



**CALIFORNIA-PACIFIC UNITED
METHODIST FOUNDATION**

Financial Statements
With Independent Auditors' Report

December 31, 2022 and 2021

CALIFORNIA-PACIFIC UNITED METHODIST FOUNDATION

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INDEPENDENT AUDITORS' REPORT

Board of Directors
California-Pacific United Methodist Foundation
Pasadena, California

Opinion

We have audited the accompanying financial statements of California-Pacific United Methodist Foundation, which comprise the statements of financial position as of December 31, 2022 and 2021, the related statements of activities 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 California-Pacific United Methodist Foundation as of December 31, 2022 and 2021, 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.

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 *Auditors' Responsibilities for the Audit of the Financial Statements* section of our report. We are required to be independent of California-Pacific United Methodist Foundation and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. 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 these 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 California-Pacific United Methodist Foundation's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Board of Directors
California-Pacific United Methodist Foundation
Pasadena, California

Auditors' Responsibilities for the Audit of the Financial Statements

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

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

- Exercise professional judgment and maintain professional skepticism throughout the audits.
- 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 California-Pacific United Methodist 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 California-Pacific United Methodist 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 audits.

Capin Crouse LLP

Woodland Hills, California
May 31, 2023

CALIFORNIA-PACIFIC UNITED METHODIST FOUNDATION

Statements of Financial Position

	December 31,	
	2022	2021
ASSETS:		
Cash and cash equivalents	\$ 245,576	\$ 103,843
Other assets	3,647	3,647
Investments	69,498,881	79,028,997
Board designated investments	339,896	455,875
Endowment investments	6,766,048	7,717,875
Total Assets	<u>\$ 76,854,048</u>	<u>\$ 87,310,237</u>
LIABILITIES AND NET ASSETS:		
Liabilities:		
Accrued expenses	\$ 4,314	\$ 5,750
Post-retirement benefit obligation	377,508	514,773
Amounts held for others	60,280,998	69,688,623
Annuity liabilities	1,447,824	1,694,923
Total liabilities	<u>62,110,644</u>	<u>71,904,069</u>
Net assets:		
Without donor restrictions	951,444	964,472
With donor restrictions	13,791,960	14,441,696
Total net assets	<u>14,743,404</u>	<u>15,406,168</u>
Total Liabilities and Net Assets	<u>\$ 76,854,048</u>	<u>\$ 87,310,237</u>

See notes to financial statements

CALIFORNIA-PACIFIC UNITED METHODIST FOUNDATION

Statements of Activities

	Year Ended December 31,					
	2022			2021		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
SUPPORT, REVENUE, AND RECLASSIFICATIONS:						
Administrative fees	\$ 533,805	\$ -	\$ 533,805	\$ 553,461	\$ -	\$ 553,461
Contributions	-	2,786,497	2,786,497	-	52,642	52,642
Investment income (loss)	(53,307)	(2,670,311)	(2,723,618)	68,392	1,384,582	1,452,974
Change in value of split interest agreements	-	(111,150)	(111,150)	-	49,653	49,653
Other income	2,760	-	2,760	12,290	-	12,290
	483,258	5,036	488,294	634,143	1,486,877	2,121,020
Net assets released from restrictions	654,772	(654,772)	-	624,825	(624,825)	-
Total Support, Revenue, and Reclassifications	1,138,030	(649,736)	488,294	1,258,968	862,052	2,121,020
EXPENSES:						
Program services	973,343	-	973,343	816,674	-	816,674
Supporting activity:						
General and administrative	177,715	-	177,715	315,179	-	315,179
Total Expenses	1,151,058	-	1,151,058	1,131,853	-	1,131,853
Change in Net Assets	(13,028)	(649,736)	(662,764)	127,115	862,052	989,167
Net Assets, Beginning of Year	964,472	14,441,696	15,406,168	837,357	13,579,644	14,417,001
Net Assets, End of Year	\$ 951,444	\$ 13,791,960	\$ 14,743,404	\$ 964,472	\$ 14,441,696	\$ 15,406,168

See notes to financial statements

CALIFORNIA-PACIFIC UNITED METHODIST FOUNDATION

Statements of Cash Flows

	Year Ended December 31,	
	2022	2021
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	\$ (662,764)	\$ 989,167
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:		
Net investment (income) loss	2,723,618	(1,452,974)
Change in value of split interest agreements	111,150	(49,653)
Change in operating assets and liabilities:		
Accrued expenses	(1,436)	(4,900)
Post retirement benefit obligation	(137,265)	(58,190)
Net Cash Provided (Used) by Operating Activities	2,033,303	(576,550)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchases of investments	(2,886,468)	(225,531)
Sales of investments	1,286,620	1,011,167
Net Cash Provided (Used) by Investing Activities	(1,599,848)	785,636
CASH FLOWS FROM FINANCING ACTIVITIES:		
Face value of new annuity agreements	-	25,157
Payments on annuity agreements	(291,722)	(337,007)
Net Cash Used by Financing Activities	(291,722)	(311,850)
Change in Cash and Cash Equivalents	141,733	(102,764)
Cash and Cash Equivalents, Beginning of Year	103,843	206,607
Cash and Cash Equivalents, End of Year	\$ 245,576	\$ 103,843

See notes to financial statements

CALIFORNIA-PACIFIC UNITED METHODIST FOUNDATION

Notes to Financial Statements

December 31, 2022 and 2021

1. NATURE OF ORGANIZATION:

California-Pacific United Methodist Foundation (the Foundation) was formed to provide the California-Pacific Annual Conference (the Annual Conference), conference organizations, and local churches with a variety of investment instruments that will offer optimum management, protection and enhancement of their financial assets; to offer fund development skills, resources and support to the Annual Conference, conference organizations, local churches, families and individuals to enable these entities to develop funds for ministry; to develop endowment funds for the ministries and programs of the Annual Conference, conference organizations and local churches as requested by these entities and consistent with their ongoing strategies. Investments from these organizations and churches are administered by the Foundation. The Foundation is a socially responsible investor, following the guidelines set forth in the Social Principles of the United Methodist Church.

The Foundation is a nonprofit organization that is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code (IRC) and comparable state laws. However, the organization is subject to federal income tax on any unrelated business taxable income. In addition, the organization is not classified as a private foundation within the meaning of Section 509(a) of the IRC.

The Foundation's primary sources of funding are management fees charged for handling investments as well as interest and dividend income from its investments.

2. SUMMARY OF ACCOUNTING POLICIES:

The Foundation maintains its accounts and prepares its financial statements on the accrual basis of accounting in conformity with accounting principles generally accepted in the United States of America which requires management to make estimates and assumptions that affect the reported amounts and disclosures 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. The significant accounting policies followed are described below to enhance the usefulness of the financial statements to the reader.

CASH AND CASH EQUIVALENTS

For statements of financial position and cash flow purposes, cash consists of checking accounts. These accounts may, at times, exceed federally insured limits. At December 31, 2022 and 2021, the Foundation's cash balances did not exceed federally insured limits.

INVESTMENTS

Investments, including board designated investments, consist of money market accounts, common stocks, bonds and debt securities, mutual funds, and exchange traded funds. Realized gains and losses are calculated based upon the underlying costs. Interest and dividend income is recorded when earned. Donated investments are recorded at the estimated fair value on the date of the gift. Certain items meet the definition of cash and cash equivalents but are included in investments because they are part of a larger investment pool.

CALIFORNIA-PACIFIC UNITED METHODIST FOUNDATION

Notes to Financial Statements

December 31, 2022 and 2021

2. SUMMARY OF ACCOUNTING POLICIES, continued:

INVESTMENTS, continued

Individual trust funds participate in a common equity investment pool (the Pool) by contributing their marketable securities or cash and receiving an ownership interest in the Pool. The ownership interest in the Pool is based upon the ratio of fair value of the individual fund's securities to the total fair value of the Pool which is used to allocate future activity and is recalculated each time a contribution or withdrawal is made. The Pool and its marketable equity securities are currently managed by outside investment counselors and the securities are held by a third-party custodian.

CHARITABLE GIFT ANNUITIES AND CHARITABLE REMAINDER UNITRUSTS

The Foundation has entered into several charitable gift annuities and charitable remainder unitrusts which require annuity payments to be made to designated beneficiaries for a specified time period. At the end of the specified time, the remaining assets are available for distribution to United Methodist organizations, including the Foundation. Assets received are recorded at fair value on the date the agreement or unitrust is recognized. The difference between the fair value of the assets received and the liability to the donor or other beneficiaries is recognized as contribution revenue. A liability equal to the present value of the future distributions is recorded. On an annual basis, the Foundation revalues the liability based on applicable mortality tables and discount rates between 4.5% and 6.0%.

NET ASSETS

The financial statements report amounts by class of net assets:

Net assets without donor restrictions are currently available for ministry purposes and amounts specifically designated by the board. Board designated net assets include those net assets dedicated for capital projects.

Net assets with donor restrictions are those provided by charitable gift annuities, charitable remainder unitrusts, or donations for scholarships, missions and endowment for retired clergy support. They may also include endowment funds held by the Foundation with donor stipulation that principal remain in perpetuity and only the income is available as either without restrictions or with restrictions in accordance with donor stipulations.

SUPPORT AND REVENUE

Contributions are recorded when made, which may be when cash or other assets are received or unconditionally promised. Contributions are reported as restricted contributions if they are received with donor stipulations that limit the use of the donation. When a donor restriction expires, that is when a stipulated time restriction ends or purpose restriction is satisfied, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities as net assets released from restrictions. All contributions are considered available for general use unless specifically restricted by the donor. Donated assets are recorded at their fair value on the date of donation.

CALIFORNIA-PACIFIC UNITED METHODIST FOUNDATION

Notes to Financial Statements

December 31, 2022 and 2021

2. SUMMARY OF ACCOUNTING POLICIES, continued:

SUPPORT AND REVENUE, continued

Management fee income is recorded when the income is earned. This amount is related to performing investment services for the Annual Conference, churches, or other United Methodist entities within the Annual Conference.

3. LIQUIDITY AND FUNDS AVAILABLE:

The following reflects the Foundation's financial assets as of the statements of financial position date, reduced by amounts not available for general use because of contractual agreements, donor-imposed restrictions, and board designations within one year of the statements of financial position date.

	December 31,	
	2022	2021
Financial assets:		
Cash and cash equivalents	\$ 245,576	\$ 103,843
Investments	69,498,881	79,028,997
Board designated investments	339,896	455,875
Endowment assets	6,766,048	7,717,875
Financial assets, at year end	<u>76,850,401</u>	<u>87,306,590</u>
Less those not available for general expenditure within one year due to:		
Amounts held for others	(60,280,998)	(69,688,623)
Annuity liability	(1,447,824)	(1,694,923)
Donor restricted funds not available for general expenditures	(13,791,960)	(14,441,696)
Board designated for capital projects	<u>(339,896)</u>	<u>(455,875)</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 989,723</u>	<u>\$ 1,025,473</u>

The Foundation is substantially supported by management fees without restrictions. 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. The Foundation has funds designated by the board, which the board has the flexibility to use for operations as deemed necessary.

CALIFORNIA-PACIFIC UNITED METHODIST FOUNDATION

Notes to Financial Statements

December 31, 2022 and 2021

4. INVESTMENTS AND ENDOWMENT INVESTMENTS:

Investments, board designated investments, and endowment investments consist of:

	December 31,	
	2022	2021
Cash and cash equivalents	\$ 2,983,507	\$ 2,877,329
Common stocks	44,680,969	53,789,547
Fixed income	25,278,836	26,843,853
Gold exchange traded fund	3,661,513	3,692,018
	<u>\$ 76,604,825</u>	<u>\$ 87,202,747</u>

Investments and endowment investments are made up of:

	December 31,	
	2022	2021
Investments	\$ 69,498,881	\$ 79,028,997
Board designated investments	339,896	455,875
Endowment investments	6,766,048	7,717,875
	<u>\$ 76,604,825</u>	<u>\$ 87,202,747</u>

5. FAIR VALUE MEASUREMENTS:

The Foundation uses appropriate valuation techniques to determine fair value based on inputs available. When available, the Foundation measures fair value using Level 1 inputs because they generally provide the most reliable evidence of fair value. Level 3 inputs are only used when Level 1 or Level 2 inputs were not available. The Foundation had no Level 3 investments at either December 31, 2022 or 2021.

Valuation techniques: Fair values for common stocks, mutual funds, and exchange traded funds are determined by reference to quoted market prices and other relevant information generated by market transactions. The fair value of US government securities and corporate bonds are based on quoted prices for similar assets in active markets.

CALIFORNIA-PACIFIC UNITED METHODIST FOUNDATION

Notes to Financial Statements

December 31, 2022 and 2021

5. FAIR VALUE MEASUREMENTS, continued:

Fair values of assets measured on a recurring basis at December 31, 2022 and 2021, are as follows:

	December 31, 2022	<u>Fair Value Measurements Using:</u>	
		<u>Quoted Prices in Active Markets for Identical Assets (Level 1)</u>	<u>Significant Other Observable Inputs (Level 2)</u>
Investments and endowment investments reported at fair value:			
Common stocks	\$ 44,680,969	\$ 44,680,969	\$ -
Fixed income:			
Mutual and exchange traded funds	8,840,440	8,840,440	-
US government securities	8,406,523	-	8,406,523
Corporate bonds	7,926,188	-	7,926,188
Municipal bonds	105,685	-	105,685
Gold exchange traded fund	3,661,513	3,661,513	-
	73,621,318	\$ 57,182,922	\$ 16,438,396
Investments reported at cost:			
Money market funds	2,983,507		
	\$ 76,604,825		

CALIFORNIA-PACIFIC UNITED METHODIST FOUNDATION

Notes to Financial Statements

December 31, 2022 and 2021

5. FAIR VALUE MEASUREMENTS, continued:

	December 31, 2021	Fair Value Measurements Using:	
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)
Investments and endowment investments reported at fair value:			
Common stocks	\$ 53,789,547	\$ 53,789,547	\$ -
Fixed income:			
Mutual and exchange traded funds	9,921,798	9,921,798	-
US government securities	8,817,380	-	8,817,380
Corporate bonds	7,706,494	-	7,706,494
Municipal bonds	398,181	-	398,181
Gold exchange traded fund	3,692,018	3,692,018	-
	84,325,418	\$ 67,403,363	\$ 16,922,055
Investments reported at cost:			
Money market funds	2,877,329		
		\$ 87,202,747	

6. CHARITABLE GIFT ANNUITY AND CHARITABLE GIFT UNITRUST ASSETS:

Gift annuity and unitrust assets are included in investments on the statements of financial position and consist of:

	December 31,	
	2022	2021
Cash and cash equivalents	\$ 62,254	\$ 108,722
Debt securities	1,082,852	1,259,580
Equities	1,345,922	1,768,143
	\$ 2,491,028	\$ 3,136,445

CALIFORNIA-PACIFIC UNITED METHODIST FOUNDATION

Notes to Financial Statements

December 31, 2022 and 2021

6. CHARITABLE GIFT ANNUITY AND CHARITABLE GIFT UNITRUST ASSETS, continued:

Total assets held under gift annuities and unitrusts are as follows:

	December 31,	
	2022	2021
Gift annuity assets	\$ 1,705,007	\$ 2,162,668
Unitrust assets	786,021	973,777
	\$ 2,491,028	\$ 3,136,445

7. AMOUNTS HELD FOR OTHERS:

Change in the amounts held for others consists of the following:

	Year Ended December 31,	
	2022	2021
Beginning of year	\$ 69,688,623	\$ 58,798,975
Additions:		
Contributed capital	6,131,073	8,692,480
Interest and dividends	1,349,380	1,220,504
Unrealized gains (losses)	(13,532,752)	1,520,444
Realized gains	1,344,238	4,056,838
	(4,708,061)	15,490,266
Deductions:		
Money in mission (distribution of income and/or principal)	(4,245,910)	(4,125,774)
Administrative expenses	(453,654)	(474,844)
	(4,699,564)	(4,600,618)
Change in amounts held for others	(9,407,625)	10,889,648
End of year	\$ 60,280,998	\$ 69,688,623

CALIFORNIA-PACIFIC UNITED METHODIST FOUNDATION

Notes to Financial Statements

December 31, 2022 and 2021

8. NET ASSETS:

Net assets without donor restrictions consist of the following:

	December 31,	
	2022	2021
Undesignated	\$ 611,548	\$ 508,597
Board designated for capital projects	339,896	455,875
	\$ 951,444	\$ 964,472

Net assets with donor restrictions are available for the following purposes:

	December 31,	
	2022	2021
Endowment for retired clergy support	\$ 6,736,559	\$ 7,688,385
Missions	4,416,576	5,507,572
Scholarships	2,521,456	1,017,220
Gift annuity and unitrust net assets restricted for ministry purposes	117,369	228,519
	\$ 13,791,960	\$ 14,441,696

9. CLASSIFICATION OF EXPENSES:

The information below presents expenses by both their nature and their function:

	Year Ended December 31, 2022		
	Program Services	Supporting Activity: General and Administration	Total
Retirement, scholarship, missions	\$ 817,612	\$ -	\$ 817,612
Salaries and wages	142,289	75,375	217,664
Supplies and office expenses	4,491	48,041	52,532
Professional fees	-	37,684	37,684
Insurance and other expenses	8,951	16,615	25,566
	\$ 973,343	\$ 177,715	\$ 1,151,058

CALIFORNIA-PACIFIC UNITED METHODIST FOUNDATION

Notes to Financial Statements

December 31, 2022 and 2021

9. CLASSIFICATION OF EXPENSES, continued:

The information below presents expenses by both their nature and their function, continued:

	Year Ended December 31, 2021		
	Program Services	Supporting Activity: General and Administration	Total
Retirement, scholarship, missions	\$ 660,444	\$ -	\$ 660,444
Salaries and benefits	144,677	221,341	366,018
Professional fees	3,662	38,874	42,536
Supplies and office expenses	-	40,166	40,166
Insurance and other expenses	7,891	14,798	22,689
	\$ 816,674	\$ 315,179	\$ 1,131,853

METHODS USED FOR ALLOCATION OF EXPENSE

The financial statements report certain categories of expenses that are attributable to more than program or one supporting function. Therefore these expenses require allocation on a reasonable basis that is consistently applied. Salaries and benefits are allocated based on estimates of time and effort to job functions. Investment fees are allocated 100% to program as they directly benefit the exempt purpose of the Foundation. The remaining expenses are allocated based on direct benefit or conduct of program or supporting function. There are no joint costs that have been allocated among program and general and administrative.

10. EMPLOYEE BENEFIT PLAN:

The Foundation participates in the Cumulative Pension Benefit Fund of the General Board of Pensions, a defined contribution plan covering all eligible employees. The Foundation's contributions for the years ended December 31, 2022 and 2021, were \$22,929 and \$26,829, respectively.

11. POST-RETIREMENT PLAN:

On February 9, 2013, the Foundation entered into a defined benefit agreement for retiree health care with the former executive director. Under the agreement, the former executive director and her spouse are to receive monthly benefits of \$880 per month while both spouses are alive and the payments are reduced by 50% upon the first death of either spouse. The payments cease upon the second death. The plan is unfunded. During the year ended December 31, 2015, the board also authorized a similar plan for the Finance Director, to become effective upon his retirement, which was effective October 31, 2021.

CALIFORNIA-PACIFIC UNITED METHODIST FOUNDATION

Notes to Financial Statements

December 31, 2022 and 2021

11. POST-RETIREMENT PLAN, continued:

The monthly payments may be increased due to increases in the participants' cost of retiree health care at the discretion of the Foundation's Board of Directors. The Foundation adopted the Employers' Accounting for Defined Benefit Pension and Other Postretirement Plans topic of the Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 715. Under this topic the post-retirement benefit obligation as of December 31, 2022 and 2021, were \$377,508 and \$514,773, respectively, using a discount rate of 4.80% to 5.0% per annum (increased from 2.29% to 2.73% as of December 31, 2021). The future increases in monthly payments is estimated to be 5.00%.

Benefits expected to be paid in the five fiscal years and in the aggregate for the five fiscal years thereafter are:

<u>Year Ending December 31,</u>	
2023	\$ 22,288
2024	22,899
2025	23,470
2026	23,991
2027	24,449
Aggregate for next five fiscal years	<u>126,140</u>
	<u>\$ 243,237</u>

12. RELATED PARTY TRANSACTIONS:

For the years ended December 31, 2022 and 2021, the Foundation reimbursed the Annual Conference \$15,502 and \$19,605, respectively, for dental benefits and rent costs.

13. ENDOWMENTS:

The Foundation's endowment consists of two funds established for scholarships and the benefit of retired clergy. The endowment includes donor-restricted endowment funds. As required by generally accepted accounting principles in the United States of America, net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

CALIFORNIA-PACIFIC UNITED METHODIST FOUNDATION

Notes to Financial Statements

December 31, 2022 and 2021

13. ENDOWMENTS, continued:

INTERPRETATION OF RELEVANT LAW

The board of the Foundation has interpreted the State Prudent Management of Institutional Funds Act (SPMIFA) 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 Foundation classifies as net assets with donor restrictions (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that does not meet the description above is classified in net assets with donor restrictions or board designated net assets until those amounts are appropriated for expenditure by the organization in a manner consistent with the standard of prudence prescribed by SPMIFA. In accordance with SPMIFA, the Foundation considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

1. The duration and preservation of the endowment fund
2. The purposes of the Foundation and the endowment fund
3. General economic conditions
4. The possible effect of inflation or deflation
5. The expected total return from income and the appreciation of investments
6. Other resources of the Foundation
7. The investment policy of the Foundation

ENDOWMENT NET ASSET COMPOSITION BY TYPE OF FUND

The net assets analyzed are included as components of cash and cash equivalents and investments reported in the accompanying financial statements.

	December 31, 2022:		
	With Donor Restrictions:		
	Restricted by Purpose	Restricted in Perpetuity	Total
Conference endowment fund	\$ 3,026,494	\$ 3,710,065	\$ 6,736,559
Scholarship endowment fund	-	29,489	29,489
	<u>\$ 3,026,494</u>	<u>\$ 3,739,554</u>	<u>\$ 6,766,048</u>

CALIFORNIA-PACIFIC UNITED METHODIST FOUNDATION

Notes to Financial Statements

December 31, 2022 and 2021

13. ENDOWMENTS, continued:

ENDOWMENT NET ASSET COMPOSITION BY TYPE OF FUND, continued

	December 31, 2021:		
	With Donor Restrictions:		
	Restricted by Purpose	Restricted in Perpetuity	Total
Conference endowment fund	\$ 4,662,752	\$ 3,025,634	\$ 7,688,386
Scholarship endowment fund	-	29,489	29,489
	\$ 4,662,752	\$ 3,055,123	\$ 7,717,875

CHANGES IN ENDOWMENT NET ASSETS FOR THE YEAR ENDED DECEMBER 31, 2022

	With Donor Restrictions:		
	Restricted by Purpose	Restricted in Perpetuity	Total
Endowment net assets, January 1, 2022	\$ 4,662,752	\$ 3,055,123	\$ 7,717,875
Contributions	-	684,431	684,431
Investment loss:			
Interest and dividends	149,056	-	149,056
Net depreciation (realized and unrealized)	(1,442,174)	-	(1,442,174)
	(1,293,118)	-	(1,293,118)
Appropriation of endowment assets for expenditure	(343,140)	-	(343,140)
Endowment net assets, December 31, 2022	\$ 3,026,494	\$ 3,739,554	\$ 6,766,048

CALIFORNIA-PACIFIC UNITED METHODIST FOUNDATION

Notes to Financial Statements

December 31, 2022 and 2021

13. ENDOWMENTS, continued:

CHANGES IN ENDOWMENT NET ASSETS FOR THE YEAR ENDED DECEMBER 31, 2021

	With Donor Restrictions:		Total
	Restricted by Purpose	Restricted in Perpetuity	
Endowment net assets, January 1, 2021	\$ 4,298,543	\$ 3,055,123	\$ 7,353,666
Investment income:			
Interest and dividends	100,933	-	100,933
Net appreciation (realized and unrealized)	675,576	-	675,576
	<u>776,509</u>	<u>-</u>	<u>776,509</u>
Appropriation of endowment assets for expenditure	<u>(412,300)</u>	<u>-</u>	<u>(412,300)</u>
Endowment net assets, December 31, 2021	<u>\$ 4,662,752</u>	<u>\$ 3,055,123</u>	<u>\$ 7,717,875</u>

FUNDS WITH DEFICIENCIES

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 SPMIFA requires the Foundation to retain as a fund of perpetual duration. In accordance with accounting principles generally accepted in the United States of America, there were no deficiencies of this nature that are reported in net assets with donor restrictions as of December 31, 2022 and 2021, respectively.

INVESTMENT POLICIES

Pursuant to policies adopted by the Foundation, all funds received by the Foundation for the endowment will be invested as determined by the board of directors taking into account that such investments will at all times be made in a prudent manner with a view to safeguarding principal. To date, investments have been made primarily in Merrill Lynch brokerage accounts. The intent of this policy has been to produce returns superior to inflation and those that might be realized from appropriate market indexes, while assuming a moderate level of investment risk. The net gain on this portfolio was 10.3% and 13.6%, for the years ended December 31, 2022 and 2021, respectively.

Pursuant to donor stipulations, funds have been disbursed out of income, when available, for the benefit of retired clergy, particularly supplementing Annual Conference pension requirements.

14. SUBSEQUENT EVENTS:

Subsequent events have been evaluated through May 31, 2023, which is the date the financial statements were available to be issued.

SUPPLEMENTAL INFORMATION

**INDEPENDENT AUDITORS' REPORT
ON SUPPLEMENTAL INFORMATION**

Board of Directors
California-Pacific United Methodist Foundation
Pasadena, California

We have audited the financial statements of California-Pacific United Methodist Foundation as of and for the years ended December 31, 2022 and 2021, and our report thereon dated May 31, 2023, which expresses an unmodified opinion on those financial statements, appears on page 1. Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The supplemental statements of financial position and statements of activities are presented for purposes of additional analysis and are not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the 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 financial statements as a whole.

Capin Crouse LLP

Woodland Hills, California
May 31, 2023

CALIFORNIA-PACIFIC UNITED METHODIST FOUNDATION

Supplemental Statement of Financial Position

December 31, 2022

	Operating Fund	Endowment Fund	Other Trust Funds	Total
ASSETS:				
Cash and cash equivalents	\$ 245,576	\$ -	\$ -	\$ 245,576
Other assets	3,647	-	-	3,647
Investments	404,251	7,248,439	61,846,191	69,498,881
Board designated investments	339,896	-	-	339,896
Endowment investments	-	6,766,048	-	6,766,048
Total Assets	\$ 993,370	\$ 14,014,487	\$ 61,846,191	\$ 76,854,048
LIABILITIES AND NET ASSETS:				
Liabilities:				
Accrued expenses	\$ 4,314	\$ -	\$ -	\$ 4,314
Post-retirement benefit obligation	377,508	-	-	377,508
Amounts held for others	-	-	60,280,998	60,280,998
Annuity liabilities	-	-	1,447,824	1,447,824
Total liabilities	381,822	-	61,728,822	62,110,644
Net assets:				
Without donor restrictions	611,548	339,896	-	951,444
With donor restrictions	-	13,674,591	117,369	13,791,960
Total net assets	611,548	14,014,487	117,369	14,743,404
Total Liabilities and Net Assets	\$ 993,370	\$ 14,014,487	\$ 61,846,191	\$ 76,854,048

CALIFORNIA-PACIFIC UNITED METHODIST FOUNDATION

Supplemental Statement of Financial Position

December 31, 2021

	Operating Fund	Endowment Fund	Other Trust Funds	Total
ASSETS:				
Cash and cash equivalents	\$ 103,843	\$ -	\$ -	\$ 103,843
Other assets	3,647	-	-	3,647
Investments	465,755	6,951,177	71,612,065	79,028,997
Board designated investments	455,875	-	-	455,875
Endowment investments	-	7,717,875	-	7,717,875
	\$ 1,029,120	\$ 14,669,052	\$ 71,612,065	\$ 87,310,237
LIABILITIES AND NET ASSETS:				
Liabilities:				
Accrued expenses	\$ 5,750	\$ -	\$ -	\$ 5,750
Post-retirement benefit obligation	514,773	-	-	514,773
Amounts held for others	-	-	69,688,623	69,688,623
Annuity liabilities	-	-	1,694,923	1,694,923
Total liabilities	520,523	-	71,383,546	71,904,069
Net assets:				
Without donor restrictions	508,597	455,875	-	964,472
With donor restrictions	-	14,213,177	228,519	14,441,696
Total net assets	508,597	14,669,052	228,519	15,406,168
Total Liabilities and Net Assets	\$ 1,029,120	\$ 14,669,052	\$ 71,612,065	\$ 87,310,237

CALIFORNIA-PACIFIC UNITED METHODIST FOUNDATION

Supplemental Statement of Activities

Year Ended December 31, 2022

	Operating Fund	Endowment Fund	Other Trust Funds	Total
CHANGES IN NET ASSETS WITHOUT DONOR RESTRICTIONS:				
Support, Revenue, and Reclassifications:				
Administrative fees	\$ 533,805	\$ -	\$ -	\$ 533,805
Investment loss	22,197	(75,504)	-	(53,307)
Other income	2,760	-	-	2,760
	<u>558,762</u>	<u>(75,504)</u>	<u>-</u>	<u>483,258</u>
Net assets released from restrictions	-	654,772	-	654,772
Total Support, Revenue, and Reclassifications	<u>558,762</u>	<u>579,268</u>	<u>-</u>	<u>1,138,030</u>
EXPENSES:				
Program services	278,096	695,247	-	973,343
Supporting activity:				
General and administrative	177,715	-	-	177,715
	<u>455,811</u>	<u>695,247</u>	<u>-</u>	<u>1,151,058</u>
Total Expenses	<u>455,811</u>	<u>695,247</u>	<u>-</u>	<u>1,151,058</u>
Change in Net Assets Without Donor Restrictions	102,951	(115,979)	-	(13,028)
CHANGES IN NET ASSETS WITH DONOR RESTRICTIONS:				
Support, Revenue, and Reclassifications:				
Contributions	\$ -	\$ 2,786,497	\$ -	\$ 2,786,497
Investment loss	-	(2,670,311)	-	(2,670,311)
Change in value of split interest agreements	-	-	(111,150)	(111,150)
	<u>-</u>	<u>116,186</u>	<u>(111,150)</u>	<u>5,036</u>
Net assets released from restrictions	-	(654,772)	-	(654,772)
Change in Net Assets With Donor Restrictions	-	(538,586)	(111,150)	(649,736)
Change in Net Assets	102,951	(654,565)	(111,150)	(662,764)
Net Assets, Beginning of Year	<u>508,597</u>	<u>14,669,052</u>	<u>228,519</u>	<u>15,406,168</u>
Net Assets, End of Year	<u><u>\$ 611,548</u></u>	<u><u>\$ 14,014,487</u></u>	<u><u>\$ 117,369</u></u>	<u><u>\$ 14,743,404</u></u>

CALIFORNIA-PACIFIC UNITED METHODIST FOUNDATION

Supplemental Statement of Activities

Year Ended December 31, 2021

	Operating Fund	Endowment Fund	Other Trust Funds	Total
CHANGES IN NET ASSETS WITHOUT DONOR RESTRICTIONS:				
Support, Revenue, and Reclassifications:				
Administrative fees	\$ 553,461	\$ -	\$ -	\$ 553,461
Investment income	20,368	48,024	-	68,392
Other income	12,290	-	-	12,290
	<u>586,119</u>	<u>48,024</u>	<u>-</u>	<u>634,143</u>
Net assets released from restrictions	-	624,825	-	624,825
Total Support, Revenue, and Reclassifications	<u>586,119</u>	<u>672,849</u>	<u>-</u>	<u>1,258,968</u>
EXPENSES:				
Program services	164,344	652,330	-	816,674
Supporting activity:				
General and administrative	315,179	-	-	315,179
	<u>479,523</u>	<u>652,330</u>	<u>-</u>	<u>1,131,853</u>
Total Expenses	<u>479,523</u>	<u>652,330</u>	<u>-</u>	<u>1,131,853</u>
Change in Net Assets Without Donor Restrictions	\$ 106,596	\$ 20,519	-	\$ 127,115
CHANGES IN NET ASSETS WITH DONOR RESTRICTIONS:				
Support, Revenue and Reclassifications:				
Contributions	\$ -	\$ 52,642	\$ -	\$ 52,642
Investment income	-	1,384,582	-	1,384,582
Change in value of split interest agreements	-	-	49,653	49,653
	<u>-</u>	<u>1,437,224</u>	<u>49,653</u>	<u>1,486,877</u>
Net assets released from restrictions	<u>-</u>	<u>(624,825)</u>	<u>-</u>	<u>(624,825)</u>
Change in Net Assets With Donor Restrictions	-	812,399	49,653	862,052
Change in Net Assets	106,596	832,918	49,653	989,167
Net Assets, Beginning of Year	<u>402,001</u>	<u>13,836,134</u>	<u>178,866</u>	<u>14,417,001</u>
Net Assets, End of Year	<u>\$ 508,597</u>	<u>\$ 14,669,052</u>	<u>\$ 228,519</u>	<u>\$15,406,168</u>