

**NEW MEXICO ANNUAL CONFERENCE OF THE  
UNITED METHODIST CHURCH**

**FINANCIAL STATEMENTS**

**For the Year Ended December 31, 2022**



**AXIOM**

*Certified Public Accountants  
and Business Advisors LLC*

**NEW MEXICO ANNUAL CONFERENCE OF  
THE UNITED METHODIST CHURCH  
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## INDEPENDENT AUDITORS' REPORT

Council on Finance and Administration,  
New Mexico Annual Conference  
of the United Methodist Church

### Opinion

We have audited the accompanying financial statements of NM Annual Conference of the United Methodist Church (the Conference) (a nonprofit organization), which comprise the statement of assets, liabilities, and net assets-modified cash basis as of December 31, 2022, and the related statements of revenues, expenses, and other changes in net assets-modified cash basis, functional expenses modified cash basis, and cash flows-modified cash basis for the year 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 assets, liabilities, and net assets of the Conference as of December 31, 2022, and its support, revenue, and expenses for the year then ended in accordance with the modified-cash basis of accounting as described in Note 2.

### Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Conference and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### Basis of Accounting

We draw attention to Note 2 of the financial statements, which describes the basis of accounting. The financial statements are prepared on the modified-cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

### Responsibilities of Management 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 described in Note 2; 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 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 aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

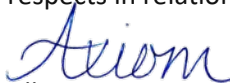
In performing an audit in accordance with generally accepted auditing standards, we:

- 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 Conference's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Conference's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

## **Report on Supplementary Information**

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The supplementary information, as identified in the table of contents, is presented for purposes of additional analysis and is 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.

  
Albuquerque, New Mexico  
May 20, 2023

## **BASIC FINANCIAL STATEMENTS**

**NEW MEXICO ANNUAL CONFERENCE OF  
THE UNITED METHODIST CHURCH  
Statement of Assets, Liabilities, and Net Assets - Modified Cash Basis  
As of December 31, 2022 With Comparative Totals For 2021**

	<b>2022</b>	<b>2021</b>
	<b>Total</b>	<b>Total</b>
<b>ASSETS</b>		
Current assets		
Cash and cash equivalents	\$ 1,292,574	1,010,847
Other assets	5,798	1,718
<b>Total current assets</b>	<u>1,298,372</u>	<u>1,012,565</u>
Non-current assets		
Investments	10,619,585	13,017,641
Note receivables, net	5,582	10,015
Property and equipment, net	900,562	1,259,724
<b>Total non-current assets</b>	<u>11,525,729</u>	<u>14,287,380</u>
<b>Total assets</b>	<u>\$ 12,824,101</u>	<u>15,299,945</u>
<b>LIABILITIES AND NET ASSETS</b>		
Current liabilities		
Accrued payroll and other expenses	47,571	33,589
<b>Total current liabilities</b>	<u>47,571</u>	<u>33,589</u>
Long-term liabilities	-	-
<b>Total long-term liabilities</b>	<u>-</u>	<u>-</u>
<b>Total liabilities</b>	<u>47,571</u>	<u>33,589</u>
Net assets		
Without donor restrictions		
Undesignated	1,256,383	988,991
Board designated	6,924,217	8,424,215
Investment in property and equipment, net	900,562	1,259,724
Total without donor restrictions	<u>9,081,162</u>	<u>10,672,930</u>
With donor restrictions	3,695,368	4,593,426
<b>Total net assets</b>	<u>12,776,530</u>	<u>15,266,356</u>
<b>Total liabilities and net assets</b>	<u>\$ 12,824,101</u>	<u>15,299,945</u>

*See Notes to Financial Statements.*

**NEW MEXICO ANNUAL CONFERENCE OF  
THE UNITED METHODIST CHURCH**

**Statement of Revenues, Expenses, and Changes in Net Assets - Modified Cash Basis  
For the Year Ended December 31, 2022 With Comparative Totals For 2021**

	<u>Without Donor Restriction</u>	<u>With Donor Restriction</u>	<u>2022 Total</u>	<u>2021 Total</u>
<b>Support, Revenue, and Investment Earnings</b>				
Apportionments				
Ministerial support	\$ 588,915	-	588,915	406,786
World service	201,359	-	201,359	180,905
Conference ministries	1,723,974	-	1,723,974	1,156,225
Regional ministries	13,642	-	13,642	14,369
General church ministries	217,661	-	217,661	215,566
Total apportionments	<u>2,745,551</u>	<u>-</u>	<u>2,745,551</u>	<u>1,973,851</u>
Second mile giving	-	240,557	240,557	171,287
Contributions/income - other programs	538,707	-	538,707	55,923
Trustees	577,223	-	577,223	369,302
Other revenues	35,954	-	35,954	66,258
Interest income	10,238	235	10,473	689
Net assets released from restrictions	419,611	(419,611)	-	-
Total support, revenue, and investment earnings	<u>4,327,284</u>	<u>(178,819)</u>	<u>4,148,465</u>	<u>2,637,310</u>
<b>Operating Expenses</b>				
Conference and general church programs	3,367,266	-	3,367,266	1,980,474
Management and general	1,449,208	-	1,449,208	1,035,654
Total operating expenses	<u>4,816,474</u>	<u>-</u>	<u>4,816,474</u>	<u>3,016,128</u>
Change in net assets before gains/(losses)	(489,190)	(178,819)	(668,009)	(378,818)
Net realized/unrealized gains/(losses) in investments	<u>(1,102,578)</u>	<u>(719,239)</u>	<u>(1,821,817)</u>	<u>844,724</u>
<b>Change in net assets</b>	(1,591,768)	(898,058)	(2,489,826)	465,906
Beginning net assets	<u>10,672,930</u>	<u>4,593,426</u>	<u>15,266,356</u>	<u>14,800,450</u>
<b>Net assets end of year</b>	<u>\$ 9,081,162</u>	<u>3,695,368</u>	<u>12,776,530</u>	<u>15,266,356</u>

*See Notes to Financial Statements.*

**NEW MEXICO ANNUAL CONFERENCE OF  
THE UNITED METHODIST CHURCH**  
**Statement of Functional Expenses - Modified Cash Basis**  
**For the Year Ended December 31, 2022 With Comparative Totals For 2021**

	<b>Conference And General Church Programs</b>	<b>Management and General</b>	<b>2022 Total</b>	<b>2021 Total</b>
<b>Compensation and related expenses:</b>				
Salaries	\$ -	626,741	626,741	615,995
Employee benefits and taxes	-	64,371	64,371	59,376
	<u>-</u>	<u>691,112</u>	<u>691,112</u>	<u>675,371</u>
<b>General expenses</b>				
Ministerial support	599,610	-	599,610	494,916
Conference ministries	686,729	-	686,729	365,276
Regional ministries	13,643	-	13,643	14,368
General church ministries	412,799	-	412,799	512,302
Other supported programs	478,911	-	478,911	304,531
Trustees	589,048	-	589,048	188,381
Investments	586,526	-	586,526	100,700
Training and Continuing Education	-	30,482	30,482	34,061
Travel and related expenses	-	1,318	1,318	162
Meeting expenses	-	48,886	48,886	17,078
Repairs and maintenance	-	9,470	9,470	14,158
IT and Computer support	-	26,366	26,366	16,421
Office Supplies and equipment	-	14,758	14,758	13,379
Insurance	-	95,800	95,800	87,293
Utilities and Telephone	-	16,105	16,105	17,752
Professional and Contract Services	-	25,312	25,312	40,622
Postage	-	599	599	845
Depreciation expense	-	74,746	74,746	70,127
Boards and Committees	-	414,254	414,254	48,385
	<u>3,367,266</u>	<u>758,096</u>	<u>4,125,362</u>	<u>2,340,757</u>
<b>Total expenses</b>	<u>\$ 3,367,266</u>	<u>1,449,208</u>	<u>4,816,474</u>	<u>3,016,128</u>



**NEW MEXICO ANNUAL CONFERENCE OF  
THE UNITED METHODIST CHURCH**  
**Statement of Cash Flows - Modified Cash Basis**  
**For the Year Ended December 31, 2022 With Comparative Totals For 2021**

	<u>2022</u>	<u>2021</u>
<b>Cash Flows from Operating Activities</b>		
Change in net assets	\$ (2,489,826)	465,906
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities		
Depreciation	74,746	70,127
(Gain) losses on investments	1,821,817	(844,724)
Gain on sale of property and equipment	(176,715)	(25,503)
Changes in assets and liabilities		
Other asset	(4,080)	2,512
Accrued payroll and other expense	13,982	12,382
<b>Net cash provided (used) by operating activities</b>	<u>(760,076)</u>	<u>(319,300)</u>
<b>Cash Flows from Investing Activities</b>		
Purchases of property and equipment	-	(103,236)
Proceeds from sale of property and equipment	461,131	25,503
Purchase of investment	(298,151)	(1,486,532)
Proceeds from sale of investment	874,390	522,766
Repayment of notes receivable	4,433	2,630
<b>Net cash provided (used) by investing activities</b>	<u>1,041,803</u>	<u>(1,038,869)</u>
<b>Net Increase (Decrease) in Cash and Cash Equivalents</b>	281,727	(1,358,169)
<b>Cash and Cash Equivalents, Beginning of Year</b>	<u>1,010,847</u>	<u>2,369,016</u>
<b>Cash and Cash Equivalents, End of Year</b>	<u>\$ 1,292,574</u>	<u>1,010,847</u>

*See Notes to Financial Statements.*

**NEW MEXICO ANNUAL CONFERENCE OF THE UNITED METHODIST CHURCH  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2022**

**NOTE 1. NATURE OF ORGANIZATION**

*Nature of Organization and its Affiliated Agencies.* The Conference is a New Mexico not-for-profit corporation. It was organized for Christian, religious, church, benevolent and charitable purposes. The Conference is comprised of three districts, which are, in turn, comprised of local churches. Each of these districts and local churches operate through various separate not-for-profit corporations or unincorporated entities in the states of New Mexico and Texas. Each of these affiliated organizations has its own annual budget, fund raising and expenditure programs. As a part of the connectional Methodist church processes, annual apportionments for various church benevolences and programs are made by and through the Conference to its local churches. Such apportionments are based on a three-year average of non-benevolent, non-building expenses and provide funds for various church benevolences and programs.

The financial aspects of the Conference are governed by the Council of Finance and Administration (CFA). Such Council is elected by the Conference membership. It is the responsibility of the CFA "to develop, maintain and administer a comprehensive and coordinated plan of fiscal and administrative policies, procedures and management services for the annual conference." (2012 Book of Discipline, paragraph 611)

One of the Conference's primary functions is to hold in trust and distribute certain monies, voluntarily given by individual church members and in the payment of church apportionments, through their local churches for general church benevolences and programs of the United Methodist Church. The Conference and the CFA serve as conduits for these monies which are transmitted to various affiliated United Methodist Church entities, including the General Council on Finance and Administration of the United Methodist Church (GCFA). Revenue arising from receipt and expenses related to the distribution of such monies are recorded in the financial statements of this organization.

The Conference also receives various types of non-apportionment revenues, which are handled by its Treasurer and the CFA. Also, the Conference and its CFA performs accounting and reporting functions for its agencies (and related organizations) receiving general church funds; establishes policy governing the functions of banking, payroll, accounting and budget control, takes legal steps to safeguard and protect the interests and rights of the denomination; and maintains an accurate record of the mailing addresses of active clergy and others in the organization.

In addition, certain other directly affiliated corporations in the Conference exist. These corporations include:

*Board of Trustees of the New Mexico Annual Conference of the United Methodist Church* - The Board of Trustees of the New Mexico Annual Conference of the United Methodist Church is a New Mexico not-for-profit corporation. The primary purpose of this corporation is to receive, collect and hold in trust for the benefit of the Conference, or its agencies, any and all donations, bequests and devices of any kind, real or personal, that may be given, devised, bequeathed or conveyed to the Conference for any benevolent, charitable or religious purpose, and to administer the same and the income there from in accordance with the directions of the donor, truster or testator. Reference is made to the 2012 Discipline of the United Methodist Church. In addition, the Board is responsible for holding title to real estate owned or has an interest in jointly owned real estate for the benefit of the Conference. The Board of Trustees holds title to the Conference's office building, which is located at 11816 Lomas Blvd NE in Albuquerque. Also, the Trustees hold title, jointly with the Northwest Texas Conference Trustees, to the Area Episcopal Residence, at 5414 Avenida Cuesta NE in Albuquerque. The Trustees also held title to 5 other properties in 2022. There are district and local property management committees, which see to their routine maintenance and operation.

**NEW MEXICO ANNUAL CONFERENCE OF THE UNITED METHODIST CHURCH  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2022**

**NOTE 1. NATURE OF ORGANIZATION (CONTINUED)**

When any United Methodist-owned building site, parsonage, institution or just vacant land ceases to be managed by, either a local or district board of trustees, it becomes, by the "trust clause" of the 2012 Discipline, the responsibility' of the New Mexico Annual Conference Board of Trustees.

The financial accounts of the Board of Trustees are included in these financial statements.

*New Mexico Conference Board of Pension and Health Benefits, The United Methodist Church* - The New Mexico Conference Board of Pension and Health Benefits, The United Methodist Church, is a New Mexico not-for-profit corporation. The primary purpose of this corporation is for the insurance and pension concerns for retired and active clergy of the Conference. The goal is to promote "Service with Security and Retirement with Dignity" for the clergy, spouses and dependents of the Conference.

The financial accounts of the Board of Pension and Health Benefits are included in these financial statements, each paying unit (local church, Wesley Foundation, District Superintendents' Fund, etc.) of the Ministerial Pension Plan shall contribute 15% of actual compensation through direct billing from the General Board of Pension and Health Benefits or modified direct billing from the Conference.

The Comprehensive Protection Plan amounts are determined by the Board of Pension and Health Benefits and such amounts are billed to the local churches within the Conference.

In addition, the Board of Pension and Health Benefits is responsible for the active and retirees' life/health insurance programs, for those individuals who have been granted retirement within the New Mexico Annual Conference.

The Conference handles five types of insurance programs. Such programs are under the general supervision of the Board of Pension and Health Benefits.

Such programs include (1) health insurance, (2) disability, (3) life insurance, (4) accidental death/dismemberment benefits and (5) supplemental health insurance for retired clergy on Medicare. These programs are funded by Conference bills and apportionments to individual local churches and by the clergy and others who are affected. These insurance programs are handled through the Conference's offices.

The financial accounts of the Board of Pension and Health Benefits are not included in these financial statements. A separately issued report identifying the financial position and activities of the Board of Pension and Health Benefits is available at 11816 Lomas Blvd NE, Albuquerque, NM 87112.

*New Mexico Annual Conference District Offices* - The New Mexico Annual Conference has three district offices, which are supervised by District Superintendents. Such districts operate as either unincorporated entities or not-for-profit corporations in New Mexico and Texas. Apportionment payments from the Conference to the Districts are contained in these financial statements.

These are separately managed affiliated Methodist entities within the Conference. Their financial activities and any related District entities are not reflected within these financial statements.

*Wesley Foundation at Five (5) University Campuses* - The Wesley Foundation programs at five (5) university campuses in New Mexico and Southwest Texas are either unincorporated entities or not-for-profit corporations. The District Superintendent in one of the three Districts has over-sight responsibilities for each of the Wesley Foundation programs. Apportionment payments from the Conference are contained in these financial statements.

**NEW MEXICO ANNUAL CONFERENCE OF THE UNITED METHODIST CHURCH  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2022**

**NOTE 1. NATURE OF ORGANIZATION (CONTINUED)**

These are separately managed affiliated Methodist entities within the Conference. Their financial activities are not reflected within these financial statements.

**NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The significant accounting policies followed are described below to enhance the usefulness of the financial statements to the reader.

**Basis of Accounting**

The accompanying financial statements have been prepared the modified cash basis of accounting. Accordingly, certain revenues and the related assets are recorded when received rather than when earned and certain expenses are recorded when paid rather than when the obligation is incurred. The records were held open until January 15, 2023 to include the remittance from the churches in the Conference for the last few weeks of the year. This policy is consistent with prior years and is not in accordance with U.S. generally accepted accounting procedures

**Classes of Net Assets**

The Conference reports information regarding its financial position and activities based on the existence or absence of restrictions imposed by donor or grantors. Accordingly, net assets and changes therein are classified and reported as follows:

*Net Assets Without Donor Restrictions*

Net assets available for use in general operations and not subject to donor or grantor restrictions, including net assets that have been designated by the Board of Directors for a particular purpose or as a board-designated endowment fund. Net assets without donor restrictions represent the investment in unrestricted assets and the investment in property and equipment, less accumulated depreciation and amortization.

*Net Assets with Donor Restrictions*

Net assets subject to stipulations imposed by donors, and grantors. Some donor restrictions are temporary in nature; those restrictions expire by passage of time or can be fulfilled and removed by actions of the Conference pursuant to those stipulations. Donor imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both.

**Fair Value of Measurements**

The Conference has adopted ASC 820-10 which provides a framework for measuring fair value under generally accepted accounting principles. ASC 820-10 applies to all financial instruments that are being measured and reported on a fair value basis.

As defined in ASC 820-10, fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. In determining fair value, the Conference uses various methods including market, income, and cost approaches. Based on these approaches, the Conference often utilizes certain assumptions that market participants would use in pricing the asset or liability, including assumptions about risk and or the risks inherent in the inputs to the valuation technique. These inputs can be readily observable, market corroborated, or generally unobservable inputs. the Conference utilized valuation techniques that maximize the use of observable inputs and minimize the use of unobservable inputs.

**NEW MEXICO ANNUAL CONFERENCE OF THE UNITED METHODIST CHURCH  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2022**

**NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

Based on the observability of the inputs used in the valuation techniques the organization is required to provide the following information according to the fair value hierarchy.

The fair value hierarchy ranks the quality and reliability of the information used to determine fair values. Financial assets and liabilities carried at fair value will be classified and disclosed in one of the following three categories:

*Level 1* - Valuations for assets and liabilities traded in active exchange markets, such as the New York Stock Exchange. Level 1 also includes U.S. Treasury and federal agency securities and federal agency mortgage-backed securities, which are traded by dealers or brokers in active markets. Valuations are obtained from readily available pricing sources for market transactions involving identical assets or liabilities.

*Level 2* - Valuations for assets and liabilities traded in less active dealer or broker markets. Valuations are obtained from third-party pricing services for identical or similar assets or liabilities.

*Level 3* - Valuations for assets and liabilities that are derived from other valuation methodologies, including option pricing models, discounted cash flow models and similar techniques, and not based on market exchange, dealer, or broker traded transactions. Level 3 valuations incorporate certain assumptions and projections in determining the fair value assigned to such assets or liabilities

The fair value of investment securities is the market value based on the quoted market prices, when available, or market prices provided by recognized broker dealers. If listed prices or quotes are not available, fair value is based upon externally developed models that use unobservable inputs to the limited market activity of the instrument.

The Conference's significant financial instruments are investments. For these financial instruments, carrying values approximate fair value.

Following is a description of valuation methodologies used for assets and liabilities recorded at fair value:

*Cash and cash equivalents, certificates of deposit, short-term receivables, accounts payable and accrued liabilities* - The carrying amount reported in the statement of financial position approximates fair value because of the short maturity of those instruments.

*Investments in securities or mutual funds* - The fair value of investments in securities or mutual funds is the market value based on quoted market prices, when available, or market prices provided by recognized broker dealers. If listed prices or quotes are not available, fair value is based upon externally developed models that use unobservable inputs to the limited market activity of the instrument.

The following table summarizes the valuation of the Conference's financial instruments by the above ASC 820-10 categories as of December 31, 2022.

Description	Level 1	Level 2	Level 3	Total
Mutual funds	\$ -	10,619,585	-	10,619,585

**NEW MEXICO ANNUAL CONFERENCE OF THE UNITED METHODIST CHURCH  
 NOTES TO THE FINANCIAL STATEMENTS  
 DECEMBER 31, 2022**

**NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

The following table summarizes the valuation of the Conference's financial instruments by the above ASC 820-10 categories as of December 31, 2021.

Description	Level 1	Level 2	Level 3	Total
Mutual funds	\$ -	13,017,641	-	13,017,641

**Cash and Cash Equivalents**

For purposes of the statement of assets, liabilities, and net assets - modified cash basis and the statement of cash flows, cash and cash equivalents consist of cash and other highly liquid resources, such as investments in certificates of deposit and money market funds, with an original maturity of three months or less when purchased.

**Loans Receivable**

Loans receivable represent funds advanced to churches within the Annual Conference. Loans are stated at unpaid principal balances, less an allowance for loan losses and net deferred loan fees and unearned discounts. There were no deferred loan fees or unearned discounts as of yearend. The loans are not collateralized.

Under the Conference's application of the modified cash basis of accounting, no amounts of interest income have been accrued nor have any amounts for loan origination and commitment fees been deferred.

Loans currently bear interest at the rate of 5.0% per annum. Interest on loans is recognized over the term of the loan and is calculated using the interest method on principal amounts outstanding. The recognition of income on a loan is discontinued and previously accrued interest is reversed, when interest or principal payments become ninety (90) days past due unless, in the opinion of management, the outstanding interest remains collectible. Past due status is determined based on contractual terms. Interest is subsequently recognized only as received until the loan is returned to accrual status. A loan is restored to accrual status when all interest and principal payments are current, and the church has demonstrated to management the ability to make payments of principal and interest as scheduled. The Conference's practice is to charge off any loan or portion of a loan when the loan is determined by management to be uncollectible due to the church's failure to meet repayment terms, the church's deteriorating or deteriorated financial condition, the depreciation of the underlying collateral, or for other reasons.

The allowance for loan losses is maintained at a level that, in management's judgment, is adequate to absorb credit losses inherent in the loan portfolio. The amount of the allowance is based on management's evaluation of the collectability of the loan portfolio, including the nature of the portfolio, credit concentrations, trends in historical loss experience, specific impaired loans, economic conditions and other risks inherent in the portfolio. Allowances for impaired loans are generally determined based on collateral values or the present value of estimated cash flows. The allowance is increased by a provision for loan losses, which is charged to expense, and reduced by charge-offs, net of recoveries. The allowance for loan losses was \$-0- at December 31, 2022.

**NEW MEXICO ANNUAL CONFERENCE OF THE UNITED METHODIST CHURCH  
 NOTES TO THE FINANCIAL STATEMENTS  
 DECEMBER 31, 2022**

**NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Investments**

Under FASB ASC 958-320, *Investments-Debt and Equity Securities*, investments in marketable securities with readily determinable fair values and all investments in debt securities are reported at their fair values based on quoted prices in active markets (all Level 1 measurements) in the statement of financial position. Equity securities without readily determinable fair values are stated at cost. Unrealized gains and losses are included in the change in net assets. Investment income and gains restricted by a donor are reported as increases in unrestricted net assets if the restrictions are met (either by passage of time or by use) in the reporting period in which the income and gains are recognized.

Investments are exposed to various risks such as significant world events, interest rate, credit, and overall market volatility risks. Due to the level of risk associated with certain investment securities, it is reasonably possible that changes in the fair value of investments will occur in the near term and that such changes could materially affect the amounts reported in the statement of financial position.

**Property and Equipment**

The Conference capitalizes all expenditures in excess of \$5,000 for property and equipment at cost. Contributed property and equipment is recorded at fair value at the date of donation. If donors stipulate how long the assets must be used, the contributions are recorded as restricted support. In the absence of such stipulations, contributions of property and equipment are recorded as unrestricted support. Repairs and maintenance expenses are charged to operations when incurred and any major improvements/betterments and/or replacements of existing assets are capitalized.

Depreciation and amortization are calculated principally on the straight-line basis over the following estimated useful lives of the assets. Land is not depreciated.

<u>Type</u>	<u>Useful Lives</u>
Conference office and equipment	5 - 40 years
Episcopal residence	40 years
Episcopal residence furnishings	5 - 10 years
Vehicles	5 years

**Impairment of Long-Lived Assets**

The Conference accounts for long-lived assets in accordance with the provisions of FASB ASC 360-10 and subsections. FASB ASC 360-10 requires that long-lived assets be reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to future undiscounted net cash flows expected to be generated by the asset. If such assets are considered to be impaired, the impairment to be recognized is measured by the amount by which the carrying amount of the assets exceeds the fair value of the assets. Assets to be disposed of are reported at the lower of the carrying amount or the fair value less costs to sell. Management does not believe impairment indicators are present as of December 31, 2022.

**NEW MEXICO ANNUAL CONFERENCE OF THE UNITED METHODIST CHURCH  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2022**

**NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Budget**

The Council on Finance and Administration shall recommend to the Annual Conference for its action a spending plan that reflects projected income and expense. The spending plan shall balance. The conference-wide projected income from local churches shall not exceed 8% of the total amounts reported by all churches as ordinary operational income for the most recent completed year. The spending plan may include other projected sources such as earnings on investments. The Council on Finance and Administration shall also present to the Annual Conference for its action an amount from the Board of Pension and Health Benefits to be apportioned to the local churches proportionally based on their reported operational income.

Per the Conference Rules adopted by the Conference churches, churches will remit a tithe of their ordinary operational income, with a tithe defined as 8% of monthly local church ordinary operational revenue from all sources as described in these rules; plus an apportioned amount for the Board of Pension and Health Benefits to supply necessary funds for benefits to those in the retired relation and those granted disability leave.

**Revenue Recognition**

Contributions received are recorded as support with or without donor restrictions depending on the existence or nature of any donor restrictions. Gifts of cash and other assets are reported as support with donor restrictions if received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, net assets with donor restrictions are reclassified to net assets without restrictions and reported in the statement of activities as net assets released from restrictions. Donated stocks, bonds or other securities are recorded at the fair market value on the date of the gift.

Gifts of long-lived assets are reported as support without donor restrictions support unless the donor has restricted the use of the assets for specific purposes. Long-lived assets with explicit restrictions and gifts of cash or other assets that must be used to acquire long-lived assets are reported as support with donor restrictions. Absent explicit donor stipulations about how long those long-lived assets must be maintained, expirations of donor restrictions are reported when the donated or acquired long-lives assets are placed in service. Long-lived assets are recorded at their fair market value on the date of receipt.

**Special Offerings**

The Conference acts as a receiving-disbursing agent for special offerings and other designated giving remitted from churches.

**Income Taxes**

The Conference qualifies as a tax-exempt organization under the provisions of Section 501(c)(3) of the Internal Revenue Code and is recognized as a church organization under Section 170 (B)(1)(A)(i). As a result of this classification, the Conference is exempt from filing a Form 990 information return to the Internal Revenue Service. Accordingly, no provision for federal or state income taxes has been included in the financial statements. However, any unrelated business income may be subject to taxation. Currently, the Conference has no obligation for any unrelated business income tax.

The Conference is generally no longer subject to examination by federal and state taxing authorities for years prior to 2019. The organization is not currently under audit nor has the organization been contacted by any of these jurisdictions. Management believes that they are operating within their tax-exempt purpose.

The Conference recognizes interest accrued related to unrecognized tax benefits in interest expenses and penalties in operating expenses, when applicable. For the year ended December 31, 2022, no interest or penalties were recorded or included in the financial statements.



**NEW MEXICO ANNUAL CONFERENCE OF THE UNITED METHODIST CHURCH  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2022**

**NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

The Conference has adopted the provisions of FASB ASC 740-10. Under ASC 740-10, an organization must recognize the tax benefit/liability associated with any uncertain tax positions taken by the organization when it is more likely than not the position will be sustained by review of the taxing authority. An analysis performed by management during the year ended December 31, 2022, of the organization's tax positions revealed no positions that met the requirements for disclosure as identified by ASC 740-10.

**Functional Expenses**

The Conference classifies expenses into three functions: Program services, Management and General, and Fund Raising. Program services includes all funds expended directly or indirectly to support the programs of the Conference. Management and General expenses represent administrative costs and general operating costs. Fundraising expenses consist of expenses related to the solicitation of contributions.

**Prior-year Presentation**

The financial statements include certain prior year summarized comparative information in total but not by net asset class or fund. Accordingly, such information should be read in conjunction with the Conference's financial statements for the year ended December 31, 2021 from which the summarized information was derived.

**Use of Estimates**

The process of preparing financial statements in conformity with the modified cash basis requires the use of estimates and assumptions regarding certain types of assets, liabilities, revenues and expenses. Such estimates primarily relate to unsettled transactions and events as of the date of the financial statements. Accordingly, upon settlement, actual results may differ from estimated amounts.

**NOTE 3. CASH AND CASH EQUIVALENTS**

Cash and cash equivalents at December 31 consist of the following:

	<u>2022</u>	<u>2021</u>
Cash and cash equivalents in local banks	\$ 1,142,762	885,660
Cash in revolving fund	136,537	112,481
Cash in building fund	13,275	12,706
	<u>\$ 1,292,574</u>	<u>1,010,847</u>

**NOTE 4. CONCENTRATIONS OF CREDIT RISK**

Periodically throughout the year ended December 31, 2022, the Conference's cash balances in its local bank accounts may have exceeded the insured limits allowed under the Federal Deposit Insurance Corporation. Currently those limits insure up to \$250,000 per financial institution. However, management felt the risks related to these balances were within an acceptable range. The Conference believes any credit risk exposure to its cash balances as a result of periodically exceeding available insurance levels is of an acceptable level.

**NEW MEXICO ANNUAL CONFERENCE OF THE UNITED METHODIST CHURCH  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2022**

**NOTE 5. INVESTMENTS**

A summary of investments held at December 31 is as follows:

Type	2022		2021	
	Fair Value	Cost	Fair Value	Cost
Foundation funds	\$ 10,619,585	4,552,269	\$ 13,017,641	5,058,245
Total Investments	\$ 10,619,585	4,552,269	\$ 13,017,641	5,058,245

Investment activity for the year ended December 31, 2022 was as follows:

Methodist Foundation Funds	Without Donor Restrictions		With Donor Restrictions		2022 Totals	2021 Totals
	Investments, beginning of year	\$ 8,424,215	4,593,426	13,017,641	11,209,151	
Deposits	227,996	-	227,996	1,486,532		
Interest, dividends, and earnings	10,052	235	10,287	655		
Realized gains/(losses)	50,709	20,924	71,633	94,329		
Unrealized gains/(losses)	(1,153,287)	(740,163)	(1,893,450)	750,395		
Net realized and unrealized gains/(losses)	(1,102,578)	(719,239)	(1,821,817)	844,724		
Disbursements/withdrawals	(650,507)	(229,304)	(879,811)	(1,073,419)		
Transfers from/(to) other Conference accounts	15,039	55,116	70,155	555,671		
Fees	-	(4,866)	(4,866)	(5,673)		
Investments, end of year	\$ 6,924,217	3,695,368	10,619,585	13,017,641		

**NOTE 6. ENDOWMENTS**

The Conference's endowment consists of approximately 25 individual funds established for a variety of purposes. Its endowment includes both funds with donor restrictions and funds designated by the Conference to function as endowments. As required by generally accepted accounting principles, net assets associated with endowment funds, including funds designated by the Conference to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

*Interpretation of Relevant Law.* The Conference is subject to the Uniform Prudent Management of Institutional Funds Act (UPMIFA) 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 Conference classifies as net assets with donor restrictions (a) the original value of gifts donated to the donor-restricted endowment, (b) the original value of subsequent gifts to the donor-restricted endowment, and (c) accumulations to the donor-restricted endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. Most of those assets also are subject to purpose restrictions that must be met before reclassifying those net assets to net assets without restrictions. In accordance with UPMIFA, the Conference considers the following factors in making a determination to appropriate or accumulate donor restricted endowment funds: (1) the duration and preservation of the various funds, (2) the purposes of the donor-restricted endowment funds, (3) general economic conditions, (4) the possible effect of inflation and deflation, (5) the expected total return from income and the appreciation of investments, (6) other resources of the Conference, and (7) the Conference's investment policies.

**NEW MEXICO ANNUAL CONFERENCE OF THE UNITED METHODIST CHURCH  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2022**

**NOTE 6. ENDOWMENTS (CONTINUED)**

*Investment Return Objectives, Risk Parameters and Strategies.* The Conference has adopted investment and spending policies, approved by the Conference, for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment funds while also maintaining the purchasing power of those endowment assets over the long-term. Accordingly, the investment process seeks to achieve an after-cost total real rate of return, including investment income as well as capital appreciation, which exceeds the annual distribution with acceptable levels of risk. Endowment assets are invested with the Texas Methodist Foundation in a well-diversified asset mix, which includes equity and debt securities, which is intended to result in a consistent inflation-protected rate of return that has sufficient liquidity to make an annual distribution of 3%, while growing the funds if possible. Therefore, the Conference expects its endowment assets, over time, to produce an average rate of return of approximately 5% annually. Actual returns in any given year may vary from this amount. Investment risk is measured in terms of the total endowment fund; investment assets and allocation between asset classes and strategies are managed to not expose the fund to unacceptable levels of risk.

*Spending Policy.* The Conference has a policy of appropriating for distribution each year 3% of its primary endowment fund's fair value at the calendar year-end preceding the fiscal year in which the distribution is planned. In establishing this policy, the Conference considered the long-term expected return on its investment assets, the nature and duration of the individual endowment funds, many of which must be maintained in perpetuity because of donor-restrictions, and the possible effects of inflation. The Conference expects the current spending policy to allow its endowment funds to grow at a nominal average rate of 3% annually, which is consistent with the Conference's objective to maintain the purchasing power of the endowment assets as well as to provide additional real growth through investment return.

*Underwater Endowment Funds.* From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor requires the Conference to retain as a fund of perpetual duration. In accordance with accounting principles generally accepted in the United States, deficiencies of this nature are reported in net assets without donor restrictions. None of the Conference's endowment funds were underwater as of December 31, 2022 and 2021.

Endowment net asset composition by type of fund as of December 31, 2022, is as follows:

	Without Donor Restrictions	With Donor Restrictions	2022 Totals	2021 Totals
Donor restricted	\$ -	3,695,368	3,695,368	4,593,426
Board designated endowment funds	6,924,217	-	6,924,217	8,424,215
Total	\$ 6,924,217	3,695,368	10,619,585	13,017,641

See the Texas Methodist Foundation funds chart in Note 2 for endowment activity for the year ended December 31, 2022.

**NOTE 7. RECEIVABLES**

Church Development (Revolving Fund) Loans

The Conference makes loans to church entities for land acquisition, new construction, remodeling and interim refinancing. Repayment must begin at a minimum rate of \$1,000 per year, not later than 36 months after the date of the loan, or within 12 months following the organization of the new congregation, whichever comes first.

**NEW MEXICO ANNUAL CONFERENCE OF THE UNITED METHODIST CHURCH  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2022**

**NOTE 7. RECEIVABLES (CONTINUED)**

The loan must be repaid in full within 10 years. The loans are not collateralized. Management believes all loans are fully collectible and has not established an allowance for doubtful accounts at December 31, 2022.

The following loans are outstanding at December 31, 2022:

<u>Name</u>	<u>Loan Date</u>	<u>Rate</u>	<u>Term (in Months)</u>	<u>Balance</u>
Van Horn Methodist Church	Jul-14	5.00%	120	5,582
Total				\$ <u>5,582</u>

Tuition Loans

The Conference makes certain short-term tuition loans to assist persons in need. As of December 31, 2022, there are no outstanding tuition loans.

**NOTE 8. CONFERENCE RESERVE FUNDS**

Included in the Conference's reserve funds is the stabilization fund. It includes cash, certificates of deposit and a fund invested with the Texas Methodist Foundation (Stabilization Fund 5001-016 and Endowment Fund 5001-002). It is the expressed purpose of the Stabilization Fund to provide payment of organizational commitments during the months of the year when cash flow is low. Money that has been placed in the fund has come from the former contingency fund, unspent money from the program monies in the reorganization budget, accrued interest earned from invested organization funds and realized and unrealized gains on investments held by the Texas Methodist Foundation. The Endowment Fund is the other part of the Conference's reserves. It originated with the sale of the Bataan Memorial Hospital.

	<u>Texas Methodist Foundation</u>			<u>Totals</u>
	<u>Stabilization Fund Cash</u>	<u>Stabilization Fund 5001-016</u>	<u>Endowment Fund 5001-002</u>	
<b>Increases</b>				
Interest income	\$ 62	18	3	83
Realized gains/(losses)	-	46,530	4,178	50,708
Unrealized gains/(losses)	-	(211,971)	(739,336)	(951,307)
Transfers in	144,737	-	227,996	372,733
Total increases	<u>144,799</u>	<u>(165,423)</u>	<u>(507,159)</u>	<u>(527,783)</u>
<b>Decreases</b>				
Other disbursements	4,880	138,993	378,477	522,350
Transfers out	-	-	-	-
Total decreases	<u>4,880</u>	<u>138,993</u>	<u>378,477</u>	<u>522,350</u>
Net change	139,919	(304,416)	(885,636)	(1,050,133)
Beginning balances	(150,052)	1,145,539	4,685,573	5,681,060
Ending balances	\$ <u>(10,133)</u>	<u>841,123</u>	<u>3,799,937</u>	<u>4,630,927</u>

**NEW MEXICO ANNUAL CONFERENCE OF THE UNITED METHODIST CHURCH  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2022**

**NOTE 9. PROPERTY AND EQUIPMENT**

Property and equipment consisted of the following at December 31:

	<u>2021</u>	<u>Additions</u>	<u>Deletions</u>	<u>2022</u>
Depreciable property and equipment				
Conference buildings and improvements	\$ 841,828	-	-	841,828
Trustee buildings and improvements	305,540	-	-	305,540
Episcopal residence	291,923	-	(291,923)	-
Furniture & equipment	52,641	-	-	52,641
Vehicles	133,179	-	-	133,179
Subtotal	<u>1,625,111</u>	-	<u>(291,923)</u>	<u>1,333,188</u>
Less: Accumulated depreciation	<u>(530,387)</u>	<u>(74,746)</u>	<u>72,507</u>	<u>(532,626)</u>
Total depreciable property and equipment	1,094,724	(74,746)	(219,416)	800,562
Non-depreciable property and equipment				
Land	<u>165,000</u>	-	<u>(65,000)</u>	<u>100,000</u>
Total non-depreciable property and equipment	<u>165,000</u>	-	<u>(65,000)</u>	<u>100,000</u>
Total property and equipment, net	<u>\$ 1,259,724</u>	<u>(74,746)</u>	<u>(284,416)</u>	<u>900,562</u>

Depreciation expense for the years ended December 31, 2022 was \$74,746.

**NOTE 10. RELATED PARTY TRANSACTIONS**

The Conference collected amounts for administrative and office expenses incurred for other parties totaling \$33,917 for the year ending December 31, 2022. These expenses include telephone, copy/printing charges, and postage. The Conference also collects rent for office space from tenants in the Lomas property.

The amounts collected were as follows:

	<u>Rent</u>	<u>Admin</u>
NWT - NM Episcopal Office	\$ 10,980	-
New Mexico Annual Conference	-	5,000
Albuquerque District Superintendent	9,729	-
Board of Pension and Health Benefits	8,208	-
Total	<u>\$ 28,917</u>	<u>5,000</u>

**NOTE 11. ECONOMIC DEPENDENCY**

The Conference received a significant portion of its revenue in the form of contributions from Methodist Churches in the Conference. The Conference expects these contributions to continue into the foreseeable future. If, however, a significant portion of these funds do not continue, the Conference's ability to continue all programs would be diminished.

**NEW MEXICO ANNUAL CONFERENCE OF THE UNITED METHODIST CHURCH  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2022**

**NOTE 12. NET ASSETS WITH DONOR RESTRICTIONS**

The Conference reported net assets with donor restrictions totaling \$3,695,368 as of December 31, 2022. These amounts are restricted by the donors for various ministerial and educational programs the Conference administers and/or participates in.

**NOTE 13. LIQUIDITY AND FUNDS AVAILABLE**

The Conference's financial assets available within one year of the balance sheet date for general expenditure represents the cash balance as of December 31, 2022 of \$1,292,574.

As a part of Conference's liquidity management, it has policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due. Cash excess is generally held in savings or money market accounts until it is required for operational use.

**NOTE 14. SUBSEQUENT EVENTS**

Subsequent events are events or transactions that occur after the balance sheet date but before the financial statements are issued. The Conference recognizes in the financial statements the effects of all subsequent events that provide additional evidence about conditions that existed at the date of the balance sheet, including the estimates inherent in the process of preparing the financial statements. The Conference's financial statements do not recognize subsequent events that provide evidence about conditions that did not exist at the date of the balance sheet but arose after the balance sheet date and before financial statements are available to be issued. The organization has evaluated subsequent events through May 20, 2023, which is the date the financial statements were available to be issued.

On May 24, 2022, the Trustees of the Conference adopted a policy for congregations who wish to consider disaffiliation from the United Methodist Church. On May 20, 2023, 31 churches that voted to disaffiliate, were granted approval to separate during a special session of the New Mexico Conference Annual Conference. There are 9 churches that are still in the process of disaffiliation.

**NEW MEXICO ANNUAL CONFERENCE OF THE UNITED METHODIST CHURCH  
SUPPLEMENTAL SCHEDULE OF INVESTMENTS HELD BY  
AND MANAGED BY THE TEXAS METHODIST FOUNDATION  
AS OF DECEMBER 31, 2022**

Fund Title	Without Donor Restrictions	With Donor Restrictions	Total
Conference Endowment	\$ 3,799,937	-	3,799,937
Lackey Fund	-	51,165	51,165
Pruett Loan Fund	-	41,414	41,414
Board of Trustees	106,222	-	106,222
New Church Fund	-	285,743	285,743
Senior Ministries Endowment	-	313,324	313,324
Conference Building Reserve	20,831	-	20,831
Congregational Transformation	-	80,129	80,129
Pace Endowment (New Church)	-	542,852	542,852
Sivley Special Account-CBGM	-	14	14
Stabilization Fund	841,123	-	841,123
NMAC Archives and History	-	7,800	7,800
Thaxton Fund	-	1,297,560	1,297,560
Volunteers In Mission	-	11,956	11,956
Pruett Earnings Fund	-	58,354	58,354
Thaxton Endowment Earnings	-	84,167	84,167
Pippin Endowment	-	572,806	572,806
Whitfield Seminary Schlrsph	-	37,825	37,825
New Church Dis	609,887	-	609,887
NCD Restricted	319,952	-	319,952
Trustees (New)	1,226,265	-	1,226,265
Campus Ministries	-	55,513	55,513
Native Amer MEF	-	177,016	177,016
Native Amer MEF Earnings	-	77,730	77,730
	\$ 6,924,217	3,695,368	10,619,585