inputs.

In many cases, a valuation technique used to measure fair value includes inputs from more than one level of the fair value hierarchy. The lowest level of significant input determines the placement of the entire fair value measurement in the hierarchy. The categorization of an investment within the hierarchy reflects the relative ability to observe the fair value measure and does not necessarily correspond to the perceived risk of that investment.

If an investment that is measured using net asset value (NAV) has a readily determinable fair value (that is, it can be traded at the measurement date at its published NAV), it is included in Level 1 of the hierarchy. Otherwise, investments measured using NAVs are not included in Level 1, 2, or 3, but are separately reported.

**THE UNITED METHODIST FOUNDATION OF
NORTHERN ILLINOIS CONFERENCE, INC.**
NOTES TO FINANCIAL STATEMENTS (Continued)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Valuation Techniques

The following is a description of the valuation techniques used for assets and liabilities measured at fair value on a recurring basis. There have been no changes to the techniques used during the years ended December 31, 2021 and 2020.

Mutual funds: Valued at the NAV of shares on the last trading day of the fiscal year.

Equity securities: Valued at the closing quoted price in an active market.

Corporate bonds: The investment grade corporate bonds held by the Foundation generally do not trade in active markets on the measurement date. Therefore, corporate debt securities are valued using inputs including yields currently available on comparable securities of issuers with similar credit ratings, recent market price quotations (where observable), bond spreads, and fundamental data relating to the issuer.

U.S. government securities: U.S. Treasury bonds and notes in which the Foundation invests are usually “off the run” on the measurement date. Thus, they are valued by a pricing service using a model that incorporates market observable data such as reported sales of similar securities, broker quotes, yields, bids, offers, and reference data. U.S. Treasury bonds and notes that are “on the run” are measured at quoted prices in active markets for the same security.

Split-interest obligations: Charitable remainder trusts are based on the quoted fair values of the underlying securities as of the measurement date. The charitable gift annuities use a present value factor utilizing a discount rate equal to the Foundation’s assumed rate of return on the assets themselves.

Functional Allocation of Expenses

The costs of supporting the various programs and supporting services have been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among the program and supporting services benefited. Occupancy related expenses are allocated on a square footage basis, while the salaries and employee benefit expenses have been allocated based on the job responsibilities of the Foundation employees.

**THE UNITED METHODIST FOUNDATION OF
NORTHERN ILLINOIS CONFERENCE, INC.**
NOTES TO FINANCIAL STATEMENTS (Continued)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

New Accounting Pronouncements (Continued)

In February 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2016-02, *Leases (Topic 842)*, to increase the transparency and comparability about leases among entities. The new guidance requires lessees to recognize a lease liability and a corresponding lease asset for virtually all lease contracts and requires additional disclosures about leasing arrangements. ASU No. 2016-02, as amended by ASU No. 2020-05, is effective for nonpublic entities for fiscal years beginning after December 15, 2021 and interim periods within fiscal years beginning after December 15, 2022. ASU No. 2016-02 originally specified a modified retrospective transition method which requires the entity to initially apply the new leases standard at the beginning of the earliest period presented in the financial statements. In July 2018, FASB issued ASU No. 2018-11, *Leases (Topic 842): Targeted Improvements*, providing a second, optional transition method which allows the entity to apply the new standard at the adoption date and recognize a cumulative-effect adjustment to the opening balance of net assets in the period of adoption. The Foundation is currently assessing the impacts of this new standard, including the two optional transition methods.

In September 2020, FASB issued ASU No. 2020-07, *Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets (Topic 958)*, to increase the transparency of contributed nonfinancial assets for not-for-profit entities through enhancements to presentation and disclosure. A not-for-profit will be required to present contributed nonfinancial assets as a separate line item in the statement of activities, apart from contributions of cash or other financial assets. The standard also requires a not-for-profit to disclose contributed nonfinancial assets recognized within the statement of activities, disaggregated by category that depicts the type of nonfinancial assets. For each category of contributed nonfinancial assets recognized, the standard requires a not-for-profit to disclose additional qualitative information and policies regarding monetization or utilization of contributed nonfinancial assets; information about any donor-imposed restrictions; valuation techniques and inputs; and the principal market (or most advantageous market) used to arrive at a fair value measure if it is a market in which the recipient not-for-profit is prohibited by a donor-imposed restriction from selling or using the contributed nonfinancial assets. ASU No. 2020-07 is effective for fiscal years beginning after June 15, 2021 with early adoption permitted. The Foundation is currently assessing the impacts of this new standard.

**THE UNITED METHODIST FOUNDATION OF
NORTHERN ILLINOIS CONFERENCE, INC.**
NOTES TO FINANCIAL STATEMENTS (Continued)

3. LIQUIDITY AND AVAILABILITY

The Foundation strives to maintain liquid financial assets sufficient to cover 90 days of general expenditures.

The following table reflects the Foundation's financial assets as of December 31, 2021, reduced by amounts that are not available to meet general expenditures within one year of the statements of financial position date due to external donor restrictions and internal board designations. Amounts not available include board-designated endowments that have been set aside for various purposes. In the event the need arises to utilize the board-designated funds for liquidity purposes, the reserves could be drawn upon through board resolution, and these funds would become available for operational needs.

The Foundation's financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the statement of financial position date, are as follows:

| | <u>2021</u> | <u>2020</u> |
|--|--------------------|--------------------|
| Cash and cash equivalents | \$ 190,063 | \$ 253,837 |
| Investments | 4,767,952 | 3,963,532 |
| Split-interest investments | 4,992,728 | 5,054,312 |
| | <u>9,950,743</u> | <u>9,271,681</u> |
| Less amounts not available to be used for general expenditures within one year | | |
| Split-interest obligation | (4,587,231) | (4,775,770) |
| Donor-imposed restrictions | (710,193) | (548,053) |
| Internal designations | (4,221,861) | (3,583,063) |
| | <u>(9,519,285)</u> | <u>(9,906,886)</u> |
| FINANCIAL ASSETS AND LIQUIDITY | | |
| RESOURCES AVAILABLE WITHIN ONE YEAR | <u>\$ 431,458</u> | <u>\$ 364,795</u> |

As part of the Foundation's liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due. Additionally, although the Foundation does not intend to spend from its board-designated net assets other than amounts appropriated for general expenditure as part of its annual budget approval and appropriation process, amounts from its board-designated net assets could be made available if necessary.

**THE UNITED METHODIST FOUNDATION OF
NORTHERN ILLINOIS CONFERENCE, INC.**
NOTES TO FINANCIAL STATEMENTS (Continued)

4. FAIR VALUE MEASUREMENTS

The following table presents information about the Foundation's assets and liabilities measured at fair value on a recurring basis as of December 31, 2021:

| | Level 1 | Level 2 | Level 3 | Total |
|---|----------------------|----------------------|-------------|-----------------------------|
| ASSETS | | | | |
| Mutual funds | \$ 13,284,857 | \$ - | \$ - | \$ 13,284,857 |
| Equity securities | 61,497,277 | - | - | 61,497,277 |
| Corporate bonds | - | 4,534,676 | - | 4,534,676 |
| U.S. government securities | - | 18,162,487 | - | 18,162,487 |
| Subtotal | <u>\$ 74,782,134</u> | <u>\$ 22,697,163</u> | <u>\$ -</u> | 97,479,297 |
| Money market funds at cost | | | | <u>1,485,278</u> |
| TOTAL ASSETS | | | | <u>\$ 98,964,575</u> |
| LIABILITIES | | | | |
| Split-interest obligations | <u>\$ -</u> | <u>\$ 2,461,785</u> | <u>\$ -</u> | \$ 2,461,785 |
| Split-interest obligations at net present value | | | | <u>2,125,446</u> |
| TOTAL LIABILITIES | | | | <u>\$ 4,587,231</u> |

The following table presents information about the Foundation's assets and liabilities measured at fair value on a recurring basis as of December 31, 2020:

| | Level 1 | Level 2 | Level 3 | Total |
|----------------------------|----------------------|----------------------|-------------|-----------------------------|
| ASSETS | | | | |
| Mutual funds | \$ 11,692,266 | \$ - | \$ - | \$ 11,692,266 |
| Equity securities | 53,607,201 | - | - | 53,607,201 |
| Corporate bonds | - | 5,116,915 | - | 5,116,915 |
| U.S. government securities | - | 15,016,811 | - | 15,016,811 |
| Subtotal | <u>\$ 65,299,467</u> | <u>\$ 20,133,726</u> | <u>\$ -</u> | 85,433,193 |
| Money market funds at cost | | | | <u>1,504,412</u> |
| TOTAL ASSETS | | | | <u>\$ 86,937,605</u> |

**THE UNITED METHODIST FOUNDATION OF
NORTHERN ILLINOIS CONFERENCE, INC.**
NOTES TO FINANCIAL STATEMENTS (Continued)

4. FAIR VALUE MEASUREMENTS (Continued)

| | Level 1 | Level 2 | Level 3 | Total |
|---|---------|--------------|---------|---------------------|
| LIABILITIES | | | | |
| Split-interest obligations | \$ - | \$ 2,651,325 | \$ - | \$ 2,651,325 |
| Split-interest obligations at net present value | | | | <u>2,124,445</u> |
| TOTAL LIABILITIES | | | | <u>\$ 4,775,770</u> |

Total assets measured at fair value were presented on the statements of financial position as follows for the years ended December 31, 2021 and 2020:

| | 2021 | 2020 |
|------------------------------------|----------------------|----------------------|
| Investments | \$ 4,767,952 | \$ 3,963,532 |
| Amounts held on behalf of others | 89,502,425 | 78,044,765 |
| Less cash held on behalf of others | (298,530) | (125,004) |
| Split-interest investments | <u>4,992,728</u> | <u>5,054,312</u> |
| TOTAL ASSETS | <u>\$ 98,964,575</u> | <u>\$ 86,937,605</u> |

5. SPLIT-INTEREST AGREEMENTS

The Foundation administers various charitable remainder trusts and charitable gift annuities, which provide for the payment of distributions to designated beneficiaries over the instrument's term (usually the designated beneficiary's lifetime). Assets are invested and payments are made to designated beneficiaries in accordance with the respective agreements. At the end of the instrument's term, the remaining assets are distributed to designated beneficiaries. Assets held under split-interest agreements totaled \$4,992,728 and \$5,054,312 at December 31, 2021 and 2020, respectively. On an annual basis, the Foundation revalues the liability to make distributions to the designated beneficiaries based on actuarial assumptions. The present values of the estimated future payments of \$4,587,231 and \$4,775,720 at December 31, 2021 and 2020, respectively, are calculated using a discount rate of 4.50% and 4.50%, respectively, and applicable mortality tables. At December 31, 2021 and 2020, the assets under split-interest agreements exceed the obligation held for that purpose. For charitable remainder trusts, the payments to designated beneficiaries cease when the trust assets are exhausted. For charitable gift annuities, the obligations to make payments to designated beneficiaries are general obligations of the Foundation.

**THE UNITED METHODIST FOUNDATION OF
NORTHERN ILLINOIS CONFERENCE, INC.**
NOTES TO FINANCIAL STATEMENTS (Continued)

6. NET ASSETS

Undesignated and board-designated net assets are for the following purposes as of December 31, 2021 and 2020, respectively:

| | <u>2021</u> | <u>2020</u> |
|--|---------------------|---------------------|
| Undesignated (donor advised funds and other) | \$ 427,233 | \$ 360,589 |
| Board-designated | | |
| Grants ministry | 898,778 | 838,700 |
| Operations reserve | <u>3,323,083</u> | <u>2,744,363</u> |
| TOTAL NET ASSETS WITHOUT RESTRICTIONS | <u>\$ 4,649,094</u> | <u>\$ 3,943,652</u> |

Net assets with donor restrictions consist of two funds that are restricted for payments to specific beneficiaries and churches until the funds are depleted. As of December 31, 2021 and 2020, the balances of net assets with donor restrictions are \$304,696 and \$269,511, respectively.

In addition, net assets with donor restrictions include contributions from split interest agreements that have an implied time restriction. As of December 31, 2021 and 2020, the balances of net assets with donor restrictions are \$405,497 and \$278,542, respectively.

7. REVENUES FROM CONTRACT WITH CUSTOMERS

The Foundation recognizes revenue from contracts with customers through one primary revenue stream, management fees. The following table provides disaggregation of revenue from contracts with customers based on the timing of revenue recognition for the years ended December 31, 2021 and 2020:

| | <u>2021</u> | <u>2020</u> |
|---------------------------------------|-------------------|-------------------|
| Revenue recognized at a point in time | <u>\$ 545,199</u> | <u>\$ 454,187</u> |
| TOTAL | <u>\$ 545,199</u> | <u>\$ 454,187</u> |

8. RELATED PARTY TRANSACTIONS

The Conference charged the Foundation approximately \$37,022 and \$43,636 for the years ended December 31, 2021 and 2020, respectively, for office rental and other operating expenses incurred by the Conference on behalf of the Foundation.

**THE UNITED METHODIST FOUNDATION OF
NORTHERN ILLINOIS CONFERENCE, INC.**
NOTES TO FINANCIAL STATEMENTS (Continued)

9. CONTRIBUTED RESOURCES AND SERVICES

Unpaid volunteers have made significant contributions of their time on behalf of the Foundation. The value of this contributed time and other contributed resources is not reflected in these financial statements since they do not meet the criteria established for recording contributions in the financial statements.

10. RETIREMENT PLAN

The Foundation contributes to a retirement plan. Contributions are based on a percentage of an employee's salary. The plan provides benefits to employees who meet minimum age and service requirements. The Foundation's contribution to the plan is \$17,965 and 17,442 for the years ended December 31, 2021 and 2020, respectively.

11. RISK AND UNCERTAINTIES

Beginning around March 2020, the Covid-19 virus has been declared a global pandemic as it continues to spread rapidly. Business continuity, including supply chains and consumer demand across a broad range of industries and countries could be severely impacted for months or beyond as governments and their citizens take significant and unprecedented measures to mitigate the consequences of the pandemic. Management is carefully monitoring the situation and evaluating its options during this time. No adjustments have been made to these consolidated financial statements as a result of this uncertainty.

The Foundation invests in various investment securities. 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 values of investment securities will occur in the near term and that such change could materially affect the amounts reported in the accompanying statement of financial position.

12. SUBSEQUENT EVENTS

In preparing these financial statements, the Foundation has evaluated events and transactions for potential recognition or disclosure through June 9, 2022, the date the financial statements were available to be issued.