

**EPISCOPAL AREA
SOUTH GEORGIA CONFERENCE OF
THE UNITED METHODIST CHURCH
INDEPENDENT AUDITOR'S REPORT
AND FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED
DECEMBER 31, 2020**

EPISCOPAL AREA
SOUTH GEORGIA CONFERENCE OF THE UNITED METHODIST CHURCH

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INDEPENDENT AUDITOR'S REPORT

Episcopal Area
South Georgia Conference of
the United Methodist Church
Macon, Georgia

Ladies and Gentlemen:

We have audited the accompanying financial statements of the Episcopal Area of the South Georgia Conference of The United Methodist Church (a nonprofit religious organization), which comprise the statement of assets, liabilities, and net assets-modified cash basis as of December 31, 2020, and the related statement of support and revenue, expense and changes in net assets-modified cash basis for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with the modified cash basis of accounting as described in Note 1; this includes determining that the modified cash basis of accounting is an acceptable basis for the preparation of the financial statements in the circumstances. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the assets, liabilities, and net assets of the Episcopal Area of the South Georgia Conference of The United Methodist Church as of December 31, 2020, and its support, revenue, expenses and changes in net assets for the year then ended in accordance with the modified cash basis of accounting as described in Note 1.

Basis of Accounting

We draw attention to Note 1 of the financial statements, which describes the basis of accounting. The financial statements are prepared on the modified cash basis of accounting, in conformity with the accounting practices permitted by the General Conference of The United Methodist Church, which is a basis of accounting other than accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Report on Summarized Comparative Information

We have previously audited the Episcopal Area of the South Georgia Conference of The United Methodist Church's 2019 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated June 10, 2020. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2020, is consistent, in all material respects, with the audited financial statements from which it has been derived.



Warner Robins, Georgia
April 28, 2021

FINANCIAL STATEMENTS

EPISCOPAL AREA
SOUTH GEORGIA CONFERENCE OF THE UNITED METHODIST CHURCH

STATEMENT OF ASSETS, LIABILITIES AND NET ASSETS - MODIFIED CASH BASIS
DECEMBER 31, 2020

ASSETS

Current Assets:

Cash and cash equivalents	\$ 107,350
Investments	150,000
Receipts receivable	<u>65,636</u>
Total Assets	<u><u>\$ 322,986</u></u>

LIABILITIES AND NET ASSETS

Liabilities:

Current Liabilities:

Obligations payable on current year's budget	<u>\$ 1,066</u>
Total Liabilities	<u>1,066</u>

Net Assets:

Restricted for office expenses	174,756
Restricted for residence expenses	<u>147,164</u>
Total Net Assets	<u>321,920</u>
Total Liabilities and Net Assets	<u><u>\$ 322,986</u></u>

The accompanying notes are an integral part of these financial statements.

EPISCOPAL AREA
SOUTH GEORGIA CONFERENCE OF THE UNITED METHODIST CHURCH
COMPARATIVE STATEMENT OF SUPPORT AND REVENUE, EXPENSES AND
CHANGES IN NET ASSETS - MODIFIED CASH BASIS
FOR THE YEAR ENDED DECEMBER 31, 2020 AND 2019

	2020	2019
<u>Support and Revenue:</u>		
GCFA & SGA support	\$ 288,010	\$ 321,907
Miscellaneous receipts	33,021	-
	321,031	321,907
<u>Office Expenses:</u>		
Salaries and benefits	226,217	221,267
Contracted and professional services	4,000	8,191
Miscellaneous	1,243	6,800
Occupancy related expenses	20,981	20,187
Office supplies	2,284	3,541
Telephone	5,665	5,427
Staff travel	3,049	3,657
	263,439	269,070
<u>Residence Expenses:</u>		
Utilities and other cost	8,596	8,810
Repairs and maintenance	3,809	2,939
	12,405	11,749
Total Expenses	275,844	280,819
Excess of Support and Revenue Over (Under) Expenses	45,187	41,088
Net Assets, Beginning of Year	276,733	235,645
Net Assets, End of Year	\$ 321,920	\$ 276,733

The accompanying notes are an integral part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS

EPISCOPAL AREA
SOUTH GEORGIA CONFERENCE OF THE UNITED METHODIST CHURCH

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2020

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization

The accompanying financial statements include the net assets, support and revenue, expenses and changes in net assets – modified cash basis of the Episcopal Area of the South Georgia Conference of The United Methodist Church (the “Conference”), an organization providing services at a level of administration beyond the individual local churches. The Episcopal Area is located in Macon, Georgia. The Bishop provides spiritual and administrative leadership for approximately 572 United Methodist local churches, grouped into six districts, located in the southern half of Georgia.

Fund Accounting

To ensure observance of limitations and restrictions placed on the use of resources available to the Episcopal Area, the accounts for the Office are maintained in accordance with the principles of fund accounting. This is the procedure by which resources for various purposes are classified for accounting and reporting purposes into funds established according to their nature and purposes. Separate equity (net asset) accounts are maintained for each fund; separate asset accounts are not maintained. This fund basis of presentation is not in conformity with generally accepted accounting principles.

The following is a listing of the funds maintained by the Office:

<u>Episcopal Funds</u>	<u>Area Funds</u>
South Georgia Office Expense	South Georgia Office Expense
South Georgia Residence Expense	South Georgia Residence Expense
 <u>Reserve Funds</u>	
Episcopal Office Reserve	
Episcopal Residence Reserve	

Restricted funds are those for which unexpended monies at the end of each annual accounting period are carried forward in an individual net asset account and in future periods may be expended only for the purposes for which the fund was established. Unrestricted funds are those for which unexpended monies at the end of each annual accounting period are transferred into a common, accumulated net asset account representing claims on assets (monies) which in future periods may be expended for any organizational purpose properly approved by the Conference or its designated representatives.

Control over resources related to the Episcopal Area is maintained by the fund accounting system, as described above. At the end of each calendar year, the excess or deficiency of support and revenue over expenses for each of the funds is closed into the Episcopal Area’s single, unrestricted, net assets account. The unrestricted net asset account is subdivided into a designated office account and a designated residence account.

EPISCOPAL AREA
SOUTH GEORGIA CONFERENCE OF THE UNITED METHODIST CHURCH

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2020
(CONTINUED)

Basis of Accounting

The accounts of the Episcopal Area are maintained on a modified cash basis of accounting; consequently, most apportionments, contributions and related assets are recognized when received rather than when earned, and most expenses are recognized when paid rather than when the obligation is incurred. Accordingly, the accompanying financial statements are not intended to present financial position and results of operations in conformity with generally accepted accounting principles.

Estimates

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

Basis of Presentation

Financial statement presentation follows the recommendations of the Financial Accounting Standards Board (FASB) Accounting Standard Codification (ASC) 958. Under FASB ASC 958, the Episcopal Area reports information regarding its financial position and activities according to two classes of net assets that are based upon the existence or absence of restrictions on use that are placed by its donors: net assets without donor restrictions and net assets with donor restrictions.

Net assets without donor restrictions are resources available to support operations and not subject to donor restrictions. The only limits on the use of net assets without donor restrictions are the broad limits resulting from the nature of the Conference, the environment in which it operates, the purposes specified in its corporate documents and its application for tax-exempt status, and any limits resulting from contractual agreements with creditors and others that are entered into in the course of its operations.

Net assets with donor restrictions are resources that are subject to donor-imposed restrictions. Some restrictions are temporary in nature, such as those that are restricted by a donor for use for a particular purpose or in a particular future period. Other restrictions may be perpetual in nature; such as those that are restricted by a donor that the resources be maintained in perpetuity.

When a donor's restriction is satisfied, either by using the resources in the manner specified by the donor or by the passage of time, the expiration of the restriction is reported in the financial statements by reclassifying the net assets from net assets with donor restrictions to net assets without donor restrictions.

Cash and Cash Equivalents

The Episcopal Area considers cash and cash equivalents to include time deposits, certificates of deposit, sweep accounts, money market funds, and highly liquid debt instruments with maturities of three months or less at the date of their acquisition.

EPISCOPAL AREA
SOUTH GEORGIA CONFERENCE OF THE UNITED METHODIST CHURCH

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2020
(CONTINUED)

Investments

Certificates of deposit and other investments are carried at fair value. Interest is accrued for amounts earned but not yet received. Unrealized gains and losses are included in the change in net assets

Property and Equipment

Under the modified cash basis of accounting, the Episcopal Area's cost of property and equipment acquisitions are recorded as operating expenditures at the time of purchase. Property and equipment acquisitions are recorded at cost, estimated cost, or if donated, at fair market value on the date of donation. It is the Episcopal Area's policy to capitalize assets costing \$1,000 or more.

Land, buildings and major items of equipment and furniture purchased by the Episcopal Area are not the responsibility of the Conference Council on Finance and Administration. Legal title to these assets is held by the Board of Trustees of the South Georgia Annual Conference of The United Methodist Church, Inc.

The Board of Trustees owns other office and residence buildings and land throughout the State of Georgia. The underlying mortgages and assets are the responsibility of the Board of Trustees and are not reflected in the accompanying financial statements.

NOTE 2 – CONCENTRATIONS OF CREDIT RISK

The Episcopal Area maintains its demand and time deposit accounts at two institutions in Georgia which, at times, may exceed the amount insured by the Federal Deposit Insurance Corporation (FDIC) of \$250,000. The Episcopal Area has not experienced any losses in such accounts. The Episcopal Area believes it is not exposed to any significant credit risk on cash. At December 31, 2020, the Episcopal Area does not have any unsecured deposits.

NOTE 3 – AVAILABILITY AND LIQUIDITY

The Episcopal Area's financial assets available within one year of the statement of financial position date for general expenditure are as follows:

Cash	\$ 107,350
Investments	150,000
Receipts receivable	65,636
	<hr/>
	\$ 322,986
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EPISCOPAL AREA
SOUTH GEORGIA CONFERENCE OF THE UNITED METHODIST CHURCH

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2020
(CONTINUED)

As part of the Episcopal Area'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. In addition, the Episcopal Area plans to utilize its cash balance to fund various ongoing activities and programs within the next year.

NOTE 4 – INVESTMENTS

Investments as of December 31, 2020 were \$150,000 and are summarized as follows:

<u>Description</u>	<u>Fair Value</u>
Certificates of Deposit	\$ 150,000
Total Investments	<u>\$ 150,000</u>

NOTE 5 – FAIR VALUE MEASUREMENTS

The Episcopal Area's investments are reported at fair value in the accompanying statement of assets, liabilities, and net assets. The methods used to measure fair value may produce an amount that may not be indicative of net realizable value or reflective of future fair values. Furthermore, although the Episcopal Area believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date. The fair value measurement authoritative literature establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurements) and the lowest priority to unobservable inputs (level 3 measurements). The three levels of the fair value hierarchy are described below:

Basis of Fair Value Measurement

- Level 1 Inputs to the valuation methodology are quoted prices (unadjusted) for identical assets or liabilities in active markets;
- Level 2 Inputs to the valuation methodology include quoted prices for similar assets and liabilities in active markets, and inputs that are observable for the asset or liability, either directly or indirectly, for substantially the full term of the financial instrument;
- Level 3 Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques need to maximize the use of observable inputs and minimize the use of unobservable inputs.

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NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2020
(CONTINUED)

Fair values of assets measured on a recurring basis as of December 31, 2020 are as follows:

	Quoted Prices in Active Markets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total
Investments:				
Certificates of deposit	\$ 150,000	\$ -	\$ -	\$ 150,000
Total Investments	<u>\$ 150,000</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 150,000</u>

NOTE 6 – RECEIPTS RECEIVABLE

Receipts receivable as of December 31, 2020 consists of the following:

Description	Amount
December apportionments due from Conference	\$ 28,894
PPP loan proceeds from due from Conference	34,230
Other	2,512
Total Receipts Receivable	<u>\$ 65,636</u>

NOTE 7 – CAPITAL ASSETS

The following is a summary of certain capital assets that were purchased by the Episcopal Area of the South Georgia Conference of The United Methodist Church and utilized in administration or program services. These assets are carried on the Board of Trustees' books as explained in Note 1. The Episcopal Area has compiled a capital asset listing as required by the General Council on Finance and Administration. These assets are stated at cost or management's estimate of cost as follows:

EPISCOPAL AREA
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NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2020
(CONTINUED)

	Beginning Balance	Additions	Deletions	Transfers	Ending Balance
Episcopal Office:					
Furniture and equipment	\$ 12,464	\$ 3,846	\$ (2,110)	\$ 715	\$ 14,915
Episcopal Residence:					
Residence	494,019	-	-	-	494,019
Furniture and equipment	29,553	-	-	-	29,553
Land	63,500	-	-	-	63,500
Total	587,072	-	-	-	587,072
Total	\$ 599,536	\$ 3,846	\$ (2,110)	\$ 715	\$ 601,987

NOTE 8 – LEASING ARRANGEMENT

As of January 27, 2020, the Episcopal Area’s office entered into a sublease agreement with the South Georgia Conference of the United Methodist Church. The sublease agreement is from January 28, 2020 through June 30, 2021. The sublease agreement calls for the Episcopal office to pay \$1,650 per month in rental fees. Utilities and janitorial services are included in the monthly rent.

NOTE 9 – EVALUATION OF SUBSEQUENT EVENTS

The Episcopal Area’s office has evaluated subsequent events through April 28, 2021, the date which the financial statements were available to be issued.