



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

FINANCIAL STATEMENTS AND
INDEPENDENT AUDITOR'S REPORT

For the Years Ended December 31, 2022 and 2021

The background of the lower half of the page features a teal horizontal band at the top, followed by a large, abstract graphic of overlapping, semi-transparent geometric shapes in shades of gray and white, creating a sense of depth and complexity. In the bottom right corner, there is an orange rectangular box containing the text 'SIKICH.COM'.

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**THE UNITED METHODIST FOUNDATION OF
NORTHERN ILLINOIS CONFERENCE, INC.
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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, 2022 and 2021, 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. (the 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 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 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 7, 2023

FINANCIAL STATEMENTS

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

STATEMENTS OF FINANCIAL POSITION

December 31, 2022 and 2021

	2022	2021
ASSETS		
Cash and cash equivalents	\$ 156,097	\$ 190,063
Investments - operating	492,281	546,091
Investments - board designated	3,616,944	4,221,861
Amounts held on behalf of others	75,873,053	89,502,425
Split-interest investments	3,902,627	4,992,728
	TOTAL ASSETS	\$ 84,041,002
	\$ 84,041,002	\$ 99,453,168
LIABILITIES AND NET ASSETS		
LIABILITIES		
Accounts payable and other accrued expenses	\$ -	\$ 4,225
Amounts held on behalf of others	75,873,053	89,502,425
Split-interest obligations	3,859,341	4,587,231
	Total liabilities	79,732,394
	79,732,394	94,093,881
NET ASSETS		
Without donor restrictions		
Undesignated	334,737	427,233
Board-designated	3,616,944	4,221,861
	Total without donor restrictions	3,951,681
	3,951,681	4,649,094
With donor restrictions		
	356,927	710,193
	356,927	710,193
Total net assets	4,308,608	5,359,287
	4,308,608	5,359,287
TOTAL LIABILITIES AND NET ASSETS	\$ 84,041,002	\$ 99,453,168
	\$ 84,041,002	\$ 99,453,168

See accompanying notes to financial statements.

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

STATEMENT OF ACTIVITIES

For the Year Ended December 31, 2022

	Without Donor Restrictions	With Donor Restrictions	Total
REVENUES			
Investment return	\$ (613,624)	\$ (745,641)	\$ (1,359,265)
Contributions, gifts, and bequests	110,122	-	110,122
Management fees	524,351	-	524,351
Other income	52,838	-	52,837
Change in value of split-interest agreements	-	392,375	392,375
Total revenues	73,687	(353,266)	(279,580)
EXPENSES			
Program expenses	623,506	-	623,506
Management and general expenses	124,166	-	124,166
Fundraising expenses	23,428	-	23,428
Total expenses	771,100	-	771,100
CHANGE IN NET ASSETS	(697,413)	(353,266)	(1,050,679)
NET ASSETS, BEGINNING OF THE YEAR	4,649,094	710,193	5,359,287
NET ASSETS, END OF YEAR	\$ 3,951,681	\$ 356,927	\$ 4,308,608

(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, 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	<u>1,631,787</u>	<u>162,140</u>	<u>1,793,927</u>
EXPENSES			
Program expenses	798,874	-	798,874
Management and general expenses	114,144	-	114,144
Fundraising expenses	13,327	-	13,327
Total expenses	<u>926,345</u>	<u>-</u>	<u>926,345</u>
CHANGE IN NET ASSETS	705,442	162,140	867,582
NET ASSETS, BEGINNING OF THE YEAR	<u>3,943,652</u>	<u>548,053</u>	<u>4,491,705</u>
NET ASSETS, END OF YEAR	<u>\$ 4,649,094</u>	<u>\$ 710,193</u>	<u>\$ 5,359,287</u>

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, 2022

	Program Services	Management and General	Fundraising	Total
Administrative fees	\$ -	\$ 63,547	\$ -	\$ 63,547
Advertising and promotions	1,929	-	-	1,929
Conferences and meetings	12,000	2,894	-	14,894
Distributions	271,008	-	-	271,008
Dues	-	1,434	-	1,434
Employee benefits	37,775	5,403	679	43,857
Equipment rental	665	665	-	1,330
Facilities	27,120	3,013	-	30,133
Information technology	49,240	1,276	-	50,516
Insurance	-	8,706	-	8,706
Office expenses	1,811	2,611	-	4,422
Other	8,239	2,467	7,200	17,906
Payroll taxes	6,582	731	-	7,313
Printing and postage	1,085	1,085	94	2,264
Professional services	31,565	4,656	13,495	49,716
Salaries and wages	169,384	22,305	1,960	193,649
Service fee	-	30	-	30
Telephone	1,544	172	-	1,716
Travel	3,123	3,123	-	6,246
Utilities	436	48	-	484
TOTAL	\$ 623,506	\$ 124,166	\$ 23,428	\$ 771,100

(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, 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

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, 2022 and 2021

	2022	2021
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ (1,050,679)	\$ 867,582
Adjustments to reconcile change in net assets to net cash from operating activities		
Net realized and unrealized loss (gain) on investments	1,510,336	(851,823)
Change in fair value of split-interest agreements	(392,375)	(31,221)
Changes in operating assets and liabilities		
Accounts payable and other accrued expenses	(4,225)	19
	63,057	(15,443)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of investments	(5,032,179)	(11,814,462)
Proceeds from sale of investments	5,270,671	11,733,909
	238,492	(80,553)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from issuance of split-interest obligations	-	199,999
Payment of split-interest obligations	(335,515)	(167,777)
	(335,515)	32,222
NET DECREASE		
CASH AND CASH EQUIVALENTS	(33,966)	(63,774)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR		
	190,063	253,837
CASH AND CASH EQUIVALENTS, END OF YEAR		
	\$ 156,097	\$ 190,063

See accompanying notes to financial statements.

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

NOTES TO FINANCIAL STATEMENTS

December 31, 2022 and 2021

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, 2022 and 2021, there was \$0 and \$271,706, 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, 2022 and 2021.

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.

Preferred stocks: 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 and statements of functional expenses. Accordingly, conferences and meetings, information technology, insurance, office, other, printing and postage, professional services, telephone, travel and utilities expenses have been allocated among the program and supporting services benefited. Equipment rental and facilities are allocated on a square footage basis, while the salaries and wages, payroll taxes, and employee benefits 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)

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, 2022 and 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:

	2022	2021
Cash and cash equivalents	\$ 156,097	\$ 190,063
Investments	4,109,225	4,767,952
Split-interest investments	3,902,627	4,992,728
Total financial assets	8,167,949	9,950,743
Less amounts not available to be used for general expenditures within one year		
Split-interest obligation	(3,859,341)	(4,587,231)
Donor-imposed restrictions	(356,927)	(710,193)
Internal designations	(3,616,944)	(4,221,861)
FINANCIAL ASSETS AND LIQUIDITY		
RESOURCES AVAILABLE WITHIN ONE YEAR	\$ 334,737	\$ 431,458

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, 2022:

	Level 1	Level 2	Level 3	Total
ASSETS				
Mutual funds	\$ 10,842,968	\$ -	\$ -	\$ 10,842,968
Equity securities	52,345,872	-	-	52,345,872
Preferred stocks	57,029	-	-	57,029
Corporate bonds	-	5,690,509	-	5,690,509
U.S. government securities	-	13,061,053	-	13,061,053
Subtotal	<u>\$ 63,245,869</u>	<u>\$ 18,751,562</u>	<u>\$ -</u>	81,997,431
Money market funds at cost				<u>1,868,418</u>
TOTAL ASSETS				<u>\$ 83,865,849</u>
LIABILITIES				
Split-interest obligations	<u>\$ -</u>	<u>\$ 2,060,833</u>	<u>\$ -</u>	\$ 2,060,833
Split-interest obligations at net present value				<u>1,798,508</u>
TOTAL LIABILITIES				<u>\$ 3,859,341</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, 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>

**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	\$ -	\$ 2,461,785	\$ -	\$ 2,461,785
Split-interest obligations at net present value				<u>2,125,446</u>
TOTAL LIABILITIES				<u>\$ 4,587,231</u>

Total assets measured at fair value were presented on the statements of financial position as follows for the years ended December 31, 2022 and 2021:

	2022	2021
Investments	\$ 4,109,225	\$ 4,767,952
Amounts held on behalf of others	75,873,053	89,502,425
Less cash held on behalf of others	(19,056)	(298,530)
Split-interest investments	<u>3,902,627</u>	<u>4,992,728</u>
TOTAL ASSETS	<u>\$ 83,865,849</u>	<u>\$ 98,964,575</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 \$3,902,627 and \$4,992,728 at December 31, 2022 and 2021, 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 \$3,859,341 and \$4,587,231 at December 31, 2022 and 2021, respectively, are calculated using a discount rate of 5.25% and 4.50%, respectively, and applicable mortality tables. At December 31, 2022 and 2021, 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, 2022 and 2021, respectively:

	<u>2022</u>	<u>2021</u>
Undesignated (donor advised funds and other)	\$ 334,737	\$ 427,233
Board-designated		
Grants ministry	709,034	898,778
Operations reserve	<u>2,907,910</u>	<u>3,323,083</u>
TOTAL NET ASSETS WITHOUT RESTRICTIONS	<u>\$ 3,951,681</u>	<u>\$ 4,649,094</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, 2022 and 2021, the balances of net assets with donor restrictions are \$313,641 and \$304,696, respectively.

In addition, net assets with donor restrictions include contributions from split interest agreements that have an implied time restriction. As of December 31, 2022 and 2021, the balances of net assets with donor restrictions are \$43,286 and \$405,497, 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, 2022 and 2021:

	<u>2022</u>	<u>2021</u>
Revenue recognized at a point in time	<u>\$ 524,351</u>	<u>\$ 545,199</u>
TOTAL	<u>\$ 524,351</u>	<u>\$ 545,199</u>

8. RELATED PARTY TRANSACTIONS

The Conference charged the Foundation approximately \$34,483 and \$37,022 for the years ended December 31, 2022 and 2021, 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 \$19,243 and 17,965 for the years ended December 31, 2022 and 2021, respectively.

11. SUBSEQUENT EVENTS

In preparing these financial statements, the Foundation has evaluated events and transactions for potential recognition or disclosure through June 7, 2023, the date the financial statements were available to be issued and noted nothing additional to disclose.