

**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, 2017
and 2016*

And Report of Independent Auditor

GENERAL BOARD OF DISCIPLESHIP OF THE UNITED METHODIST CHURCH

TABLE OF CONTENTS

| | |
|--|------------|
| REPORT OF INDEPENDENT AUDITOR | 1-2 |
|--|------------|

FINANCIAL STATEMENTS

| | |
|---|------|
| Consolidated Statements of Financial Position | 3 |
| Consolidated Statements of Activities..... | 4-5 |
| Consolidated Statement of Functional Expenses | 6 |
| Consolidated Statements of Cash Flows | 7 |
| Notes to the Consolidated Financial Statements..... | 8-25 |

SUPPLEMENTAL SCHEDULES

| | |
|--|----|
| Schedule 1 – Strengthening the Black Church for the 21 st Century Information | 26 |
| Schedule 2 – Native American Comprehensive Plan Information | 27 |
| Schedule 3 – Real Estate Holdings (unaudited) | 28 |

Report of Independent Auditor

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 d/b/a Discipleship Ministries (the "Board"), which comprise the consolidated statements of financial position as of December 31, 2017 and 2016, the related consolidated statements of activities and cash flows for the years then ended December 31, 2017 and 2016, and the related statement of functional expenses for the year ended December 31, 2017, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of 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 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 d/b/a Discipleship Ministries as of December 31, 2017 and 2016 and the changes in its consolidated net assets and cash flows for the years then ended, in accordance with accounting principles generally accepted in the United States of America.

Changes in Financial Statement Presentation

As discussed in Note 1, the General Board of Discipleship of the United Methodist Church d/b/a Discipleship Ministries adopted Accounting Standards Update (“ASU”) 2016-14, *Not-for-Profit Entities (Topic 958) – Presentation of Financial Statements of Not-for-Profit Entities*. The ASU has been applied retrospectively to all periods presented with the exception of the statement of functional revenue and expenses and the disclosure of liquidity and availability of resources, which have been implemented prospectively as allowed under the provisions of ASU 2016-14. Our opinion is not modified with respect to this matter.

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 3, on pages 26 through 28 is presented for purposes of additional analysis and is not a required part of the consolidated financial statements.

Schedules 1 and 2 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 3 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.

Cherry Bekaert LLP

Charlotte, North Carolina
July 18, 2018

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

DECEMBER 31, 2017 AND 2016

| | 2017 | | | 2016 | | |
|---|---------------------------|----------------------|----------------------|---------------------------|----------------------|----------------------|
| | 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 | \$ 35,019 | \$ 372,352 | \$ 407,371 | \$ 47,874 | \$ 86,271 | \$ 134,145 |
| Due (to) from GCFA short-term pooled investment fund | 1,147,136 | 322,684 | 1,469,820 | (395,385) | 1,201,802 | 806,417 |
| Accrued World Service Income | 2,276,678 | - | 2,276,678 | 2,135,149 | - | 2,135,149 |
| Accrued World Service Income - Strengthening the Black Church | 128,213 | - | 128,213 | 119,062 | - | 119,062 |
| Accrued World Service Income - Native American Comprehensive Plan | 69,627 | - | 69,627 | 64,658 | - | 64,658 |
| Investments | 5,375,815 | 22,069,021 | 27,444,836 | 7,700,305 | 20,113,227 | 27,813,532 |
| Funds held by outside trustees for the benefit of the Board | 790,542 | 4,354 | 794,896 | 718,262 | 4,165 | 722,427 |
| Accounts receivable, net | 256,355 | 938,175 | 1,194,530 | 567,844 | 788,595 | 1,356,439 |
| Accrued income receivable | 80,655 | 52,413 | 133,068 | 78,742 | 33,583 | 112,325 |
| Inventories | 226,579 | 996,671 | 1,223,250 | 250,272 | 1,157,526 | 1,407,798 |
| Prepaid expenses and other assets | 389,661 | 254,006 | 643,667 | 134,651 | 265,637 | 400,288 |
| Property, buildings, and equipment, net | 1,064,554 | 3,560,283 | 4,624,837 | 1,339,116 | 3,769,972 | 5,109,088 |
| Total Assets | \$ 11,840,834 | \$ 28,569,959 | \$ 40,410,793 | \$ 12,760,550 | \$ 27,420,778 | \$ 40,181,328 |
| LIABILITIES AND NET ASSETS | | | | | | |
| Liabilities: | | | | | | |
| Accounts payable and accrued expenses | \$ 769,344 | \$ 662,142 | \$ 1,431,486 | \$ 477,885 | \$ 775,275 | \$ 1,253,160 |
| Custodial funds payable | 191,794 | - | 191,794 | 207,798 | - | 207,798 |
| Accrued royalties | 20,866 | 68,413 | 89,279 | 26,201 | 79,886 | 106,087 |
| Deferred income | 26,460 | 2,891,319 | 2,917,779 | 15,460 | 3,312,135 | 3,327,595 |
| Total Liabilities | 1,008,464 | 3,621,874 | 4,630,338 | 727,344 | 4,167,296 | 4,894,640 |
| Net Assets: | | | | | | |
| Without Donor Restrictions: | | | | | | |
| Invested in property, buildings, and equipment | 1,064,554 | 3,560,283 | 4,624,837 | 1,339,116 | 3,769,972 | 5,109,088 |
| Board-designated | 1,748,784 | 1,070,538 | 2,819,322 | 1,905,033 | 1,104,996 | 3,010,029 |
| Undesignated | 3,394,521 | 19,401,441 | 22,795,962 | 3,822,819 | 17,519,928 | 21,342,747 |
| Total without Donor Restrictions | 6,207,859 | 24,032,262 | 30,240,121 | 7,066,968 | 22,394,896 | 29,461,864 |
| With Donor Restrictions: | | | | | | |
| Subject to purpose restrictions | 1,761,574 | 233,856 | 1,995,430 | 1,660,771 | 195,533 | 1,856,304 |
| Subject to passage of time | 68,480 | - | 68,480 | 319,700 | - | 319,700 |
| Endowments | 2,794,457 | 681,967 | 3,476,424 | 2,985,767 | 663,053 | 3,648,820 |
| Total with Donor Restrictions | 4,624,511 | 915,823 | 5,540,334 | 4,966,238 | 858,586 | 5,824,824 |
| Total Net Assets | 10,832,370 | 24,948,085 | 35,780,455 | 12,033,206 | 23,253,482 | 35,286,688 |
| Total Liabilities and Net Assets | \$ 11,840,834 | \$ 28,569,959 | \$ 40,410,793 | \$ 12,760,550 | \$ 27,420,778 | \$ 40,181,328 |

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, 2017 (WITH COMPARATIVE TOTALS FOR 2016)

| | Consolidating Information | | | | | | | | |
|---|-------------------------------|----------------------------|----------------------|-------------------------------|----------------------------|----------------------|--------------------|-----------------------|-----------------------|
| | Board of Discipleship | | | The Upper Room | | | Eliminations | 2017 | 2016 |
| | Without Donor Restrictions | With Donor Restrictions | Total | Without Donor Restrictions | With Donor Restrictions | Total | | Consolidated Total | Consolidated Total |
| Revenues: | | | | | | | | | |
| Sales of literature | \$ 291,019 | \$ - | \$ 291,019 | \$ 12,277,050 | \$ - | \$ 12,277,050 | \$ - | \$ 12,568,069 | \$ 13,614,224 |
| Cost of goods sold | (194,410) | - | (194,410) | (2,464,716) | - | (2,464,716) | - | (2,659,126) | (2,826,218) |
| Net Sales | 96,609 | - | 96,609 | 9,812,334 | - | 9,812,334 | - | 9,908,943 | 10,788,006 |
| Allocations through the GCFA: | | | | | | | | | |
| World Service | 7,995,950 | - | 7,995,950 | - | - | - | - | 7,995,950 | 7,870,862 |
| National Hispanic Plan | - | - | - | - | - | - | - | - | 75,000 |
| Native American Comprehensive Plan (NACP) | - | 245,541 | 245,541 | - | - | - | - | 245,541 | 241,900 |
| Strengthening the Black Church (SBC21) | - | 452,145 | 452,145 | - | - | - | - | 452,145 | 445,440 |
| Youth Service Fund | 41,359 | - | 41,359 | - | - | - | - | 41,359 | 43,231 |
| Registration fees/special projects | 285,846 | 255,159 | 541,005 | 360,459 | 377,038 | 737,497 | - | 1,278,502 | 1,275,241 |
| Grants and contributions | 180,466 | 37,316 | 217,782 | 567,505 | 140,549 | 708,054 | - | 925,836 | 2,204,545 |
| Reimbursements from related organizations | 286,403 | - | 286,403 | 32,374 | - | 32,374 | - | 318,777 | 348,818 |
| Rental income | 151,969 | - | 151,969 | 137,583 | - | 137,583 | - | 289,552 | 218,414 |
| Other income | 2,234,489 | 173,390 | 2,407,879 | 453,072 | 189 | 453,261 | (2,589,982) | 271,158 | 25,381 |
| Benefit Trust distribution | 959,984 | - | 959,984 | 695,161 | - | 695,161 | - | 1,655,145 | 2,008,091 |
| Services received from GCFA | 28,766 | - | 28,766 | - | - | - | - | 28,766 | 27,624 |
| Investment return from GCFA short-term pooled investment fund | 13,439 | - | 13,439 | 64,117 | - | 64,117 | - | 77,556 | 94,900 |
| Investment return, net | 771,682 | 403,828 | 1,175,510 | 3,407,206 | 48,588 | 3,455,794 | - | 4,631,304 | 2,215,241 |
| Adjustment for return of funds for digitalization | 350,000 | - | 350,000 | (350,000) | - | (350,000) | - | - | - |
| Net assets with donor restrictions released from restrictions | 1,909,106 | (1,909,106) | - | 509,127 | (509,127) | - | - | - | - |
| Total Revenues | 15,306,068 | (341,727) | 14,964,341 | 15,688,938 | 57,237 | 15,746,175 | (2,589,982) | 28,120,534 | 27,882,694 |
| Expenses: | | | | | | | | | |
| Program Services: | | | | | | | | | |
| Annual/General Conference Relations | 2,876,563 | - | 2,876,563 | - | - | - | - | 2,876,563 | 1,046,759 |
| Existing Churches | 3,597,762 | - | 3,597,762 | - | - | - | - | 3,597,762 | 3,506,135 |
| Young People's Ministries | 1,443,976 | - | 1,443,976 | - | - | - | - | 1,443,976 | 1,501,765 |
| New Church Starts | 1,817,536 | - | 1,817,536 | - | - | - | - | 1,817,536 | 2,056,469 |
| Discipleship Resources International | 824,389 | - | 824,389 | - | - | - | - | 824,389 | 609,601 |
| Strengthening the Black Church (SBC21) | 649,923 | - | 649,923 | - | - | - | - | 649,923 | 586,728 |
| Native American Comprehensive Plan (NACP) | 295,015 | - | 295,015 | - | - | - | - | 295,015 | 304,597 |
| Discipleship Resources | 254,382 | - | 254,382 | - | - | - | - | 254,382 | 228,897 |
| The Upper Room | - | - | - | 11,357,647 | - | 11,357,647 | - | 11,357,647 | 12,457,517 |
| Total Program Services | 11,759,546 | - | 11,759,546 | 11,357,647 | - | 11,357,647 | - | 23,117,193 | 22,298,468 |
| Support Services: | | | | | | | | | |
| Management and General | 4,058,346 | - | 4,058,346 | 2,344,055 | - | 2,344,055 | (2,589,982) | 3,812,419 | 7,120,300 |
| Fundraising | 347,285 | - | 347,285 | 349,870 | - | 349,870 | - | 697,155 | - |
| Total Support Services | 4,405,631 | - | 4,405,631 | 2,693,925 | - | 2,693,925 | (2,589,982) | 4,509,574 | 7,120,300 |
| Total Expenses | 16,165,177 | - | 16,165,177 | 14,051,572 | - | 14,051,572 | (2,589,982) | 27,626,767 | 29,418,768 |
| Changes in net assets | (859,109) | (341,727) | (1,200,836) | 1,637,366 | 57,237 | 1,694,603 | - | 493,767 | (1,536,074) |
| Net assets, beginning of year | 7,066,968 | 4,966,238 | 12,033,206 | 22,394,896 | 858,586 | 23,253,482 | - | 35,286,688 | 36,822,762 |
| Net assets, end of year | \$ 6,207,859 | \$ 4,624,511 | \$ 10,832,370 | \$ 24,032,262 | \$ 915,823 | \$ 24,948,085 | \$ - | \$ 35,780,455 | \$ 35,286,688 |

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, 2016

| | Consolidating Information | | | | | | | 2016 Consolidated Total |
|---|-------------------------------|----------------------------|-------------------|-------------------------------|----------------------------|-------------------|--------------------|-------------------------------|
| | Board of Discipleship | | | The Upper Room | | | Eliminations | |
| | Without Donor Restrictions | With Donor Restrictions | Total | Without Donor Restrictions | With Donor Restrictions | Total | | |
| Revenues: | | | | | | | | |
| Sales of literature | \$ 299,207 | \$ - | \$ 299,207 | \$ 13,315,017 | \$ - | \$ 13,315,017 | \$ - | \$ 13,614,224 |
| Cost of goods sold | (180,962) | - | (180,962) | (2,645,256) | - | (2,645,256) | - | (2,826,218) |
| Net Sales | 118,245 | - | 118,245 | 10,669,761 | - | 10,669,761 | - | 10,788,006 |
| Allocations through the GCFA: | | | | | | | | |
| World Service | 7,870,862 | - | 7,870,862 | - | - | - | - | 7,870,862 |
| National Hispanic Plan | - | 75,000 | 75,000 | - | - | - | - | 75,000 |
| Native American Comprehensive Plan | - | 241,900 | 241,900 | - | - | - | - | 241,900 |
| Strengthening the Black Church | - | 445,440 | 445,440 | - | - | - | - | 445,440 |
| Youth Service Fund | 12,969 | 30,262 | 43,231 | - | - | - | - | 43,231 |
| Registration fees/special projects | 228,098 | 189,724 | 417,822 | 857,038 | 381 | 857,419 | - | 1,275,241 |
| Grants and contributions | 158,385 | 1,256,649 | 1,415,034 | 669,656 | 119,855 | 789,511 | - | 2,204,545 |
| Reimbursements from related organizations | 316,444 | - | 316,444 | 32,374 | - | 32,374 | - | 348,818 |
| Rental income | 125,184 | - | 125,184 | 93,230 | - | 93,230 | - | 218,414 |
| Other income | 2,495,986 | 39,773 | 2,535,759 | 495,726 | - | 495,726 | (3,006,104) | 25,381 |
| Benefit Trust distribution | 1,164,693 | - | 1,164,693 | 843,398 | - | 843,398 | - | 2,008,091 |
| Services received from GCFA | 27,624 | - | 27,624 | - | - | - | - | 27,624 |
| Investment return from GCFA short-term pooled investment fund | 94,900 | - | 94,900 | - | - | - | - | 94,900 |
| Investment return, net | 482,359 | 306,913 | 789,272 | 1,403,142 | 22,827 | 1,425,969 | - | 2,215,241 |
| Adjustment for administrative services agreement | (3,000,000) | - | (3,000,000) | 3,000,000 | - | 3,000,000 | - | - |
| Net assets with donor restrictions released from restrictions | 1,519,115 | (1,519,115) | - | 137,229 | (137,229) | - | - | - |
| Total Revenues | 11,614,864 | 1,066,546 | 12,681,410 | 18,201,554 | 5,834 | 18,207,388 | (3,006,104) | 27,882,694 |
| Expenses: | | | | | | | | |
| Program Services: | | | | | | | | |
| Annual/General Conference Relations | 1,046,759 | - | 1,046,759 | - | - | - | - | 1,046,759 |
| Existing Churches | 3,506,135 | - | 3,506,135 | - | - | - | - | 3,506,135 |
| Young People's Ministries | 1,501,765 | - | 1,501,765 | - | - | - | - | 1,501,765 |
| New Church Starts | 2,056,469 | - | 2,056,469 | - | - | - | - | 2,056,469 |
| Discipleship Resources International | 609,601 | - | 609,601 | - | - | - | - | 609,601 |
| Strengthening the Black Church (SBC21) | 586,728 | - | 586,728 | - | - | - | - | 586,728 |
| Native American Comprehensive Plan (NACP) | 304,597 | - | 304,597 | - | - | - | - | 304,597 |
| Discipleship Resources | 228,897 | - | 228,897 | - | - | - | - | 228,897 |
| The Upper Room | - | - | - | 12,457,517 | - | 12,457,517 | - | 12,457,517 |
| Total Program Services | 9,840,951 | - | 9,840,951 | 12,457,517 | - | 12,457,517 | - | 22,298,468 |
| Support Services: | | | | | | | | |
| Management and General | 7,120,300 | - | 7,120,300 | 3,006,104 | - | 3,006,104 | (3,006,104) | 7,120,300 |
| Total Expenses | 16,961,251 | - | 16,961,251 | 15,463,621 | - | 15,463,621 | (3,006,104) | 29,418,768 |
| Changes in net assets | (5,346,387) | 1,066,546 | (4,279,841) | 2,737,933 | 5,834 | 2,743,767 | - | (1,536,074) |
| Net assets, beginning of year | 12,413,355 | 3,899,692 | 16,313,047 | 19,656,963 | 852,752 | 20,509,715 | - | 36,822,762 |
| Net assets, end of year | \$ 7,066,968 | \$ 4,966,238 | \$ 12,033,206 | \$ 22,394,896 | \$ 858,586 | \$ 23,253,482 | \$ - | \$ 35,286,688 |

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 FUNCTIONAL EXPENSES

YEAR ENDED DECEMBER 31, 2017

| | Program | | | | | | | | | Supporting Services | | | | Total Supporting Services Expenses | Eliminations | Consolidated Total | |
|------------------------------------|---|----------------------|---------------------------------|-------------------------|--|--|---|---------------------------|----------------------|------------------------------|------------------------------|-------------------|------------------------------|---|---------------------|-----------------------|----------------------|
| | Board of Discipleship | | | | | Upper Room | | | | Board of Discipleship | | Upper Room | | | | | |
| | Annual/ General Conference Relations | Existing Churches | Young People's Ministries | New Church Starts | Discipleship Resources International | Strengthening the Black Church - 21st Century | Native American Comprehensive Plan | Discipleship Resources | UR Program | Total Program Expenses | Management and General | Fundraising | Management and General | | | | Fundraising |
| Expenses: | | | | | | | | | | | | | | | | | |
| Grant distribution | \$ 70,434 | \$ 243,262 | \$ 133,346 | \$ 247,288 | \$ - | \$ - | \$ 5,945 | \$ 3,939 | \$ 215,551 | \$ 919,765 | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ 919,765 |
| Programs and projects | 168,923 | 467,672 | 132,498 | 108,013 | 264,917 | 404,765 | 54,757 | - | 879,392 | 2,480,937 | 20 | - | 11 | - | 31 | (11) | 2,480,957 |
| Personnel expenses | 1,271,931 | 2,614,591 | 874,510 | 1,174,988 | 440,918 | 222,440 | 169,397 | 206,468 | 5,473,075 | 12,448,318 | 2,060,459 | 285,245 | 1,072,323 | 217,663 | 3,635,690 | (1,281,482) | 14,802,526 |
| Staff travel and expense | 138,980 | 173,690 | 68,237 | 221,030 | 45,570 | 15,189 | 17,938 | 1,185 | 154,772 | 836,591 | (43,324) | 26,716 | 38,303 | - | 21,695 | (38,303) | 819,983 |
| Contractual services | 755,717 | 8,624 | 96,060 | 18,463 | 64,011 | - | - | 21,641 | 1,444,126 | 2,408,642 | 1,018,494 | 4,245 | 532,988 | - | 1,555,727 | (552,309) | 3,412,060 |
| Office expenses | 153,427 | 64,786 | 21,077 | 29,670 | 4,096 | 5,994 | 17,309 | 876 | 441,240 | 738,475 | 387,577 | 25,655 | 329,666 | - | 742,898 | (329,666) | 1,151,707 |
| Fulfillment postage | 37,215 | 8,141 | 773 | 3,373 | 5,406 | 1,087 | 1,472 | 3,916 | 1,430,357 | 1,491,740 | 5,671 | 273 | 1,749 | - | 7,693 | (3,713) | 1,495,720 |
| Depreciation expense | 62,265 | 524 | 1,582 | - | - | - | - | 935 | 587,982 | 653,288 | 291,771 | - | 194,607 | - | 486,378 | (194,607) | 945,059 |
| Meetings | - | - | 111,721 | (22,043) | - | - | 12,685 | - | - | 102,363 | 120,431 | - | 66,557 | - | 186,988 | (66,557) | 222,794 |
| Promotional | 176,396 | - | 50 | 26,604 | - | - | 13,257 | 14,946 | 549,508 | 780,761 | - | - | - | 132,207 | 132,207 | - | 912,968 |
| Insurance and taxes | - | - | - | - | - | - | - | - | 18,576 | 18,576 | 159,650 | - | 88,230 | - | 247,880 | (88,230) | 178,226 |
| Miscellaneous | 41,275 | 16,472 | 4,122 | 10,150 | (529) | 448 | 2,255 | 476 | 163,068 | 237,737 | 28,831 | 5,151 | 19,621 | - | 53,603 | (35,104) | 256,236 |
| Administration provided by GCFA | - | - | - | - | - | - | - | - | - | - | 28,766 | - | - | - | 28,766 | - | 28,766 |
| Total Expenses | \$ 2,876,563 | \$ 3,597,762 | \$ 1,443,976 | \$ 1,817,536 | \$ 824,389 | \$ 649,923 | \$ 295,015 | \$ 254,382 | \$ 11,357,647 | \$ 23,117,193 | \$ 4,058,346 | \$ 347,285 | \$ 2,344,055 | \$ 349,870 | \$ 7,099,556 | \$ (2,589,982) | \$ 27,626,767 |

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, 2017 AND 2016

| | <u>2017</u> | <u>2016</u> |
|--|--------------------|--------------------|
| Cash flows from operating activities: | | |
| Change in net assets | \$ 493,767 | \$ (1,536,074) |
| Adjustments to reconcile change in net assets to net cash from operating activities: | | |
| Depreciation | 945,060 | 998,888 |
| Net realized gain on investments | (948,787) | (565,317) |
| Net unrealized gain on investments | (3,682,517) | (1,649,563) |
| Loss on disposal of equipment | - | 3,364 |
| Changes in assets and liabilities: | | |
| Due from GCFA short-term pooled investment fund | (663,403) | 1,852,970 |
| Accrued World Service Fund allocation | (141,529) | 293,514 |
| Accrued World Service Fund allocation - SBC21 | (9,151) | 16,094 |
| Accrued World Service Fund allocation - NACP | (4,969) | 8,739 |
| Funds held by outside trustees for the benefit of the Board | (72,469) | (713,583) |
| Accounts receivable, net | 161,909 | (32,763) |
| Accrued income receivable | (20,743) | (74,631) |
| Inventories | 184,548 | 103,330 |
| Prepaid expenses and other assets | (243,379) | (34,048) |
| Accounts payable and accrued expenses | 178,326 | (262,093) |
| Custodial funds payable | (16,004) | (2,119) |
| Accrued royalties | (16,808) | (42,172) |
| Deferred income | (409,816) | (149,803) |
| Net cash flows from operating activities | <u>(4,265,965)</u> | <u>(1,785,267)</u> |
| Cash flows from investing activities: | | |
| Purchases of property, buildings, and equipment | (460,809) | (164,992) |
| Proceeds from sale of investments | 5,000,000 | 6,077,953 |
| Proceeds from sale of property, buildings, and equipment | - | 2,125 |
| Purchases of investments | - | (4,077,953) |
| Net cash flows from investing activities | <u>4,539,191</u> | <u>1,837,133</u> |
| Net change in cash and cash equivalents | 273,226 | 51,866 |
| Cash and cash equivalents, beginning of year | 134,145 | 82,279 |
| Cash and cash equivalents, end of year | <u>\$ 407,371</u> | <u>\$ 134,145</u> |

GENERAL BOARD OF DISCIPLESHIP OF THE UNITED METHODIST CHURCH

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2017 AND 2016

Note 1—Organization and nature of operations

The General Board of Discipleship of the United Methodist Church d/b/a Discipleship Ministries (the “Board”) was created to assist the United Methodist conferences, districts, and local churches in their disciple-making ministries. This assistance is provided through program activities and the development and distribution of religious materials and resources. Revenue is derived primarily from allocations received from the World Service Fund (the basic benevolence fund of the United Methodist Church), fees for special programs and projects and from sales of literature to churches, related organizations, and individuals.

The Upper Room is separately incorporated within Discipleship Ministries and is maintained and presented as a separate fund of Discipleship Ministries in accordance with the Book of Discipline. The same Board of Directors represents both Discipleship Ministries and The Upper Room. Strengthening the Black Church for the 21st Century (“SBC21”) and the Native American Comprehensive Plan (“NACP”) are special initiatives of the United Methodist Church and are both administratively assigned to Discipleship Ministries but have their own advisory committees separate from the Board of Directors.

The accompanying consolidated financial statements present the consolidated accounts of Discipleship Ministries, The Upper Room, and the administratively assigned special initiatives for SBC21 and NACP. All material interdivisional accounts and transactions have been eliminated in consolidation.

Note 2—Summary of significant accounting policies

The consolidated financial statements have been prepared using the accrual basis of accounting. The Board’s significant accounting policies are described below:

Basis of Presentation – The Board maintains its accounts in accordance with the principles and practices of fund accounting. Fund accounting is the procedure by which resources for various purposes are classified into funds that are in accordance with the activities or objectives of the Board. Separate accounts are maintained for each fund.

For reporting purposes, however, the Board’s consolidated financial statements have been prepared to focus on the organization as a whole. Net assets are classified into two net asset categories based on the existence or absence of donor-imposed restrictions. Accordingly, the net assets of the Board and changes therein are classified and reported as follows:

Net Assets without Donor Restrictions – Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the Board. These net assets may be used at the discretion of Board’s management and the board of directors. Board has chosen to provide further classification information about net assets without donor restrictions on the statements of financial position. The sub classifications are as follows:

Invested in Property, Building, and Equipment – Represents net assets invested in property, building, and equipment, net of accumulated depreciation.

Board-Designated – Represents resources set aside by the board of directors to be used for specific activities within guidelines established by the board.

Undesignated – Represents the cumulative net assets without donor restrictions excluding those net assets invested in property, building, and equipment and designated for specific activities.

Net Assets with Donor Restrictions – Net assets subject to stipulations imposed by donors and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of the Board or by the passage of time. Other donor restrictions are perpetual in nature, whereby the donor has stipulated the funds be maintained in perpetuity.

GENERAL BOARD OF DISCIPLESHIP OF THE UNITED METHODIST CHURCH

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2017 AND 2016

Note 2—Summary of significant accounting policies (continued)

Donor restricted contributions are reported as increases in net assets with donor restrictions. When a restriction expires, net assets are reclassified from net assets with donor restrictions to net assets without donor restrictions in the statements of activities.

Revenue is reported as increases in net assets without donor restrictions unless use of the related assets is limited by donor-imposed restrictions. Expenses are reported as decreases in net assets without donor restrictions. Gains and losses on investments and other assets or liabilities are reported as increases or decreases in net assets without donor restrictions unless their use is restricted by explicit donor stipulation or by law. Expirations of temporary restrictions on net assets are reported as reclassifications from net assets with donor restrictions to net assets without donor restrictions.

Unconditional promises to give cash and other assets to the Board are recognized as revenue at their fair values in the period the unconditional promise is received. Conditional promises to give are recognized when the conditions on which they depend are substantially met.

Cash and Cash Equivalents – Cash and cash equivalents include cash on hand or on deposit with banks and highly liquid, short-term investments with original maturities of three months or less.

The Board places its cash and cash equivalents on deposit with financial institutions in the United States. The Federal Deposit Insurance Corporation covers \$250,000 for substantially all depository accounts. The Board from time to time may have amounts on deposit in excess of the insured limits. As of December 31, 2017, the Board had one account with \$102,781 in excess of these insured amounts.

Due from GCFA Short-Term Pooled Investment Fund – The amounts presented as due from the General Council on Finance and Administration (“GCFA”) short-term pooled investment fund in the accompanying consolidated financial statements represent the Board’s portion of the short-term investment portfolio managed by GCFA on behalf of certain agencies and related organizations of the United Methodist Church. The amount due from this fund effectively represents the amount of cash deposits that are available to the Board to be disbursed out of GCFA’s centralized cash management system. Since these deposits are legally invested in GCFA’s name and not in a separate demand account in the Board’s name, they are not classified as cash and cash equivalents, but rather are considered an amount due from GCFA. The short-term investment portfolio includes funds invested in demand deposits, corporate bonds, taxable municipal bonds, mutual funds, and notes from other United Methodist organizations. GCFA allocates interest earned on the portfolio to the participating entities. For the years ended December 31, 2017 and 2016, GCFA allocated \$77,556 and \$94,900 of interest income, respectively, to the Board. While interest income can be earned based on the performance of the pooled investment funds, the Board believes there is little to no risk exposure to losses due to the relationship with GCFA and policy under which the pooled funds are invested. The operating cash requirements of the general agencies are centrally managed by GCFA.

GENERAL BOARD OF DISCIPLESHIP OF THE UNITED METHODIST CHURCH
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2017 AND 2016

Note 2—Summary of significant accounting policies (continued)

When an agency has surplus funds, they are invested by GCFA in the short-term pooled investment fund. GCFA allocates interest earned to the agencies invested in the pool based upon their pro-rata share of the pool on a monthly basis. The overall return for the short-term pooled investment fund for the years ended December 31, 2017 and 2016 was 4.38% and 4.13%, respectively. The overall rate of return for each agency may vary due to fluctuating balances throughout the year and the timing of investment gains and losses. The allocation of funds in the short-term investment pool as of December 31, 2017 and 2016 were as follows:

| | <u>2017</u> | <u>2016</u> |
|--------------------------------------|-------------|-------------|
| Texas Methodist Foundation loan fund | 25.8% | 26.4% |
| Mutual funds | 3.2% | 3.0% |
| Short-term collateralized loan fund | 0.5% | 0.5% |
| Fixed income | 11.4% | 11.7% |
| Corporate bonds | 59.1% | 58.2% |
| United Methodist Development Fund | 0.0% | 0.2% |
| | <u>100%</u> | <u>100%</u> |

World Service Allocation – Funding for the Board’s operations is principally provided by allocations of the World Service Fund received from the General Funds of the United Methodist Church (“Church”), of which \$2,474,518 and \$2,318,869 as of December 31, 2017 and 2016, respectively, was accrued and unpaid. The General Funds of the Church are allocated to the Board based on a four-year budget developed from projections of expected program costs. The Board’s continued existence is dependent upon the Church’s future support. The Church’s future support is dependent upon contributions from its congregations.

Funds Held by Outside Trustees for the Benefit of the Board – These funds are managed by other entities that hold the funds in trust. They are recorded at fair value of the assets held by the third party.

Accounts Receivable – Trade accounts receivable are recorded at the invoiced amount and do not bear interest. The allowance for doubtful accounts is the Board’s best estimate of the amount of probable credit losses in the Board’s existing accounts receivable. The Board determines the allowance based on historical write-off experience. Account balances are charged off against the allowance after all means of collection have been exhausted and the potential for recovery is considered remote.

Investments – The Board’s investments are in third party investment pools presented at net asset value, which approximates the estimated fair value of the Board’s share of the respective investment pools. Investment return represents the Board’s pro-rata share of interest and dividends and realized and unrealized gains and losses within respective investment pools.

Inventories – Inventories of printed literature are valued at the lower of cost (first-in, first-out) or market. Cost is determined based on purchase price or production cost.

Property, Buildings, and Equipment – Property, buildings, and equipment are stated at cost, less accumulated depreciation. The Board capitalizes assets with a cost greater than \$2,500. Depreciation is computed by the straight-line method over the estimated useful lives of the assets, which range from three to fifty years. Upon retirement or disposal of assets, the asset and accumulated depreciation are adjusted accordingly and any gain or loss is reflected in nonoperating results. Maintenance and repairs are charged to expense as incurred; betterments are capitalized.

GENERAL BOARD OF DISCIPLESHIP OF THE UNITED METHODIST CHURCH

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2017 AND 2016

Note 2—Summary of significant accounting policies (continued)

Functional Expenses – The costs of providing program and other activities have been summarized on a functional basis in the consolidated statements of activities. While most costs have been directly assigned to a functional category, certain joint costs have been allocated among program services and supporting services benefited. Such allocations are determined by management on an equitable basis.

The expenses that are allocated include the following:

| <u>Expense</u> | <u>Method of Allocation</u> |
|--------------------------------|-----------------------------|
| Salaries and benefits | Time and effort |
| Communication and web services | Time and effort |

Custodial Funds Payable – The Board holds funds for others, representing investment amounts owned by various organizations but administered by the Board as part of the general investment pool. The Board's responsibilities for these funds are custodial in nature and consist of establishing and monitoring investment policies for these deposits and distributing the income earned or the principal at withdrawal in accordance with the depositor's instructions.

Deferred Income – Subscriptions to *The Upper Room* and other publications are deferred and recognized as income over the term of the related subscription.

Income Taxes – The Board is covered under GCFA's group determination letter from the Internal Revenue Service indicating that it is a nonprofit corporation and, except for taxes pertaining to unrelated business income, is exempt from federal and state income taxes under Section 501(c)(3) of the Internal Revenue Code (the "Code"). The Board is also exempt from filing a form 990 due to its affiliation with a religious organization as described in Section 509(a) of the Code.

The Board accounts for the effect of any uncertain tax positions based on a *more likely than not* threshold to the recognition of the tax positions being sustained based on the technical merits of the position under examination by the applicable taxing authority. If a tax position or positions are deemed to result in uncertainties of those positions, the unrecognized tax benefit is estimated based on a *cumulative probability assessment* that aggregates the estimated tax liability for all uncertain tax positions. Tax positions for the Board include, but are not limited to, the tax-exempt status and determination of whether income is subject to unrelated business income tax; however, the Board has determined that such tax positions do not result in an uncertainty requiring recognition.

Revenue Concentration – Funding for the Board's operations is significantly provided by apportionments received from the General Funds of the United Methodist Church that are allocated to the Board based on a four-year budget developed from projections of expected program costs. The apportionment accounted for approximately 31% of the Board's total revenue in 2017 and 2016. The Board is dependent upon the Church's future support as well as sales of literature. The Church's future support is dependent upon contributions from its congregations (i.e., congregational participation in the apportionment covenant) as well as sales of literature to those congregations.

Use of Estimates – Management of the Board has made a number of estimates and assumptions relating to the reporting of assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenue and expenses during the reporting period to prepare these consolidated financial statements in conformity with U.S. generally accepted accounting principles. Actual results could differ from those estimates.

GENERAL BOARD OF DISCIPLESHIP OF THE UNITED METHODIST CHURCH

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2017 AND 2016

Note 2—Summary of significant accounting policies (continued)

Services Received from Personnel of an Affiliate – Services received from personnel of an affiliate for which the affiliate does not charge the Board has been measured at the cost recognized by the affiliate in providing those services. The revenue and expense relating to those services received are presented in the related party Note 9 and totaled \$28,766 and \$27,624 for the years ended December 31, 2017 and 2016, respectively.

Financial Instruments – Assets recorded at fair value in the statements of financial position are categorized based on the level of judgment associated with the inputs used to measure their fair value. Level inputs, as defined by Accounting Standards Codification (“ASC”) 820, *Fair Value Measurements and Disclosures* are as follows:

Level 1 – Values are unadjusted quoted prices for identical assets in active markets accessible at the measurement date.

Level 2 – Inputs include quoted prices for similar assets in active markets, quoted prices from those willing to trade in markets that are not active, or other inputs that are observable or can be corroborated by market data for the term of the instrument. Such inputs include market interest rates and volatilities, spreads, and yield curves.

Level 3 – Certain inputs are unobservable (supported by little or no market activity) and significant to the fair value measurement. Unobservable inputs reflect the best estimate of what hypothetical market participants would use to determine a transaction price for the asset or liability at the reporting date.

New Accounting Pronouncement – On August 18, 2016, Financial Accounting Standards Board (“FASB”) issued Accounting Standards Update (“ASU”) 2016-14, *Not-for-Profit Entities (Topic 958) – Presentation of Financial Statements of Not-for-Profit Entities*. The update addresses the complexity and understandability of net asset classification, deficiencies in information about liquidity and availability of resources, and the lack of consistency in the type of information provided about expenses and investment return. The Board has elected early adoption of these new accounting requirements effective in its 2017 consolidated financial statements. The ASU has been applied retrospectively to all periods presented with the exception of the statement of functional expense and the disclosure of liquidity and availability of resources, which have been implemented prospectively as allowed under the provisions of ASU 2016-14.

Future Pronouncements – Revenue Recognition – In May 2014, the FASB issued ASU 2014-09. The amendments in this update create Topic 606, *Revenue from Contracts with Customers* (“Topic 606”), and supersede the revenue recognition requirements in Topic 605, *Revenue Recognition*, including most industry-specific revenue recognition guidance throughout the Industry Topics of the Codification. In addition, the amendments supersede the cost guidance in Subtopic 605-35, *Revenue Recognition – Construction-Type and Production-Type Contracts*, and create new Subtopic 340-40, *Other Assets and Deferred Costs – Contracts with Customers*. The core principle of Topic 606 is that an entity recognizes revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. In August 2015, the FASB issued ASU 2015-14, which defers the effective date of the ASU 2014-09 one year, making it effective for annual reporting periods beginning after December 15, 2018. The amendments in this update will be effective for the Board’s fiscal year 2019 with early adoption permitted in certain circumstances. Management is currently evaluating the impact of this standard on the Board’s consolidated financial statements.

GENERAL BOARD OF DISCIPLESHIP OF THE UNITED METHODIST CHURCH
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2017 AND 2016

Note 3—Liquidity and availability

The table below represents financial assets available for general expenditures within one year at December 31, 2017:

| | <u>Board of Discipleship</u> | <u>The Upper Room</u> | <u>Consolidated</u> |
|---|----------------------------------|---------------------------|----------------------|
| Financial assets at year end: | | | |
| Cash and cash equivalents | \$ 35,019 | \$ 372,352 | \$ 407,371 |
| Due from GCFA short-term pooled investment fund | 1,147,136 | 322,684 | 1,469,820 |
| Accrued World Service | 2,276,678 | - | 2,276,678 |
| Accrued World Service - Strengthening the Black Church | 128,213 | - | 128,213 |
| Accrued World Service - Native American Comprehensive Plan | 69,627 | - | 69,627 |
| Investments | 5,375,815 | 22,069,021 | 27,444,836 |
| Funds held by outside trustees for the benefit of the Board | 790,542 | 4,354 | 794,896 |
| Accounts receivable | 256,355 | 938,175 | 1,194,530 |
| Accrued income receivable | 80,655 | 52,413 | 133,068 |
| | <u>10,160,040</u> | <u>23,758,999</u> | <u>33,919,039</u> |
| Total financial assets | | | |
| Less amounts not available to be used for general expenditures within one year: | | | |
| Board designated | 1,748,784 | 1,070,538 | 2,819,322 |
| Purpose restrictions including earnings on endowments | 3,360,631 | 234,909 | 3,595,540 |
| Time restrictions | 68,480 | - | 68,480 |
| Amounts held in perpetuity | 1,195,400 | 680,914 | 1,876,314 |
| | <u>6,373,295</u> | <u>1,986,361</u> | <u>8,359,656</u> |
| Financial assets not available to be used within one year | | | |
| Financial assets available to meet general expenditures within one year | <u>\$ 3,786,745</u> | <u>\$ 21,772,638</u> | <u>\$ 25,559,383</u> |

The Board has certain assets limited to use for donor-restricted purposes, as well as other Board-designated assets that are designated for future capital expenditure, programs, and plant facilities. These assets limited to use, which are more fully described in Notes 10 and 11 are not available for general expenditure within the next year. However, the Board-designated amounts could be made available, if necessary. As part of Board's liquidity management plan, cash in excess of daily requirements are invested in GCFA's short-term pooled investment fund.

Note 4—Investments

The investments at December 31, 2017 and 2016 consist of the following:

| | <u>2017</u> | | <u>2016</u> | |
|-------------------------------|----------------------|----------------------|----------------------|----------------------|
| | <u>Fair Value</u> | <u>Cost</u> | <u>Fair Value</u> | <u>Cost</u> |
| Multiple Asset Fund (Wespath) | \$ 27,444,836 | \$ 21,676,401 | \$ 27,813,532 | \$ 25,727,614 |
| | <u>\$ 27,444,836</u> | <u>\$ 21,676,401</u> | <u>\$ 27,813,532</u> | <u>\$ 25,727,614</u> |

GENERAL BOARD OF DISCIPLESHIP OF THE UNITED METHODIST CHURCH
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2017 AND 2016

Note 4—Investments (continued)

Multiple Asset Fund of Wespath – The investments in Wespath Benefits and Investments (“Wespath”) Multiple Asset Fund are a composite of U.S. equity funds (35%), fixed income funds (25.1%), international equity funds (29.7%), inflation protection funds (10%), and multiple asset fund cash (0.2%).

Investment return for the years ended December 31, 2017 and 2016 was as follows:

| | <u>2017</u> | <u>2016</u> |
|---------------------------------------|---------------------|---------------------|
| Return on investments: | | |
| Interest and dividend income | \$ - | \$ 361 |
| Realized gains on sale of investments | 948,787 | 565,317 |
| Unrealized gains on investments | 3,682,517 | 1,649,563 |
| Net gains on investments | 4,631,304 | 2,214,880 |
| Net investment return | <u>\$ 4,631,304</u> | <u>\$ 2,215,241</u> |

Note 5—Fair value measurement

Required disclosures concerning the estimated fair value of financial instruments are presented below. The estimated fair value amounts have been determined based on the Board’s assessment of available market information and appropriate valuation methodologies. The following table summarizes required fair value disclosures and measurements at December 31, 2017 and 2016 for assets and liabilities measured at fair value on a recurring basis under ASC 820, *Fair Value Measurements and Disclosures*:

| | <u>Fair Value Measurements at Reporting Date Using</u> | | | |
|--|--|--|--|--|
| | <u>Amounts Measured at at Fair Value</u> | <u>Quoted Prices in Active Markets for Identical Instruments (Level 1)</u> | <u>Significant Other Observable Inputs (Level 2)</u> | <u>Significant Unobservable Inputs (Level 3)</u> |
| December 31, 2017 | | | | |
| Funds held by outside trustees for the benefit of the Board: | <u>\$ 794,896</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 794,896</u> |

| | <u>Fair Value Measurements at Reporting Date Using</u> | | | |
|--|--|--|--|--|
| | <u>Amounts Measured at at Fair Value</u> | <u>Quoted Prices in Active Markets for Identical Instruments (Level 1)</u> | <u>Significant Other Observable Inputs (Level 2)</u> | <u>Significant Unobservable Inputs (Level 3)</u> |
| December 31, 2016 | | | | |
| Funds held by outside trustees for the benefit of the Board: | <u>\$ 722,427</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 722,427</u> |

GENERAL BOARD OF DISCIPLESHIP OF THE UNITED METHODIST CHURCH
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2017 AND 2016

Note 5—Fair value measurement (continued)

The following methods and assumptions were used to estimate the fair value of each class of financial instruments:

Funds Held by Outside Trustees for the Benefit of the Board—The fair values of funds held by outside trustees for the benefit of the Board are determined using primarily Level 3 inputs.

The following is a reconciliation of activity for 2017 and 2016 for assets measured at fair value based on significant unobservable information:

| | <u>2017</u> | <u>2016</u> |
|----------------------------|-------------------|-------------------|
| Balance, beginning of year | \$ 722,427 | \$ - |
| Change in fair value | 104,914 | 34,283 |
| Sales and redemptions | (32,445) | (25,089) |
| Purchases | - | 713,233 |
| Balance, end of year | <u>\$ 794,896</u> | <u>\$ 722,427</u> |

In accordance with ASC Subtopic 820-10, certain investments that are measured at fair value using the net asset value per share (or its equivalent) practical expedient have not been classified in the fair value hierarchy. All investments may be redeemed without advance notice and there are no limitations as to the frequency of redemptions for any investment pool. The Board has no unfunded commitments to invest in any investment pool.

Note 6—Accounts receivable

Accounts receivable at December 31 consist of the following:

| | <u>2017</u> | | |
|--------------------------------------|----------------------------------|---------------------------|---------------------|
| | <u>Board of Discipleship</u> | <u>The Upper Room</u> | <u>Total</u> |
| Trade accounts | \$ - | \$ 1,063,861 | \$ 1,063,861 |
| Due from other agencies | 186,217 | - | 186,217 |
| Other | 70,138 | - | 70,138 |
| | <u>256,355</u> | <u>1,063,861</u> | <u>1,320,216</u> |
| Less allowance for doubtful accounts | - | (125,686) | (125,686) |
| | <u>\$ 256,355</u> | <u>\$ 938,175</u> | <u>\$ 1,194,530</u> |
| | <u>2016</u> | | |
| | <u>Board of Discipleship</u> | <u>The Upper Room</u> | <u>Total</u> |
| Trade accounts | \$ - | \$ 925,910 | \$ 925,910 |
| Due from other agencies | 225,370 | - | 225,370 |
| Other | 342,474 | - | 342,474 |
| | <u>567,844</u> | <u>925,910</u> | <u>1,493,754</u> |
| Less allowance for doubtful accounts | - | (137,315) | (137,315) |
| | <u>\$ 567,844</u> | <u>\$ 788,595</u> | <u>\$ 1,356,439</u> |

GENERAL BOARD OF DISCIPLESHIP OF THE UNITED METHODIST CHURCH
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2017 AND 2016

Note 7—Property, buildings, and equipment

Property, buildings, and equipment at December 31 consist of the following:

| | 2017 | | |
|------------------------------------|----------------------------------|----------------------------|----------------------------|
| | Board of Discipleship | The Upper Room | Total |
| Land and land improvements | \$ 257,318 | \$ 223,836 | \$ 481,154 |
| Buildings and improvements | 1,689,404 | 8,051,805 | 9,741,209 |
| Furniture, fixtures, and equipment | 1,511,834 | 754,202 | 2,266,036 |
| | <u>3,458,556</u> | <u>9,029,843</u> | <u>12,488,399</u> |
| Less accumulated depreciation | <u>(2,394,002)</u> | <u>(5,469,560)</u> | <u>(7,863,562)</u> |
| | <u><u>\$ 1,064,554</u></u> | <u><u>\$ 3,560,283</u></u> | <u><u>\$ 4,624,837</u></u> |
| | 2016 | | |
| | Board of Discipleship | The Upper Room | Total |
| Land and land improvements | \$ 257,318 | \$ 223,836 | \$ 481,154 |
| Buildings and improvements | 1,695,536 | 7,677,611 | 9,373,147 |
| Furniture, fixtures, and equipment | 1,423,187 | 750,102 | 2,173,289 |
| | <u>3,376,041</u> | <u>8,651,549</u> | <u>12,027,590</u> |
| Less accumulated depreciation | <u>(2,036,925)</u> | <u>(4,881,577)</u> | <u>(6,918,502)</u> |
| | <u><u>\$ 1,339,116</u></u> | <u><u>\$ 3,769,972</u></u> | <u><u>\$ 5,109,088</u></u> |

Depreciation expense was \$945,060 and \$998,888 for 2017 and 2016, respectively. Included in buildings and improvements is the Board's portion of a building jointly owned with the General Board of Higher Education and Ministry ("GBHEM").

Property owned by the Board is presented in Schedule 3.

Note 8—Employee benefits

Retirement Benefits – Full-time laypersons and clergy employed by the Board participate in the Retirement Plan for General Agencies (RPGA). This defined contribution plan is administered by Wespath.

The Board makes semi-monthly contributions to each eligible employee's account held by Wespath based on 8% of annual employee compensation. Additionally, the Board matches up to 2% of each employee's compensation to their United Methodist Personal Investment Plan (UMPPI). Total contributions made by the Board for both components during 2017 and 2016 were \$1,067,255 and \$1,130,484, respectively.

GENERAL BOARD OF DISCIPLESHIP OF THE UNITED METHODIST CHURCH

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2017 AND 2016

Note 8—Employee benefits (continued)

Health, Life, and Other Employee Benefits – The Board provides health, dental, life, and other employee benefits for its active employees and health, dental, and life benefits to retirees through a group plan which qualifies for treatment as a multi-employer plan under FASB ASC 715, *Compensation-Retirement Benefits*. Substantially all retired employees are eligible to participate in the Plan if they have attained normal retirement age while in the employ of the Board. The General Agencies of the United Methodist Church Benefit Plan (the “Plan”) provides medical, dental, life, and long and short-term disability defined benefits to participants of the general agencies.

The Plan’s unfunded accumulated postretirement benefit obligation (“APBO”) was approximately \$98,600,000 and \$91,600,000 as of December 31, 2017 and 2016, respectively, and the Plan’s unfunded expected postretirement benefit obligation (“EPBO”) was approximately \$148,700,000 and \$127,500,000 as of December 31, 2017 and 2016, respectively.

The cost of the benefits is recognized as an expense as premiums are paid. The total cost of benefits for active employees was \$1,706,715 and \$1,725,186 in 2017 and 2016, respectively, and the cost of retired employees was \$442,341 and \$454,457, respectively, exclusive of reimbursement from the General Agency Benefit Trust (“Benefit Trust”).

Wespath has transferred certain excess pension assets to the Benefit Trust established by the 1996 General Conference. Annually, the Benefit Trust allows a stated percentage payout, 6% for both 2017 and 2016, of the fair market value of Benefit Trust assets at year-end to be available for distribution in the subsequent year in order to reimburse the participating agencies, through GCFA, for their funding of active and retiree employee benefits. The fair value of the Benefit Trust’s assets (not plan assets) was approximately \$165,800,000 and \$149,300,000 as of December 31, 2017 and 2016, respectively. The total amount available for reimbursement in 2017 and 2016 was \$8,957,614 and \$8,822,895, respectively, of which the Board’s share, net of retiree health benefits was \$1,655,145 and \$2,008,091, respectively.

GENERAL BOARD OF DISCIPLESHIP OF THE UNITED METHODIST CHURCH
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2017 AND 2016

Note 9—Related party transactions

The Board receives a portion of its revenue through apportionments from the General Funds of the United Methodist Church, which are administered by GCFA. In addition, GCFA provides various services to the Board, such as general ledger processing, cash management, and group insurance plan administration. The Board had the following transactions with GCFA and related organizations:

| | <u>2017</u> | <u>2016</u> |
|---|--------------|-------------|
| Statements of Financial Position: | | |
| Due from GCFA short-term pooled investment fund | \$ 1,469,820 | \$ 806,417 |
| Accrued World Service Fund allocation | 2,276,678 | 2,135,149 |
| Accrued World Service Fund allocation - SBC21 | 128,213 | 119,062 |
| Accrued World Service Fund allocation - NACP | 69,627 | 64,658 |
| Accounts receivable from related organizations | 186,217 | 225,370 |
| Funds held by outside trustees for the benefit of the Board | 794,896 | 722,427 |
| Statements of Activities: | | |
| Revenue: | | |
| Net sales - United Methodist Publishing House | 458,009 | 523,456 |
| Allocations through GCFA | 8,037,309 | 7,989,093 |
| Allocations through GCFA - SBC21 | 452,145 | 445,440 |
| Allocations through GCFA - NACP | 245,541 | 241,900 |
| Benefit Trust distribution | 1,655,145 | 2,008,091 |
| Reimbursements from related organizations | 318,777 | 348,818 |
| Services received from GCFA | 28,766 | 27,624 |
| Expenses: | | |
| Group insurance expense | 2,149,056 | 2,179,643 |
| Administration provided by GCFA | 28,766 | 27,624 |

Strengthening the Black Church for the 21st Century (“SBC21”) and the Native American Comprehensive Plan (“NACP”) are special initiatives separate from the Board, funded by a separate World Service allocation. The Board provides telephone, computer network, mail, and building maintenance services on a service fee basis. The Board provides office space, computer equipment, human resources, accounting, financial reporting, auditing, and budget support services on an in-kind basis. SBC21 and NACP financial information are included and identified in these consolidated financial statements and in Schedule 1 and 2, respectively.

GENERAL BOARD OF DISCIPLESHIP OF THE UNITED METHODIST CHURCH
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2017 AND 2016

Note 10—Board-designated net assets

Certain net assets without donor restrictions at December 31, 2017 and 2016 have been designated by the Board of directors for the following purposes:

| | <u>2017</u> | <u>2016</u> |
|--|---------------------|---------------------|
| Board of Discipleship: | | |
| Board-Designated: | | |
| Capital Expenditures | \$ 1,203,983 | \$ 929,421 |
| International Translation | 314,276 | 343,061 |
| Ethnic Minority Local Church | 3,939 | 213,901 |
| Older Adult Ministries Committee | 13,057 | 29,960 |
| Older Adult Ministries Plan | 38,796 | 45,462 |
| Division on Ministries with Young People Reserve | - | 233,327 |
| Division on Ministries with Young People International | | |
| Scholarship Fund | 124,715 | 109,901 |
| Division on Ministries with Young People Racial | | |
| Justice Contingency | 50,018 | - |
| Total Board-Designated Net Assets | <u>\$ 1,748,784</u> | <u>\$ 1,905,033</u> |
| | | |
| | <u>2017</u> | <u>2016</u> |
| The Upper Room: | | |
| Board-Designated: | | |
| Capital Expenditures | \$ 681,158 | \$ 821,469 |
| Emmaus Funding Plan | 25,000 | 25,000 |
| Discover Emmaus Program | - | 25,000 |
| Academy Leader Program | 50,000 | 50,000 |
| CTR Program | 141,746 | 70,893 |
| Chaplains | 50,000 | 50,000 |
| International Editions | 122,634 | 62,634 |
| Total Board-Designated Net Assets | <u>\$ 1,070,538</u> | <u>\$ 1,104,996</u> |

GENERAL BOARD OF DISCIPLESHIP OF THE UNITED METHODIST CHURCH

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2017 AND 2016

Note 10—Board-designated net assets (continued)

From time to time, the board may designate other net assets without donor restrictions for specific purposes. The following are descriptions of each board designation:

Capital Expenditures – Funds set aside for maintenance of property, plant, and equipment.

Ethnic Minority Local Church – Funds to be used for Grants for ministry/projects that focus on developing and strengthening the racial ethnic local church for witness and mission. Must be a project of a local United Methodist church or of the United Methodist connectional system and must contribute directly to the mission and ministries of making disciples of Jesus Christ.

International Translation – To provide for the translation of core World Service resources in languages other than English, and in some cases other than Spanish, to support Annual and Central Conference efforts in making disciples of Jesus Christ for the transformation of the world.

Older Adult Ministries Plan and Committee – Older Adult Ministries is founded on the principle that ongoing faith development of midlife and older adults is critical for the transformation of the world. Balance of unspent Older Adult Plan moneys to specifically support programming for Older Adults.

Division on Ministries with Young People Reserve and International Scholarship Fund – The purpose is to provide young people outside of the United States with an educational scholarship to further their education.

Division on Ministries with Young People Racial Justice Contingency Grant – To provide seed-money grants of up to \$2,500 for at least twenty racial justice ministry projects initiated and led by young people to local churches and groups.

Emmaus Gift Fund Programs – From undesignated gifts received in 2016 that were in excess of the needs of programs that receive fund development money. This is designated to be used as a matching gift to encourage donors' giving to the Emmaus International program.

Discovery Emmaus Program Fund – From undesignated gifts received in 2016 that were in excess of the needs of programs that receive fund development money. These funds were designated for a new program in 2017 that was fully expended before year end.

Academy Leader Program Fund – From undesignated gifts received in 2016 that was in excess of the needs of programs that receive fund development money. This is designated to be used as a matching gift to encourage donors' giving to the Academy Leadership Endowment.

CTR Program – From undesignated gifts received in 2016 and 2017 that were in excess of the needs of programs that receive fund development money. These funds were designated to be used for funding new yet to be identified program initiatives.

Chaplains Fund – Large undesignated estate gift set aside by Board to use as corpus for interest income for the Chaplains Program.

International Editions Fund – Large undesignated estate gift set aside by Board to use as corpus for interest income for the International Program.

GENERAL BOARD OF DISCIPLESHIP OF THE UNITED METHODIST CHURCH
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2017 AND 2016

Note 11—Net Assets with donor restrictions

Net assets with donor restrictions at December 31, 2017 and 2016 have been restricted by the donors for the following purpose restrictions:

| | <u>2017</u> | <u>2016</u> |
|---|---------------------|---------------------|
| Board of Discipleship: | | |
| Subject to purpose restriction: | | |
| Sidney Redmond Trust Fund | \$ - | \$ 80,881 |
| New Church Starts Foundation for Evangelism | 63,911 | 60,726 |
| Legacy of Leadership | 96,201 | 82,005 |
| National Hispanic Plan | 520,268 | 479,563 |
| Native American Comprehensive Plan | 234,651 | 306,982 |
| Strengthening the Black Church for the 21st Century | 85,597 | 115,941 |
| E-Reader Project | 401,952 | 233,468 |
| Korean Partner in Mission | 141,501 | 112,900 |
| Wesley Pilgrimage | 217,493 | 188,305 |
| Total subject to purpose restriction | <u>1,761,574</u> | <u>1,660,771</u> |
| Subject to passage of time: | | |
| Pledges receivable: | | |
| Legacy of Leadership | 18,078 | 1,000 |
| Native American Comprehensive Plan | 102 | - |
| E-Reader Project | 40,800 | 318,700 |
| Wesley Pilgrimage | 9,500 | - |
| Total subject to the passage of time | <u>68,480</u> | <u>319,700</u> |
| Endowments: | | |
| Accumulated earnings on the Board endowment fund | 1,599,057 | 1,864,603 |
| The Board endowment fund held in perpetuity | 1,195,400 | 1,121,164 |
| Total endowments | <u>2,794,457</u> | <u>2,985,767</u> |
| Total net assets with donor restrictions | <u>\$ 4,624,511</u> | <u>\$ 4,966,238</u> |

GENERAL BOARD OF DISCIPLESHIP OF THE UNITED METHODIST CHURCH
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2017 AND 2016

Note 11—Net Assets with donor restrictions (continued)

| | <u>2017</u> | <u>2016</u> |
|---|-------------------|-------------------|
| The Upper Room: | | |
| Subject to purpose restriction: | | |
| Emmaus Funding Plan | \$ 87,619 | \$ 67,727 |
| Crisis Literature Programs | 14,937 | 28,011 |
| Spiritual Academies Fund | 131,300 | 99,795 |
| Total subject to purpose restriction | <u>233,856</u> | <u>195,533</u> |
| Endowments: | | |
| Accumulated earnings on the Upper Room endowment fund | 1,053 | 865 |
| Upper Room endowment fund held in perpetuity | 680,914 | 662,188 |
| Total endowments | <u>681,967</u> | <u>663,053</u> |
| Total net assets with donor restrictions | <u>\$ 915,823</u> | <u>\$ 858,586</u> |

Net assets with donor restrictions for the years ended December 31, 2017 and 2016 were released from donor restrictions by incurring expenses satisfying the restricted purposes or by occurrence of other events specified by donors.

| | <u>2017</u> | <u>2016</u> |
|---|------------------|------------------|
| Board of Discipleship: | | |
| Sidney Redmond Trust Fund | \$ 80,881 | \$ - |
| New Church Starts Foundation for Evangelism | 3,287 | 1,679 |
| Legacy of Leadership Camp Annual Fund | 9,975 | 12,050 |
| National Hispanic Plan | 10,413 | 25,938 |
| Native American Comprehensive Plan | 364,647 | 304,597 |
| Strengthening the Black Church for the 21st Century | 674,993 | 586,728 |
| E-Reader Project | 137,372 | 67,644 |
| Korean Partner in Mission | 9,950 | - |
| Wesley Pilgrimage | 52,013 | 59,687 |
| Watson Fund | - | 3,549 |
| Sam Taylor | 307,219 | 369,702 |
| Youth Service Fund | - | 35,214 |
| Young People Technology | - | 1,782 |
| O'Neal Memorial Fund | 30,008 | 8,283 |
| Stewardship Literature | 899 | 292 |
| Vital Congregations | - | 41,970 |
| Solomon Cramer | 22,000 | - |
| Church School | 205,449 | - |
| Board of Discipleship Total | <u>1,909,106</u> | <u>1,519,115</u> |

GENERAL BOARD OF DISCIPLESHIP OF THE UNITED METHODIST CHURCH
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2017 AND 2016

Note 11—Net Assets with donor restrictions (continued)

| | <u>2017</u> | <u>2016</u> |
|---------------------------------|---------------------|---------------------|
| The Upper Room: | | |
| Emmaus Gift Fund | \$ 78,547 | \$ 103,966 |
| Crisis Literature Programs | 13,803 | 4,750 |
| Spiritual Academies Fund | 38,805 | 28,513 |
| Academy Registrations | <u>377,972</u> | <u>-</u> |
| The Upper Room Total | <u>509,127</u> | <u>137,229</u> |
| Total Releases from Restriction | <u>\$ 2,418,233</u> | <u>\$ 1,656,344</u> |

Note 12—Endowment

The Board's endowment consists of individual donor-restricted funds established for a variety of purposes. As required by Generally Accepted Accounting Principles (GAAP), net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

The Board of Directors of the General Board of Discipleship has interpreted the Uniform Prudent Management of Institutional Funds Act ("UPMIFA") as requiring the preservation of the fair value of the original gift date of the donor restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Board classifies as donor-restricted net assets (a) the original value of gifts donated to the endowment, (b) the original value of subsequent gifts to the endowment, and (c) accumulations to the endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. Donor-restricted amounts not retained in perpetuity are subject to appropriation for expenditure by Board in a manner consistent with the standard of prudence prescribed by UPMIFA.

In accordance with applicable state laws, Board considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- The duration and preservation of the fund
- The purposes of the Board and the donor-restricted endowment fund
- General economic conditions
- The possible effect of inflation and deflation
- The expected total return from income and the appreciation of investments
- Other resources of the Board
- The investment policies of the Board

GENERAL BOARD OF DISCIPLESHIP OF THE UNITED METHODIST CHURCH
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2017 AND 2016

Note 12—Endowment (continued)

As of December 31, 2017 and 2016, the Board had the following endowment net asset composition by type of fund:

| | December 31, 2017 | | |
|--|---------------------------------------|------------------------------------|---------------------|
| | Without Donor Restrictions | With Donor Restrictions | Total |
| Donor-restricted endowment funds: | | | |
| Original donor-restricted gift amount and amounts required to be maintained in perpetuity by donor | \$ - | \$ 1,876,314 | \$ 1,876,314 |
| Accumulated investment gains | - | 1,600,110 | 1,600,110 |
| Endowment net assets, December 31, 2017 | <u>\$ -</u> | <u>\$ 3,476,424</u> | <u>\$ 3,476,424</u> |
| | | | |
| | December 31, 2016 | | |
| | Without Donor Restrictions | With Donor Restrictions | Total |
| Donor-restricted endowment funds: | | | |
| Original donor-restricted gift amount and amounts required to be maintained in perpetuity by donor | \$ - | \$ 1,783,352 | \$ 1,783,352 |
| Accumulated investment gains | - | 1,865,468 | 1,865,468 |
| Endowment net assets, December 31, 2016 | <u>\$ -</u> | <u>\$ 3,648,820</u> | <u>\$ 3,648,820</u> |

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor or the applicable state law requires the Board to retain as a fund of perpetual duration. The Board has interpreted UPMIFA to permit spending from underwater endowments in accordance with prudent measures required under law. At December 31, 2017 and 2016, the Board had no underwater endowments.

Investment and Spending Policies – The Board has a policy of appropriating up to 4% of the previous 12 rolling quarters’ average quarter-end market values for distribution annually. In establishing this policy, the Board considered the long-term expected return on its endowment. Accordingly, over the long term, the Board expects the current spending policy to allow its endowment to grow at an average rate of 3% annually. This is consistent with the Board’s objective to maintain the purchasing power of the endowment assets held in perpetuity or for a specified term as well as to provide additional real growth through new gifts and investment return.

Return Objectives and Risk Parameters – The Board has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets. Endowment assets include those assets of donor-restricted funds that the Board must hold in perpetuity or for a donor-specified period(s). Under this policy, as approved by the Board of Directors, the endowment assets are invested in a manner that is intended to produce results that exceed the price and yield results of selected markets and comparative indices such as the Russell 1000 indexes, while assuming a moderate level of investment risk. The Board expects its endowment funds, over time, to provide an average rate of return of approximately 7% annually. Actual returns in any given year may vary from this amount.

Strategies Employed for Achieving Objectives – To satisfy its long-term rate-of-return objectives, the Board relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The Board targets a diversified asset allocation that places a greater emphasis on equity-based investments to achieve its long-term return objectives within prudent risk constraints.

GENERAL BOARD OF DISCIPLESHIP OF THE UNITED METHODIST CHURCH
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2017 AND 2016

Note 12—Endowment (continued)

Changes in endowment net assets for the years ended December 31, 2017 and 2016 are as follows:

| | Without Donor Restrictions | With Donor Restrictions | Total |
|---|---------------------------------------|------------------------------------|---------------------|
| Endowment net assets, December 31, 2015 | \$ - | \$ 3,036,189 | \$ 3,036,189 |
| Investment return, net | - | 242,091 | 242,091 |
| Contributions | - | 748,817 | 748,817 |
| Appropriation of endowment assets for expenditure pursuant to spending-rate policy | - | (378,277) | (378,277) |
| Other changes: | | | |
| Distribution from board-designated endowment pursuant to distribution policy | - | - | - |
| Endowment of net assets, December 31, 2016 | - | 3,648,820 | 3,648,820 |
| Investment return, net | - | 339,824 | 339,824 |
| Contributions | - | 53,355 | 53,355 |
| Appropriation of endowment assets for expenditure pursuant to spending-rate policy | - | (565,575) | (565,575) |
| Other changes: | | | |
| Distribution from board-designated endowment pursuant to distribution policy | - | - | - |
| Endowment of net assets, December 31, 2017 | <u>\$ -</u> | <u>\$ 3,476,424</u> | <u>\$ 3,476,424</u> |

Note 13—Subsequent events

Management has evaluated subsequent events through July 18, 2018, the date the consolidated financial statements were available for issuance. The Board is expected to enter into an inter-company loan for \$1,000,000 from Upper Room to the Board of Discipleship in August 2018.

SUPPLEMENTAL SCHEDULES

GENERAL BOARD OF DISCIPLESHIP OF THE UNITED METHODIST CHURCH
STRENGTHENING THE BLACK CHURCH FOR THE 21ST CENTURY INFORMATION

SCHEDULE 1

DECEMBER 31, 2017 AND 2016

Statements of Financial Position Information

| | <u>2017</u> | <u>2016</u> |
|---|-------------------|-------------------|
| Assets | | |
| Accrued World Service allocation | \$ 128,213 | \$ 119,062 |
| Net Property, plant, and equipment | - | 1,254 |
| Total Assets | <u>\$ 128,213</u> | <u>\$ 120,316</u> |
| Liabilities | | |
| Due to GBOD | \$ 42,616 | \$ 29,445 |
| Net Assets (Deficit) | | |
| Without Donor Restrictions | - | (25,070) |
| With Donor Restrictions | 85,597 | 115,941 |
| Total Liabilities and Net Assets (Deficit) | <u>\$ 128,213</u> | <u>\$ 120,316</u> |

Statements of Activities and Changes in Net Assets Information

| | <u>2017</u> | | | <u>2016</u> | | |
|--|---------------------------------------|----------------------------------|------------------|---------------------------------------|----------------------------------|------------------|
| | <u>Without Donor Restrictions</u> | <u>With Donor Restricted</u> | <u>Total</u> | <u>Without Donor Restrictions</u> | <u>With Donor Restricted</u> | <u>Total</u> |
| Revenue: | | | | | | |
| Allocations through the GCFA: | | | | | | |
| World Service | \$ - | \$ 452,145 | \$ 452,145 | \$ - | \$ 445,440 | \$ 445,440 |
| Registration and Project Income | - | 179,911 | 179,911 | - | 50,420 | 50,420 |
| Advance Special Contributions | - | 235 | 235 | - | - | - |
| Investment return, net | - | 12,358 | 12,358 | - | 16,749 | 16,749 |
| Release of temporary restrictions | 674,993 | (674,993) | - | 586,728 | (586,728) | - |
| Total Revenue | <u>674,993</u> | <u>(30,344)</u> | <u>632,291</u> | <u>586,728</u> | <u>(74,119)</u> | <u>495,860</u> |
| Expenses: | | | | | | |
| Program services | 404,765 | - | 404,765 | 345,399 | - | 345,399 |
| Personnel expenses | 199,940 | - | 199,940 | 196,340 | - | 196,340 |
| Staff travel | 15,189 | - | 15,189 | 12,842 | - | 12,842 |
| Other general and administrative expense | 30,029 | - | 30,029 | 32,147 | - | 32,147 |
| Total Expenses | <u>649,923</u> | <u>-</u> | <u>649,923</u> | <u>586,728</u> | <u>-</u> | <u>586,728</u> |
| Change in net assets | 25,070 | (30,344) | (5,274) | - | (74,119) | (74,119) |
| Net asset (deficit), beginning of year | (25,070) | 115,941 | 90,871 | (25,070) | 190,060 | 164,990 |
| Net assets (deficit), end of year | <u>\$ -</u> | <u>\$ 85,597</u> | <u>\$ 85,597</u> | <u>\$ (25,070)</u> | <u>\$ 115,941</u> | <u>\$ 90,871</u> |

GENERAL BOARD OF DISCIPLESHIP OF THE UNITED METHODIST CHURCH
NATIVE AMERICAN COMPREHENSIVE PLAN INFORMATION

SCHEDULE 2

DECEMBER 31, 2017 AND 2016

Statements of Financial Position Information

| | <u>2017</u> | <u>2016</u> |
|---|-------------------|-------------------|
| Assets | | |
| Accrued World Service allocation | \$ 69,627 | \$ 64,658 |
| Due from GBOD | 165,126 | 172,692 |
| Total Assets | <u>\$ 234,753</u> | <u>\$ 237,350</u> |
| Net Assets (Deficit) | | |
| Without Donor Restrictions | \$ - | \$ (69,632) |
| With Donor Restrictions | 234,753 | 306,982 |
| Total Liabilities and Net Assets (Deficit) | <u>\$ 234,753</u> | <u>\$ 237,350</u> |

Statements of Activities and Changes in Net Assets Information

| | <u>2017</u> | | | <u>2016</u> | | |
|--|---------------------------------------|----------------------------------|-------------------|---------------------------------------|----------------------------------|-------------------|
| | <u>Without Donor Restrictions</u> | <u>With Donor Restricted</u> | <u>Total</u> | <u>Without Donor Restrictions</u> | <u>With Donor Restricted</u> | <u>Total</u> |
| Revenue: | | | | | | |
| Allocations through the GCFA: | | | | | | |
| World Service | \$ - | \$ 245,541 | \$ 245,541 | \$ - | \$ 241,900 | \$ 241,900 |
| Registration and Project Income | - | 13,957 | 13,957 | - | 50,742 | 50,742 |
| Grants and contributions | - | 200 | 200 | - | - | - |
| Investment return, net | - | 32,720 | 32,720 | - | 25,830 | 25,830 |
| Release of temporary restrictions | 364,647 | (364,647) | - | 304,597 | (304,597) | - |
| Total Revenue | <u>364,647</u> | <u>(72,229)</u> | <u>292,418</u> | <u>304,597</u> | <u>13,875</u> | <u>318,472</u> |
| Expenses: | | | | | | |
| Distributions and grants | 5,945 | - | 5,945 | 5,800 | - | 5,800 |
| Program services | 54,757 | - | 54,757 | 59,473 | - | 59,473 |
| Personnel expenses | 150,397 | - | 150,397 | 148,356 | - | 148,356 |
| Staff travel | 17,938 | - | 17,938 | 13,999 | - | 13,999 |
| Meeting Expense | 12,685 | - | 12,685 | 20,256 | - | 20,256 |
| Promotional materials | 13,257 | - | 13,257 | 11,680 | - | 11,680 |
| Other general and administrative expense | 40,036 | - | 40,036 | 45,033 | - | 45,033 |
| Total Expenses | <u>295,015</u> | <u>-</u> | <u>295,015</u> | <u>304,597</u> | <u>-</u> | <u>304,597</u> |
| Change in net assets | 69,632 | (72,229) | (2,597) | - | 13,875 | 13,875 |
| Net asset (deficit), beginning of year | (69,632) | 306,982 | 237,350 | (69,632) | 293,107 | 223,475 |
| Net assets (deficit), end of year | <u>\$ -</u> | <u>\$ 234,753</u> | <u>\$ 234,753</u> | <u>\$ (69,632)</u> | <u>\$ 306,982</u> | <u>\$ 237,350</u> |

GENERAL BOARD OF DISCIPLESHIP OF THE UNITED METHODIST CHURCH
REAL ESTATE HOLDINGS (UNAUDITED)

SCHEDULE 3

DECEMBER 31, 2017

| Identification | Location | Description | County Appraised Value* | Ownership | Notes |
|------------------------------|--|-------------|-------------------------|-------------------------------|--------------------------------------|
| Denman Property: | | | | | |
| Main Campus (includes bldg.) | 1900, 1902, & 1908 Grand Ave. S & 917 19th Ave. S Nashville, TN | 1.73 acres | \$ 16,387,800 | The Upper Room | Denman Building and Adjacent Lots |
| Parking Lots | 1901, 1903, 1905, 1907, 1909, 1911 & 1913 Adelia St. Nashville, TN | 1.19 acres | 6,371,100 | The Upper Room | Adjacent to Denman Building |
| Single Family House | 1915 Adelia St. Nashville, TN | 0.17 acres | 1,340,400 | The Upper Room | Offices adjacent to Denman Building |
| Single Family House | 1001 18th Ave. S Nashville, TN | 0.20 acres | 1,348,800 | The Upper Room | Offices 1 block from Denman Building |
| Single Family House | 1003 18th Ave. S Nashville, TN | 0.20 acres | 1,505,500 | The Upper Room | Offices 1 block from Denman Building |
| Kern Property: | | | | | |
| Main Campus (includes bldg.) | 2001 & 2005 Grand Ave. (corner of 19th and Grand Ave.) Nashville, TN | 1.19 acres | 2,593,050 | Joint 50/50** GBOD & GBHEM | Kern Building and Parking Lots |
| Scarritt Mall (open land) | 1001 19th Ave. S (corner of 19th Ave. S and Scarritt Place) Scarritt Place, Nashville, TN | 1.83 acres | 3,985,750 | Joint 50/50** GBOD & GBHEM | Open Space Adjacent to Kern Building |
| Parking Lots | 2009 & 2011 Grand Ave. (adjacent to Main Campus) Nashville, TN | 0.73 acres | 1,612,900 | Joint 50/50** GBOD & GBHEM | Kern Parking Lots |
| Parking Lots | 2013 Grand Ave. (adjacent to Main Campus) Nashville, TN | 0.59 acres | 1,426,350 | Joint 50/50** GBOD & GBHEM | Under Lease by Park Happy |
| Leased Parcel | 406 21st Ave. Nashville, TN | 0.80 acres | 3,186,350 | Joint 50/50** GBOD & GBHEM | Under Lease by Panera Bread Co. |
| | | 8.63 acres | \$ 39,758,000 | | |

* Note that financial statements reflect property at historical costs. Presented above is County Appraised Value effective 1/1/2017.

** Tax Appraised Values for the Leased Parcel and the Kern Property are 50% of the total appraised values because of joint ownership.