

## Future Financial Health of the UMC

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Apportionments are the primary way in which the UMC funds its ministries. Local churches fulfill the apportionments which are determined by the budget of the annual conference, the budget of the congregation, and sometimes by the membership of the church (since apportionments are set by conference, the calculation will vary). The funds brought in by apportionments go towards the work of the district, the annual conference, the jurisdiction, and the general church. For every dollar donated by members of a local church, approximately 2% goes to the General Conference Fund, 0.5% goes to their Judicial Conference, 6.5% goes to their Annual Conference and District, and about 91% stays with the local church.” (1)(2)

According to a survey in 2020 of the 54 U.S. conferences in the United Methodist Church, the estimation was that the UMC would lose approximately 20% of local church net expenditures between 2021 and 2024. That decline would result in a \$41 million reduction by 2024, as local church net expenditures are a contributing factor to the apportionment calculation. The combination of COVID and the disaffiliation of churches has created a maelstrom of uncertainty surrounding the future of apportionments. (3)

The General Council on Finance and Administration (GCFA) proposed a budget for 2021 through 2024 at \$413.4 million. That was a 33% decrease from the budget of \$604 million that was passed by the 2016 General Conference. These budgetary reductions stem from COVID, a 7.8% decrease in UMC membership in the U.S. since 2017, decreasing apportionment collection rates and a small number of churches disaffiliating in the U.S. (about 470 of more than 30,000 churches in the U.S. so far). (7)(8) While the estimated loss of church expenditures was anticipated to be at 20% based on the 2020 survey, that number rose to 25.5% based on the 2021 data. The circumstances for the data are difficult to properly forecast with the pandemic causing a skew in numbers, but have still shown downward trends. (4) Please note that the GCFA’s *proposed budget* has not been voted upon, because the normal General Conference has not met since 2016. Therefore, all apportionment requirements remain at the higher 2016 levels.

The apportionment collection rate has shown a steady drop from year to year in recent years. It was at 85% in 2019, then 79% in 2020, and was around 76% in 2021. While 90% of local church giving remains with the local church, the decrease in apportioned funds reduces the ability of United Methodist ministries. Based on the recent trends, most United Methodist agencies have budgeted based on 60-65% collection rates. The General Council on Finance and Administration (GCFA) opted to budget for an even more conservative estimate of just a 50% collection rate. With such anticipated reduction in funding, agencies will be forced to reach into reserve funds to continue their missions. As of July 2022, the overall collection rate in the U.S. was 32.5%. By comparison that number was at 30.6% in July of 2021. Despite the downward trends in many areas, giving still seems to be trending in a positive direction. (5)(6)

One important factor to consider when looking at the data: the GCFA does not count disaffiliations until the data is formally submitted by annual conferences. This means there are some situations in which the data is only current as of 2021. However, upon review of annual conference reports across the U.S., there have only been 470 approved church disaffiliations since 2019. For reference, there are more than 30,000 United Methodist churches in the U.S. (6)

The financial health of an institution depends on several things including its ability to predict changes that affect its finances and the ability to limit spending to the available revenue. We have already talked about the UMC's realization that with the declining membership, disaffiliation of churches, and disruption of revenues from COVID that it needed to decrease its budget considerably to match a suspected decrease in revenues. The General Fund represents the money spent by the UMC as an institution and does not include the local churches or Annual Conferences budgets. Based on outside audits of the UMC for the last four years the revenue and expenditures for the General Funds were as follows:

(Note: these numbers are in \$ millions.)

Year	Revenue	Expenditures	Difference
2018	\$193	\$194	- \$1.4
2019	\$174	\$177	- \$3.1
2020	\$155	\$152	\$2.7
2021	\$168	\$162	\$6.3

Over the past three years assets have increased as well.

The numbers for the last three years from the Western NC Conf are:

Year	Revenue	Expenditures	Difference
2018	\$42	\$44	- \$2.0
2019	\$43	\$46	- \$2.7
2020	\$41	\$43	- \$1.9

In summary, the UMC seems to be financially stable at the current time. However, it will have to continue to decrease costs as revenue continues to shrink. Our Annual Conference is not doing as well and will have to improve its ability to decrease expenditures if it is going to be able to survive.

1 - UM Insight (May 2019)

<https://um-insight.net/in-the-church/umc-global-nature/a-primer-on-united-methodist-apportionments/>

2 - GFCFA Financial Report (2016)

[https://www.gcfa.org/media/1243/2017-2020\\_financial\\_commitment\\_book\\_final\\_071316\\_02.pdf](https://www.gcfa.org/media/1243/2017-2020_financial_commitment_book_final_071316_02.pdf)

3 - UM News (Nov. 23, 2020): Estimating financial impact of church exits

<https://www.umnews.org/en/news/estimating-financial-impact-of-church-exits>

4 - UM News (Dec. 3, 2021): Church exits, COVID lead to steep budget cuts

<https://www.umnews.org/en/news/church-exits-covid-lead-to-steep-budget-cuts>

5 - UM News (Feb. 21, 2022): Denominational giving drops for third year

<https://www.umnews.org/en/news/denominational-giving-drops-for-third-year>

6 - UM News (Aug. 22, 2022): Grappling with mixed news on giving, church exits

<https://www.umnews.org/en/news/grappling-with-mixed-news-on-giving-church-exits>

7- UMDData (2022): <http://www.umdata.org/UMFactsHome.aspx>

8- US dips below majority membership: <https://www.umnews.org/en/news/us-dips-below-majority-of-membership>