

**GENERAL BOARD OF DISCIPLESHIP OF THE  
UNITED METHODIST CHURCH**

**CONSOLIDATED FINANCIAL STATEMENTS  
AND SCHEDULES**

**DECEMBER 31, 2012 AND 2011**



## INDEPENDENT AUDITOR'S REPORT

The Board of Directors of the  
General Board of Discipleship 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 (the "Board"), which comprise the consolidated statements of financial position as of December 31, 2012 and 2011, and the related consolidated statements of activities and changes in net assets, 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 audit to obtain reasonable assurance about whether the consolidated financial statements are free from 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 entity'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 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 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 General Board of Discipleship of The United Methodist Church as of December 31, 2012 and 2011, and the changes in their consolidated net assets and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

### **Other Matter**

Our audits were conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The other information included in Schedules 1 through 3, which is the responsibility of management, is presented for purposes of additional analysis and is not a required part of the consolidated financial statements. Such information, except for that portion marked "unaudited", was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audits 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. The information marked "unaudited" 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.

*Crosslin & Associates, P.C.*

June 28, 2013  
Nashville, Tennessee

**GENERAL BOARD OF DISCIPLESHIP OF  
THE UNITED METHODIST CHURCH**

Consolidated Statements of Financial Position

December 31, 2012 and 2011

With Consolidating Information

Assets	2012			2011		
	Consolidating Information		Consolidated Total	Consolidating Information		Consolidated Total
	Board of Discipleship	The Upper Room		Board of Discipleship	The Upper Room	
Cash and cash equivalents	\$ 942	\$ 36,678	\$ 37,620	\$ 451	\$ 74,531	\$ 74,982
Investment in GCPA short-term pooled investment fund	3,918,192	4,077,704	7,995,896	2,771,517	3,901,229	6,672,746
Accrued World Service allocation	2,808,777	—	2,808,777	2,747,499	—	2,747,499
Accrued World Service allocation - SBC21	147,521	—	147,521	151,268	—	151,268
Investments	11,503,146	14,519,566	26,022,712	10,316,285	13,016,147	23,332,432
Accounts receivable, net	282,236	1,186,664	1,468,900	314,079	1,414,178	1,728,257
Accrued income receivable	1,383	45,496	46,879	40,015	130,310	170,325
Inventories	270,431	1,607,979	1,878,410	289,282	1,688,826	1,978,108
Prepaid expenses and other assets	596,995	333,780	930,775	153,006	381,429	534,435
Property, buildings, and equipment, net	1,467,505	3,868,264	5,335,769	1,143,345	3,970,258	5,113,603
Total assets	\$ 20,997,128	\$ 25,676,131	\$ 46,673,259	\$ 17,926,747	\$ 24,576,908	\$ 42,503,655
<b>Liabilities and Net Assets</b>						
Liabilities:						
Accounts payable and accrued expenses	\$ 480,431	\$ 737,921	\$ 1,218,352	\$ 654,957	\$ 1,294,359	\$ 1,949,316
Accrued royalties	24,808	112,918	137,726	22,941	122,298	145,239
Deferred income	—	3,699,317	3,699,317	—	3,803,932	3,803,932
Total liabilities	505,239	4,550,156	5,055,395	677,898	5,220,589	5,898,487
Net assets:						
Unrestricted:						
Undesignated	8,739,849	13,985,561	22,725,210	7,692,227	12,353,153	20,045,380
Board designated – capital expenditures	955,848	1,148,943	2,104,791	481,612	916,256	1,397,868
Board designated – programs	5,752,003	1,418,000	7,170,003	4,742,834	1,406,956	6,149,790
Investment in plant facilities	1,467,505	3,868,264	5,335,769	1,143,345	3,970,258	5,113,603
Total unrestricted net assets	16,915,205	20,420,568	37,335,773	14,060,018	18,646,623	32,706,641
Temporarily restricted	3,219,259	77,546	3,296,805	2,831,506	102,436	2,933,942
Permanently restricted	357,425	627,861	985,286	357,325	607,260	964,585
Total net assets	20,491,889	21,125,975	41,617,864	17,248,849	19,356,319	36,605,168
Total liabilities and net assets	\$ 20,997,128	\$ 25,676,131	\$ 46,673,259	\$ 17,926,747	\$ 24,576,908	\$ 42,503,655

See accompanying notes to consolidated financial statements.



**GENERAL BOARD OF DISCIPLESHIP OF  
THE UNITED METHODIST CHURCH**  
Consolidated Statement of Activities and Changes in Net Assets  
Year ended December 31, 2012  
With Consolidating Information

	Board of Discipleship			Total
	Unrestricted	Temporarily restricted	Permanently restricted	
Revenue:				
Sales of literature	\$ 367,302	\$ —	\$ —	\$ 367,302
Cost of goods sold	(92,892)	—	—	(92,892)
	<u>274,410</u>	<u>—</u>	<u>—</u>	<u>274,410</u>
Allocations through the GCFA:				
World Service	8,316,083	142,569	—	8,458,652
Committee and Plan on Older Adult Ministries	80,000	—	—	80,000
National Hispanic Plan	—	75,000	—	75,000
Native American Comprehensive Plan	—	252,720	—	252,720
Strengthening The Black Church	—	465,771	—	465,771
Registration fees/special projects	350,653	109,819	—	460,472
Grants and contributions	22,357	101,906	100	124,363
Receipts from related organizations	361,475	—	—	361,475
Rental income	111,972	—	—	111,972
Other income	2,892,707	10,174	—	2,902,881
Benefit Trust distribution	997,292	—	—	997,292
AGI surplus distribution	190,361	—	—	190,361
Release of temporary restrictions (The Upper Room)	—	—	—	—
Release of temporary restrictions (Leadership Ministry Division)	210,852	(210,852)	—	—
Release of temporary restrictions (Young People's Ministry)	58,284	(58,284)	—	—
Release of temporary restrictions (New Church Services)	50,238	(50,238)	—	—
Release of temporary restrictions (NACP)	264,161	(264,161)	—	—
Release of temporary restrictions (SBC21)	375,462	(375,462)	—	—
Total revenue	<u>14,556,307</u>	<u>198,962</u>	<u>100</u>	<u>14,755,369</u>
Expenses:				
Program services:				
Leadership Ministries	2,804,409	—	—	2,804,409
Young People's Ministries	1,142,811	—	—	1,142,811
New Church Starts	1,077,542	—	—	1,077,542
Strengthening the Black Church (SBC21)	300,471	—	—	300,471
Native American Comprehensive Plan (NACP)	264,161	—	—	264,161
Discipleship Resources	225,325	—	—	225,325
External Connectional Relations (ECSR1)	252,104	—	—	252,104
Central Conference Relations (CCSR1)	420,221	—	—	420,221
Books and Magazines (The Upper Room)	—	—	—	—
Programs and Events (The Upper Room)	—	—	—	—
Total program services	<u>6,487,044</u>	<u>—</u>	<u>—</u>	<u>6,487,044</u>
Support services:				
General and support services	6,267,087	—	—	6,267,087
Customer and support services	—	—	—	—
Total support services	<u>6,267,087</u>	<u>—</u>	<u>—</u>	<u>6,267,087</u>
Total expenses	<u>12,754,131</u>	<u>—</u>	<u>—</u>	<u>12,754,131</u>
Excess (deficiency) of revenue over expenses	1,802,176	198,962	100	2,001,238
Nonoperating items:				
Adjustment for Custodial Activities	56,979	(1,938)	—	55,041
Net investment return	996,032	190,729	—	1,186,761
Changes in net assets	<u>2,855,187</u>	<u>387,753</u>	<u>100</u>	<u>3,243,040</u>
Net assets at beginning of year - as restated (Note 8)	<u>14,060,018</u>	<u>2,831,506</u>	<u>357,325</u>	<u>17,248,849</u>
Net assets at end of year	<u>\$ 16,915,205</u>	<u>\$ 3,219,259</u>	<u>\$ 357,425</u>	<u>\$ 20,491,889</u>

See accompanying notes to consolidated financial statements.

Consolidating Information					
The Upper Room					
Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Eliminations	Consolidated Total
\$ 15,304,986	\$ —	\$ —	\$ 15,304,986	\$ —	\$ 15,672,288
(3,096,588)	—	—	(3,096,588)	—	(3,189,480)
12,208,398	—	—	12,208,398	—	12,482,808
—	—	—	—	—	8,458,652
—	—	—	—	—	80,000
—	—	—	—	—	75,000
—	—	—	—	—	252,720
—	—	—	—	—	465,771
900,304	—	—	900,304	—	1,360,776
457,424	7,108	20,601	485,133	—	609,496
49,837	—	—	49,837	—	411,312
33,973	—	—	33,973	—	145,945
371,760	—	—	371,760	(3,038,513)	236,128
815,966	—	—	815,966	—	1,813,258
155,750	—	—	155,750	—	346,111
32,074	(32,074)	—	—	—	—
—	—	—	—	—	—
—	—	—	—	—	—
—	—	—	—	—	—
—	—	—	—	—	—
15,025,486	(24,966)	20,601	15,021,121	(3,038,513)	26,737,977
—	—	—	—	—	2,804,409
—	—	—	—	—	1,142,811
—	—	—	—	—	1,077,542
—	—	—	—	—	300,471
—	—	—	—	—	264,161
—	—	—	—	(105,000)	120,325
—	—	—	—	—	252,104
—	—	—	—	—	420,221
5,840,946	—	—	5,840,946	(2,750,000)	3,090,946
3,441,808	—	—	3,441,808	—	3,441,808
9,282,754	—	—	9,282,754	(2,855,000)	12,914,798
—	—	—	—	(183,513)	6,083,574
5,468,556	—	—	5,468,556	—	5,468,556
5,468,556	—	—	5,468,556	(183,513)	11,552,130
14,751,310	—	—	14,751,310	(3,038,513)	24,466,928
274,176	(24,966)	20,601	269,811	—	2,271,049
—	—	—	—	—	55,041
1,499,769	76	—	1,499,845	—	2,686,606
1,773,945	(24,890)	20,601	1,769,656	—	5,012,696
18,646,623	102,436	607,260	19,356,319	—	36,605,168
\$ 20,420,568	\$ 77,546	\$ 627,861	\$ 21,125,975	\$ —	\$ 41,617,864

**GENERAL BOARD OF DISCIPLESHIP OF  
THE UNITED METHODIST CHURCH**  
Consolidated Statement of Activities and Changes in Net Assets  
Year ended December 31, 2011  
With Consolidating Information

	Board of Discipleship			
	Unrestricted	Temporarily restricted	Permanently restricted	Total
<b>Revenue:</b>				
Sales of literature	\$ 415,136	\$ —	\$ —	\$ 415,136
Cost of goods sold	(163,364)	—	—	(163,364)
Net Sales	251,772	—	—	251,772
<b>Allocations through the GCFA:</b>				
World Service	8,186,234	152,076	—	8,338,310
Committee and Plan on Older Adult Ministries	85,000	—	—	85,000
National Hispanic Plan	—	75,000	—	75,000
Native American Comprehensive Plan	—	262,886	—	262,886
Strengthening The Black Church	—	478,002	—	478,002
Registration fees/special projects	1,974,173	24,932	—	1,999,105
Grants and contributions	119,141	126,413	3,652	249,206
Receipts from related organizations	229,306	13,500	—	242,806
Rental income	97,879	—	—	97,879
Other income	2,578,799	—	—	2,578,799
Benefit Trust distribution	716,016	—	—	716,016
AGI Surplus distribution	191,128	—	—	191,128
Release of temporary restrictions (The Upper Room)	—	—	—	—
Release of temporary restrictions (Leadership Ministry Division)	297,280	(297,280)	—	—
Release of temporary restrictions (Young People's Ministry)	51,789	(51,789)	—	—
Release of temporary restrictions (New Church Services)	64,978	(64,978)	—	—
Release of temporary restrictions (NACP)	246,917	(246,917)	—	—
Release of temporary restrictions (SBC21)	485,260	(485,260)	—	—
Total revenue	15,575,672	(13,415)	3,652	15,565,909
<b>Expenses:</b>				
<b>Program services:</b>				
Leadership Ministries	3,119,797	—	—	3,119,797
Young People's Ministries	3,062,332	—	—	3,062,332
New Church Starts	1,161,064	—	—	1,161,064
Strengthening the Black Church (SBC21)	456,146	—	—	456,146
Native American Comprehensive Plan (NACP)	246,917	—	—	246,917
Discipleship Resources	229,158	—	—	229,158
External Connectional Relations (ECSI)	489,277	—	—	489,277
Central Conference Relations	273,751	—	—	273,751
Books and Magazines (The Upper Room)	—	—	—	—
Programs and Events (The Upper Room)	—	—	—	—
Total program services	9,038,442	—	—	9,038,442
<b>Support services:</b>				
General and support services	6,029,037	—	—	6,029,037
Customer and support services	—	—	—	—
Total support services	6,029,037	—	—	6,029,037
Total expenses	15,067,479	—	—	15,067,479
Excess (deficiency) of revenue over expenses	508,193	(13,415)	3,652	498,430
<b>Nonoperating item:</b>				
World Service Digitization Process	(350,000)	—	—	(350,000)
Adjustment for Custodial Activities	(12,288)	—	—	(12,288)
Net investment return	(215,763)	(120,126)	—	(335,889)
Changes in net assets	(69,858)	(133,541)	3,652	(199,747)
Net assets at beginning of year - as restated (Note 8)	14,129,876	2,965,047	353,673	17,448,596
Net assets at end of year - as restated (Note 8)	\$ 14,060,018	\$ 2,831,506	\$ 357,325	\$ 17,248,849

See accompanying notes to consolidated financial statements.

Consolidating Information					
The Upper Room					
Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Eliminations	Consolidated Total
\$ 15,821,847	\$ —	\$ —	\$ 15,821,847	\$ —	\$ 16,236,983
(2,997,805)	—	—	(2,997,805)	—	(3,161,169)
12,824,042	—	—	12,824,042	—	13,075,814
—	—	—	—	—	8,338,310
—	—	—	—	—	85,000
—	—	—	—	—	75,000
—	—	—	—	—	262,886
—	—	—	—	—	478,002
760,048	14,046	—	774,094	—	2,773,199
368,897	1,807	2,708	373,412	—	622,618
100,449	—	—	100,449	—	343,255
31,788	—	—	31,788	—	129,667
399,135	—	—	399,135	(2,841,462)	136,471
585,831	—	—	585,831	—	1,301,847
154,983	—	—	154,983	—	346,111
164,596	(164,596)	—	—	—	—
—	—	—	—	—	—
—	—	—	—	—	—
—	—	—	—	—	—
—	—	—	—	—	—
—	—	—	—	—	—
15,389,769	(148,743)	2,708	15,243,734	(2,841,462)	27,968,181
—	—	—	—	(41,488)	3,078,309
—	—	—	—	(24,140)	3,038,192
—	—	—	—	(12,267)	1,148,797
—	—	—	—	—	456,146
—	—	—	—	—	246,917
—	—	—	—	(100,000)	129,158
—	—	—	—	(7,114)	482,163
—	—	—	—	—	273,751
5,574,117	—	—	5,574,117	(2,500,000)	3,074,117
3,559,790	—	—	3,559,790	—	3,559,790
9,133,907	—	—	9,133,907	(2,685,009)	15,487,340
—	—	—	—	(156,453)	5,872,584
6,024,223	—	—	6,024,223	—	6,024,223
6,024,223	—	—	6,024,223	(156,453)	11,896,807
15,158,130	—	—	15,158,130	(2,841,462)	27,384,147
231,639	(148,743)	2,708	85,604	—	584,034
350,000	—	—	350,000	—	—
—	—	—	—	—	(12,288)
(521,149)	—	—	(521,149)	—	(857,038)
60,490	(148,743)	2,708	(85,545)	—	(285,292)
18,586,133	251,179	604,552	19,441,864	—	36,890,460
\$ 18,646,623	\$ 102,436	\$ 607,260	\$ 19,356,319	\$ —	\$ 36,605,168



**GENERAL BOARD OF DISCIPLESHIP OF  
THE UNITED METHODIST CHURCH**

Consolidated Statements of Cash Flows

Years ended December 31, 2012 and 2011

	<b>2012</b>	<b>2011</b>
Cash flows from operating activities:		
Change in net assets	\$ 5,012,696	\$ (285,292)
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	625,279	504,745
Net realized gains on investments	(260,954)	(718,104)
Net unrealized (gains) losses on investments	(1,979,015)	1,936,445
Changes in assets and liabilities:		
Accrued World Service Fund allocation	(61,278)	(73,343)
Accrued World Service Fund allocation - SBC21	3,747	8,989
Accounts receivable, net	259,357	(200,241)
Accrued income receivable	123,446	56,077
Inventories	99,698	35,137
Prepaid expenses and other assets	(396,340)	283,864
Accounts payable and accrued expenses	(730,964)	248,805
Accrued royalties	(7,513)	34,043
Deferred income	(104,615)	32,250
	<b>2,583,544</b>	<b>1,863,375</b>
Net cash provided by operating activities		
Cash flows from investing activities:		
Purchases of property, buildings, and equipment	(847,445)	(1,175,960)
Proceeds from sale of property	—	15,659
Net purchases of investments	(450,311)	(365,315)
Increase in GCFA short-term pooled investment fund	(1,323,150)	(357,704)
	<b>(2,620,906)</b>	<b>(1,883,320)</b>
Net cash used in investing activities		
Net decrease in cash	(37,362)	(19,945)
Cash and cash equivalents at beginning of year	74,982	94,927
Cash and cash equivalents at end of year	\$ 37,620	\$ 74,982

See accompanying notes to consolidated financial statements.