



**GENERAL BOARD OF DISCIPLESHIP OF
THE UNITED METHODIST CHURCH
d/b/a DISCIPLESHIP MINISTRIES**

**CONSOLIDATED FINANCIAL STATEMENTS
AND SUPPLEMENTAL SCHEDULES**

*As of and for the Years Ended December 31, 2015
and 2014*

And Report of Independent Auditor

Report of Independent Auditor

The Board of Directors of the
General Board of Discipleship Ministries of
The United Methodist Church

The Committee on Audit and Review of the
General Council on Finance and Administration of
The United Methodist Church

We have audited the accompanying consolidated financial statements of the General Board of Discipleship of The United Methodist Church d/b/a Discipleship Ministries (the "Board"), which comprise the consolidated statements of financial position as of December 31, 2015 and 2014, and the related consolidated statements of activities and cash flows for the years then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated 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 consolidated financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Board's preparation and fair presentation of the consolidated 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 Board'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 consolidated 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 consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of the Board as of December 31, 2015 and 2014, and the changes in its consolidated net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Other Information

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements taken as a whole. The other information included in Schedules 1 through 4, is presented for purposes of additional analysis and is not a required part of the consolidated financial statements.

Schedules 1 through 3 are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the consolidated financial statements. Such information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated 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 consolidated financial statements as a whole.

Schedule 4 has not been subjected to the auditing procedures applied in the audit of the consolidated financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

A handwritten signature in cursive script that reads "Cheryl Behest CPA".

Charlotte, North Carolina
June 15, 2016

**GENERAL BOARD OF DISCIPLESHIP OF THE UNITED METHODIST CHURCH
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION**

DECEMBER 31, 2015 AND 2014

	2015			2014		
	Consolidating Information		Consolidated Total	Consolidating Information		Consolidated Total
	Board of Discipleship	The Upper Room		Board of Discipleship	The Upper Room	
Assets						
Cash and cash equivalents	\$ 17,116	\$ 65,163	\$ 82,279	\$ 4,932	\$ 83,044	\$ 87,976
Due from GCFA Short-Term Pooled Investment Fund	36,796	2,622,591	2,659,387	3,192,961	4,808,620	8,001,581
Accrued World Service	2,428,663	-	2,428,663	2,486,910	-	2,486,910
Accrued World Service - SBC21	135,156	-	135,156	138,309	-	138,309
Accrued World Service - NACP	73,397	-	73,397	-	-	-
Investments	12,994,026	14,613,470	27,607,496	13,312,081	14,994,320	28,306,401
Accounts receivable, net	291,222	934,755	1,225,977	504,249	1,211,492	1,715,741
Accrued income receivable	1,972	35,722	37,694	3,497	1,889	5,386
Inventories	260,366	1,250,762	1,511,128	316,774	1,400,885	1,717,659
Prepaid expenses and other assets	79,726	286,514	366,240	116,701	303,565	420,266
Property, buildings, and equipment, net	2,207,138	5,157,108	7,364,246	1,725,362	5,385,042	7,110,404
Total Assets	\$ 18,525,578	\$ 24,966,085	\$ 43,491,663	\$ 21,801,776	\$ 28,188,857	\$ 49,990,633
Liabilities and Net Assets						
Liabilities:						
Accounts payable and accrued expenses	\$ 733,783	\$ 781,470	\$ 1,515,253	\$ 795,052	\$ 1,165,429	\$ 1,960,481
Custodial funds payable	209,917	-	209,917	154,346	-	154,346
Accrued royalties	27,849	120,410	148,259	35,779	84,889	120,668
Deferred income	14,001	3,463,397	3,477,398	-	3,520,543	3,520,543
Total Liabilities	985,550	4,365,277	5,350,827	985,177	4,770,861	5,756,038
Net Assets:						
Unrestricted:						
Undesignated	7,602,647	13,421,458	21,024,105	9,375,843	15,611,649	24,987,492
Board designated – capital expenditures	61,399	460,583	521,982	600,182	460,583	1,060,765
Board designated – programs	3,769,152	708,907	4,478,059	5,176,825	1,322,648	6,499,473
Board designated – investment in plant facilities	2,207,138	5,157,108	7,364,246	1,725,362	5,385,042	7,110,404
Total Unrestricted Net Assets	13,640,336	19,748,056	33,388,392	16,878,212	22,779,922	39,658,134
Temporarily restricted	3,491,751	195,039	3,686,790	3,555,646	2,204	3,557,850
Permanently restricted	407,941	657,713	1,065,654	382,741	635,870	1,018,611
Total Net Assets	17,540,028	20,600,808	38,140,836	20,816,599	23,417,996	44,234,595
Total Liabilities and Net Assets	\$ 18,525,578	\$ 24,966,085	\$ 43,491,663	\$ 21,801,776	\$ 28,188,857	\$ 49,990,633

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

**GENERAL BOARD OF DISCIPLESHIP OF THE UNITED METHODIST CHURCH
CONSOLIDATED STATEMENT OF ACTIVITIES**

YEAR ENDED DECEMBER 31, 2015

	Consolidating Information										Consolidated Total	
	Board of Discipleship			The Upper Room			Eliminations					
	Unrestricted	Temporarily Restricted	Permanently Restricted	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Eliminations	Total	Eliminations		
Revenue:												
Sales of literature	\$ 306,632	\$ -	\$ -	\$ 306,632	\$ -	\$ -	\$ 13,672,434	\$ -	\$ 13,672,434	\$ -	\$ -	\$ 13,979,066
Cost of goods sold	(176,226)	-	-	(176,226)	-	-	(2,776,199)	-	(2,776,199)	-	-	(2,952,425)
	130,406	-	-	130,406	-	-	10,896,235	-	10,896,235	-	-	11,026,641
Allocations through the GCFA:												
World Service	8,469,982	-	-	8,469,982	-	-	-	-	-	-	-	8,469,982
National Hispanic Plan	-	75,000	-	-	75,000	-	-	-	-	-	-	75,000
Native American Comprehensive Plan	-	257,485	-	-	257,485	-	-	-	-	-	-	257,485
Strengthening the Black Church	-	452,468	-	-	452,468	-	-	-	-	-	-	452,468
Youth Service Fund	-	38,513	-	-	38,513	-	-	-	-	-	-	38,513
Registration fees/special projects	16,506	-	-	-	-	-	-	-	-	-	-	16,506
Grants and contributions	2,254,761	177,404	-	2,432,165	-	-	526,531	146,430	572,961	-	-	3,105,126
Receipts from related organizations	105,249	604,886	25,200	735,335	477,431	21,843	44,631	115,336	614,610	-	-	1,349,945
Rental income	260,966	-	-	260,966	-	-	44,631	-	44,631	-	-	304,897
Other income	120,340	-	-	120,340	-	-	63,948	-	63,948	-	-	184,288
Benefit Trust distribution	3,072,716	66,209	-	3,138,925	530,021	220	530,241	220	530,241	(3,298,837)	-	370,329
Services received from GCFA	1,157,791	-	-	1,157,791	-	-	947,283	-	947,283	-	-	2,105,074
Net assets released from restrictions	31,797	-	-	31,797	-	-	-	-	-	-	-	31,797
	1,509,317	(1,509,317)	-	-	87,665	-	-	(87,665)	-	-	-	-
Total Revenue	17,128,931	162,648	25,200	17,316,779	13,573,745	21,843	13,769,909	174,321	13,769,909	(3,298,837)	-	27,787,851
Expenses:												
Program services:												
Leadership Ministries	3,349,098	-	-	3,349,098	-	-	-	-	-	-	-	3,349,098
Young People's Ministries	3,458,623	-	-	3,458,623	-	-	-	-	-	-	-	3,458,623
New Church Starts	2,076,176	-	-	2,076,176	-	-	-	-	-	-	-	2,076,176
Vital Congregations/Conference Relations	1,109,836	-	-	1,109,836	-	-	-	-	-	-	-	1,109,836
Strengthening the Black Church (SBC21)	547,070	-	-	547,070	-	-	-	-	-	-	-	547,070
Native American Comprehensive Plan (NACP)	284,864	-	-	284,864	-	-	-	-	-	-	-	284,864
Discipleship Resources	179,205	-	-	179,205	-	-	-	-	-	-	-	179,205
Central Conference Relations (CCSRI)	891,398	-	-	891,398	-	-	6,165,250	-	6,165,250	(73,000)	-	106,205
Books and Magazines (The Upper Room)	-	-	-	-	4,553,619	-	4,553,619	-	4,553,619	-	-	891,398
Programs and Events (The Upper Room)	-	-	-	-	-	-	-	-	-	-	-	6,165,250
Total Program Services	11,896,270	-	-	11,896,270	10,718,869	-	10,718,869	-	10,718,869	(73,000)	-	22,542,139
Support Services:												
General and support services	8,378,825	-	-	8,378,825	-	-	5,487,378	-	5,487,378	(3,225,837)	-	5,152,988
Customer and support services	-	-	-	-	-	-	-	-	-	-	-	5,487,378
Total Support Services	8,378,825	-	-	8,378,825	-	-	5,487,378	-	5,487,378	(3,225,837)	-	10,640,366
Total Expenses	20,275,095	-	-	20,275,095	16,206,247	-	16,206,247	-	16,206,247	(3,298,837)	-	33,182,505
Excess (Deficiency) of Revenue Over Expenses	(3,146,164)	162,648	25,200	(2,958,316)	(2,632,502)	21,843	(2,436,338)	174,321	(2,436,338)	-	-	(5,384,854)
Nonoperating items:												
Net investment return	(91,712)	(226,543)	-	(318,255)	(399,364)	18,514	(380,850)	-	(380,850)	-	-	(698,105)
Changes in net assets	(3,237,876)	(63,895)	25,200	(3,276,571)	(3,031,866)	21,843	(2,817,188)	192,835	(2,817,188)	-	-	(6,093,759)
Net assets, beginning of year	16,878,212	3,555,846	382,741	20,816,599	22,779,922	2,204	23,417,996	2,204	23,417,996	-	-	44,234,595
Net assets, end of year	\$ 13,640,336	\$ 3,491,751	\$ 407,941	\$ 17,540,028	\$ 19,748,056	\$ 195,039	\$ 20,600,808	\$ 657,713	\$ 20,600,808	\$ -	\$ -	\$ 38,140,836

The accompanying notes to the consolidated financial statements are an integral part of this statement.

GENERAL BOARD OF DISCIPLESHIP OF THE UNITED METHODIST CHURCH CONSOLIDATED STATEMENT OF ACTIVITIES

YEAR ENDED DECEMBER 31, 2014

	Consolidating Information										Consolidated Total	
	Board of Discipleship			The Upper Room			Total	Eliminations	Total	Eliminations		
	Unrestricted	Temporarily Restricted	Permanently Restricted	Unrestricted	Temporarily Restricted	Permanently Restricted						
Revenue:												
Sales of literature	\$ 343,324	-	-	\$ 343,324	\$ 14,447,850	-	-	-	-	-	-	\$ 14,791,174
Cost of goods sold	(211,475)	-	-	(211,475)	(2,773,204)	-	-	-	-	-	-	(2,984,679)
	131,849	-	-	131,849	11,674,646	-	-	-	-	-	-	11,806,495
Allocations through the GCFA:												
World Service	7,682,900	-	-	7,682,900	-	-	-	-	-	-	-	7,682,900
National Hispanic Plan	-	74,495	-	74,495	-	-	-	-	-	-	-	74,495
Native American Comprehensive Plan	-	236,134	-	236,134	-	-	-	-	-	-	-	236,134
Strengthening the Black Church	-	448,429	-	448,429	-	-	-	-	-	-	-	448,429
Youth Service Fund	-	55,720	-	55,720	-	-	-	-	-	-	-	55,720
Registration fees/special projects	439,470	69,206	-	508,676	912,852	-	-	-	-	6,419	-	1,427,947
Grants and contributions	268,901	324,269	-	593,170	678,537	-	-	-	-	-	-	1,271,707
Receipts from related organizations	326,954	(50)	-	326,904	50,285	-	-	-	-	-	-	377,189
Rental income	117,285	-	-	117,285	53,809	-	-	-	-	-	-	171,094
Other income	3,106,166	200,000	-	3,306,166	511,255	-	-	-	-	-	-	374,243
Benefit Trust distribution	1,120,083	-	-	1,120,083	916,431	-	-	-	-	-	-	2,036,514
Net assets released from restrictions	1,465,717	(1,465,717)	-	-	75,342	(75,342)	-	-	-	-	-	-
Total Revenue	14,715,045	(113,234)	-	14,601,811	14,873,157	(75,342)	-	-	-	6,419	(3,443,178)	25,962,867
Expenses:												
Program services:												
Leadership Ministries	3,422,460	-	-	3,422,460	-	-	-	-	-	-	-	3,422,460
Young People's Ministries	1,867,567	-	-	1,867,567	-	-	-	-	-	-	-	1,867,567
New Church Starts	1,607,005	-	-	1,607,005	-	-	-	-	-	-	-	1,607,005
Strengthening the Black Church (SBC21)	-	-	-	-	-	-	-	-	-	-	-	464,551
Native American Comprehensive Plan (NACP)	297,259	-	-	297,259	-	-	-	-	-	-	-	297,259
Discipleship Resources	203,744	-	-	203,744	-	-	-	-	-	-	-	203,744
Central Conference Relations (CCSR)	677,937	-	-	677,937	-	-	-	-	-	-	-	677,937
Books and Magazines (The Upper Room)	-	-	-	-	6,177,348	-	-	-	-	-	-	6,177,348
Programs and Events (The Upper Room)	-	-	-	-	4,138,511	-	-	-	-	-	-	4,138,511
Total Program Services	8,540,523	-	-	8,540,523	10,315,859	-	-	-	-	-	(113,006)	18,743,376
Support Services:												
General and support services	7,300,391	-	-	7,300,391	-	-	-	-	-	-	-	7,300,391
Customer and support services	-	-	-	-	5,207,487	-	-	-	-	-	-	5,207,487
Total Support Services	7,300,391	-	-	7,300,391	5,207,487	-	-	-	-	-	-	12,507,878
Total Expenses	15,840,914	-	-	15,840,914	15,523,346	-	-	-	-	-	-	28,251,254
Excess (Deficiency) of Revenue Over Expenses	(1,125,869)	(113,234)	-	(1,239,103)	(650,189)	(75,342)	-	-	-	6,419	-	(1,958,215)
Nonoperating items:												
Net investment return	387,464	99,300	-	486,764	631,314	-	-	-	-	-	-	1,118,078
Changes in net assets	(738,405)	(13,934)	-	(752,339)	(18,875)	(75,342)	-	-	-	6,419	-	(840,137)
Net assets, beginning of year	17,616,617	3,669,580	382,741	21,568,938	22,798,797	77,546	-	-	-	629,451	-	45,074,732
Net assets, end of year	\$ 16,878,212	\$ 3,555,646	\$ 382,741	\$ 20,816,599	\$ 22,779,922	\$ 2,204	-	-	-	\$ 635,870	-	\$ 44,234,595

The accompanying notes to the consolidated financial statements are an integral part of this statement.

GENERAL BOARD OF DISCIPLESHIP OF THE UNITED METHODIST CHURCH
CONSOLIDATED STATEMENTS OF CASH FLOWS

YEARS ENDED DECEMBER 31, 2015 AND 2014

	<u>2015</u>	<u>2014</u>
Cash flows from operating activities:		
Change in net assets	\$ (6,093,759)	\$ (840,137)
Adjustments to reconcile change in net assets to net cash from operating activities:		
Depreciation	1,077,406	846,794
Net realized gains on investments	(2,638,327)	(1,690,375)
Net unrealized losses on investments	3,557,240	1,004,064
Loss on disposal of equipment	12,039	-
Changes in assets and liabilities:		
Decrease in Due from GCFA short-term pooled investment fund	5,342,194	600,613
Accrued World Service Fund allocation	58,247	25,951
Accrued World Service Fund allocation - SBC21	3,153	1,381
Accrued World Service Fund allocation - NACP	(73,397)	-
Accounts receivable, net	489,764	131,675
Accrued income receivable	(32,308)	96,518
Inventories	206,531	88,721
Prepaid expenses and other assets	54,026	41,229
Accounts payable and accrued expenses	(445,228)	429,600
Custodial funds payable	55,571	21,126
Accrued royalties	27,591	14,550
Deferred income	(43,145)	(377,711)
Net cash from operating activities	<u>1,557,598</u>	<u>393,999</u>
Cash flows from investing activities:		
Purchases of property, buildings, and equipment	(1,343,287)	(1,939,368)
Proceeds from sale of investments	23,759,596	4,000,230
Purchases of investments	<u>(23,979,604)</u>	<u>(2,431,767)</u>
Net cash from investing activities	<u>(1,563,295)</u>	<u>(370,905)</u>
Net change in cash and cash equivalents	(5,697)	23,094
Cash and cash equivalents, beginning of year	<u>87,976</u>	<u>64,882</u>
Cash and cash equivalents, end of year	<u>\$ 82,279</u>	<u>\$ 87,976</u>