GENERAL BOARD OF CHURCH AND SOCIETY OF THE UNITED METHODIST CHURCH

FINANCIAL STATEMENTS

As of and for the Years Ended December 31, 2018 and 2017

And Report of Independent Auditor

Cherry Bekaert LLP
CPAs & Advisors

GENERAL BOARD OF CHURCH AND SOCIETY OF THE UNITED METHODIST CHURCH

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Cherry Bekaert LLP
CPAs & Advisors

Report of Independent Auditor

The Board of Trustees
The General Board of Church and Society of
The United Methodist Church

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

Report on the Financial Statements

We have audited the accompanying financial statements of the General Board of Church and Society of The United Methodist Church (the “Board”) (a non-profit organization), which comprise the statements of financial position as of December 31, 2018 and 2017, and the related statements of activities, functional expenses, and cash flows for the years then ended, 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 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 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 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 financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor’s judgment, including the assessment of the risks of material misstatement of the 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 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 financial statements.

We believe 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 financial position of the Board as of December 31, 2018 and 2017, and the changes in its net assets and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Cherry Bekaert LLP

Charlotte, North Carolina
June 28, 2019

GENERAL BOARD OF CHURCH AND SOCIETY OF THE UNITED METHODIST CHURCH

STATEMENTS OF FINANCIAL POSITION

DECEMBER 31, 2018 AND 2017

	2018	2017
ASSETS		
Cash and cash equivalents	$ 7,990	$ 16,227
Due from General Council on Finance and Administration short-term pooled investment fund	860,605	929,674
Accrued World Service Fund allocation	758,233	753,320
Accounts receivable, net	464,102	509,330
Prepaid expenses and other assets	192,458	172,545
Investments	14,975,372	16,088,287
Social Justice Ministries Endowment Fund at the United Methodist Church Foundation	380,953	433,598
Property and equipment, net	7,886,695	7,981,356
Total Assets	$ 25,526,408	$ 26,884,337
LIABILITIES AND NET ASSETS		
Liabilities:		
Accounts payable and accrued expenses	$ 414,219	$ 343,909
Capital lease obligation	20,340	-
Other liabilities	227,015	244,084
Total Liabilities	661,574	587,993
Net Assets:		
Without Donor Restrictions:		
Invested in property and equipment	6,770,278	6,864,939
Board-designated for endowment	8,660,171	9,619,509
Board-designated for building maintenance	1,903,205	1,514,851
Board-designated for programs	375,359	375,359
Undesignated	1,074,955	1,314,613
Total without Donor Restrictions	18,783,968	19,689,271
With Donor Restrictions:		
Subject to purpose restrictions	1,421,366	1,628,082
Endowments	4,659,500	4,978,991
Total with Donor Restrictions	6,080,866	6,607,073
Total Net Assets	24,864,834	26,296,344
Total Liabilities and Net Assets	$ 25,526,408	$ 26,884,337

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

GENERAL BOARD OF CHURCH AND SOCIETY OF THE UNITED METHODIST CHURCH

STATEMENTS OF ACTIVITIES

YEARS ENDED DECEMBER 31, 2018 AND 2017

	2018			2017		
	Without Donor Restrictions	With donor Restrictions	Total	Without Donor Restrictions	With donor Restrictions	Total
Revenues:						
World Service Fund allocation	$ 2,538,442	$ -	$ 2,538,442	$ 2,521,411	$ -	$ 2,521,411
Special Sunday offerings	-	240,545	240,545	-	211,930	211,930
Program revenue	47,934	35,000	82,934	23,993	200,000	223,993
Distribution from Benefit Trust	235,941	-	235,941	235,477	-	235,477
Contributions	368,176	100,100	468,276	38,135	3,138	41,273
Services received from GCFA	21,105	-	21,105	23,494	-	23,494
Rental income	-	2,416,088	2,416,088	-	2,449,767	2,449,767
Investment return, net	(538,889)	(249,485)	(788,374)	1,781,738	433,957	2,215,695
Other revenues	27,566	-	27,566	75,742	-	75,742
Net assets released from restrictions	3,068,455	(3,068,455)	-	3,122,334	(3,122,334)	-
Total Revenues	5,768,730	(526,207)	5,242,523	7,822,324	176,458	7,998,782
Expenses:						
Program Services:						
Core programs	2,873,994	-	2,873,994	2,773,735	-	2,773,735
Board-designated programs	168,813	-	168,813	168,371	-	168,371
Purpose restricted programs	521,878	-	521,878	655,790	-	655,790
Total Program Services	3,564,685	-	3,564,685	3,597,896	-	3,597,896
Supporting Services:						
Management and general	1,202,331	-	1,202,331	1,060,349	-	1,060,349
Leasing and property management	1,797,037	-	1,797,037	1,584,321	-	1,584,321
Fundraising	109,980	-	109,980	24,492	-	24,492
Total Supporting Services	3,109,348	-	3,109,348	2,669,162	-	2,669,162
Total Expenses	6,674,033	-	6,674,033	6,267,058	-	6,267,058
Change in net assets	(905,303)	(526,207)	(1,431,510)	1,555,266	176,458	1,731,724
Net assets, beginning of year	19,689,271	6,607,073	26,296,344	18,134,005	6,430,615	24,564,620
Net assets, end of year	$ 18,783,968	$ 6,080,866	$ 24,864,834	$ 19,689,271	$ 6,607,073	$ 26,296,344

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

GENERAL BOARD OF CHURCH AND SOCIETY OF
THE UNITED METHODIST CHURCH
STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED DECEMBER 31, 2018

	Program Services				Supporting Services			
	Core Programs	Board-Designated Programs	Purpose Restricted Programs	Total Program Services	Management and General	Leasing and Property Management	Fundraising	2018 Total
Salaries and payroll taxes	$ 1,795,387	$ 34,975	$ 223,749	$ 2,054,111	$ 256,786	$ 218,951	$ 24,842	$ 2,554,690
Program development	201,862	87,343	55,065	344,270	-	-	-	344,270
Employee benefits	378,950	6,334	52,802	438,086	65,159	5,675	462	509,382
Administration provided by GCFA	-	-	-	-	21,105	-	-	21,105
Travel and meetings	139,663	2,303	14,959	156,925	355,521	-	6,070	518,516
Contributions and grants to others	29,713	21,500	152,318	203,531	-	-	-	203,531
Professional fees	99,495	15,588	-	115,083	93,452	94,041	67,152	369,728
Rent and occupancy	207,369	-	18,514	225,883	21,285	(180,515)	-	66,653
Supplies	13,382	470	784	14,636	3,458	1,076	92	19,262
Telephone and web service	43,243	300	2,018	45,561	36,110	23,216	450	105,337
Postage, shipping, and freight	9,021	-	220	9,241	307	-	587	10,135
Utilities	-	-	-	-	-	224,831	-	224,831
Repairs and maintenance	705	-	-	705	15,120	646,566	-	662,391
Insurance	-	-	-	-	40,854	66,345	-	107,199
Depreciation and amortization	-	-	-	-	24,538	683,570	-	708,108
Promotional and informational materials	138,611	-	-	138,611	-	-	-	138,611
Miscellaneous	38,857	-	1,449	40,306	46,372	13,281	10,325	110,284
Allocation of General Secretary's Office to General Administration	(222,264)	-	-	(222,264)	222,264	-	-	-
Total Expenses	$ 2,873,994	$ 168,813	$ 521,878	$ 3,564,685	$ 1,202,331	$ 1,797,037	$ 109,980	$ 6,674,033

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

GENERAL BOARD OF CHURCH AND SOCIETY OF THE UNITED METHODIST CHURCH

STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED DECEMBER 31, 2017

	Program Services				Supporting Services			
	Core Programs	Board-Designated Programs	Purpose Restricted Programs	Total Program Services	Management and General	Leasing and Property Management	Fundraising	2017 Total
Salaries and payroll taxes	$ 1,783,074	$ 15,873	$ 284,067	$ 2,083,014	$ 233,377	$ 200,370	$ -	$ 2,516,761
Program development	194,874	150,627	100,196	445,697	-	-	-	445,697
Employee benefits	344,796	1,589	67,548	413,933	103,493	4,488	-	521,914
Administration provided by GCFA	-	-	-	-	23,494	-	-	23,494
Travel and meetings	147,666	-	18,518	166,184	134,829	-	-	301,013
Contributions and grants to others	26,800	-	142,197	168,997	-	-	-	168,997
Professional fees	125,589	-	-	125,589	147,095	105,994	24,492	403,170
Rent and occupancy	171,396	-	18,134	189,530	19,303	(180,714)	-	28,119
Supplies	13,005	-	1,648	14,653	2,798	1,019	-	18,470
Telephone and web service	67,821	100	2,984	70,905	32,382	29,164	-	132,451
Postage, shipping, and freight	5,856	182	421	6,459	760	160	-	7,379
Utilities	-	-	-	-	-	194,344	-	194,344
Repairs and maintenance	1,177	-	-	1,177	4,518	531,977	-	537,672
Insurance	1,656	-	-	1,656	44,625	57,193	-	103,474
Depreciation and amortization	-	-	-	-	23,450	603,355	-	626,805
Promotional and informational materials	94,746	-	5,000	99,746	-	-	-	99,746
Miscellaneous	47,339	-	15,077	62,416	38,165	36,971	-	137,552
Allocation of General Secretary's Office to General Administration	(252,060)	-	-	(252,060)	252,060	-	-	-
Total Expenses	$ 2,773,735	$ 168,371	$ 655,790	$ 3,597,896	$ 1,060,349	$ 1,584,321	$ 24,492	$ 6,267,058

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

GENERAL BOARD OF CHURCH AND SOCIETY OF THE UNITED METHODIST CHURCH

STATEMENTS OF CASH FLOWS

YEARS ENDED DECEMBER 31, 2018 AND 2017

	2018	2017
Cash flows from operating activities:		
Change in net assets	$ (1,431,510)	$ 1,731,724
Adjustments to reconcile change in net assets to net cash flows from operating activities:		
Depreciation and amortization	708,108	626,805
Net loss on fixed asset disposal	4,255	-
Net realized and unrealized losses (gains) on investments and Social Justice Ministries Endowment Fund at UMC Foundation	1,221,385	(1,839,458)
Changes in operating assets and liabilities:		
GCFA short-term pooled investment fund	69,069	200,951
Accrued World Service Fund Allocation	(4,913)	(52,237)
Accounts receivable, net	45,228	(173,927)
Prepaid expenses and other assets	(74,774)	(78,554)
Accounts payable and accrued expenses	70,310	(132,334)
Other liabilities	(17,069)	6,583
Net cash flows from operating activities	590,089	289,553
Cash flows from investing activities:		
Acquisition of property and equipment	(535,721)	(203,384)
Purchases of investments	(433,114)	(1,327,322)
Sale of investments	377,289	1,250,000
Net cash flows from investing activities	(591,546)	(280,706)
Cash flows from financing activities:		
Principal payments on capital lease obligation	(6,780)	(7,637)
Net change in cash and cash equivalents	(8,237)	1,210
Cash and cash equivalents, beginning of year	16,227	15,017
Cash and cash equivalents, end of year	$ 7,990	$ 16,227
Noncash transactions:		
Assets acquired by capital leases	$ 27,120	$ -

Note 1—Nature of the organization

The General Board of Church and Society (the "Board") is a general agency of The United Methodist Church (the "Church") and is a not-for-profit organization incorporated in the District of Columbia. The primary objective of the Board is to establish programs to analyze social concerns and to develop Christian lines of action in relation thereto in keeping with the objectives of the Church.

Funding for the Board's projects is principally provided by allocations received from the General Funds of the Church based on a four-year budget developed from projections of expected programs costs. The allocation accounts for 53% and 34% of the Board's total revenue during the years ended December 31, 2018 and 2017, respectively. In addition, rental income and investment earnings from the Board's assets provide significant resources to enable the Board to carry out its mission. The Board's continued existence is partially dependent upon the Church's future financial support. The Church's financial support of the Board is dependent upon contributions from the congregations (i.e., congregational participation in the apportionment covenant).

Assets of the Board include the United Methodist Building, located in the District of Columbia. Tenants of the United Methodist Building include the Board, various other not-for-profit organizations which lease office space, and individuals who lease apartment units.

Note 2—Summary of significant accounting policies

The financial statements of the Board have been prepared on the accrual basis of accounting. The Board's significant accounting policies are described below.

Basis of Presentation – The Board maintains its accounts internally 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 activities or objectives of the Board. Separate accounts are maintained for each fund.

For reporting purposes, however, the Board's financial statements have been prepared to focus on the organization as a whole. Resources 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 the Board's management and the board of directors. The 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 and Equipment – Represents net assets invested in property 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 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 passage of time. Other donor restrictions are perpetual in nature, whereby the donor has stipulated the funds be maintained in perpetuity.

Note 2—Summary of significant accounting policies (continued)

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 restriction. 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

Allocation from World Service Fund – The World Service Fund (the “Fund”) is the basic benevolence fund of the Church. The Fund makes annual allocations to support the activities of the various organizations of the Church. Such amounts are recognized as revenue in the accompanying financial statements in the period for which the allocation is made. Certain World Service Funds are reported as with donor restrictions, if the restrictions placed on them by General Conference are more specific than the broad limits of its mission as described in the Book of Discipline. The Accrued World Service Fund Allocation represents the apportionment income recorded as income for December that will be credited to the Board’s portion of the General Council on Finance and Administration (“GCFA”) short-term pooled investment fund the following month.

Cash and Cash Equivalents – For the purpose of reporting cash flows, the Board considers all highly liquid debt instruments purchased with a maturity of three months or less to be cash equivalents.

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 insured limits. As of December 31, 2018 and 2017, the Board did not exceed this amount.

Due from GCFA Short-Term Pooled Investment Fund – The amounts presented as due from GCFA short-term pooled investment fund in the accompanying 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 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, 2018 and 2017, GCFA allocated $11,030 and $44,427, respectively, of interest income 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.

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, 2018 and 2017 was 1.14% and 4.38%, 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.

Note 2—Summary of significant accounting policies (continued)

The allocation of funds in the GCFA short-term investment pool as of December 31, 2018 and 2017 were as follows:

	2018	2017
Texas Methodist Foundation loan fund	19.5%	20.5%
Mutual funds	2.0%	2.5%
Short-term collateralized loan fund	0.4%	0.4%
Fixed income	20.9%	9.0%
Corporate bonds	47.1%	47.0%
Cash	10.1%	20.6%
	100.0%	100.0%

Accounts Receivable – Accounts receivable primarily consists of amounts due relating to rent that had not yet been collected, and are reported at the amount management expects to collect from balances outstanding. Differences between the balances outstanding and the amounts management expects to collect are reported as a reduction of net assets in the year in which those differences are determined, with an offsetting entry to the allowance for doubtful accounts. Balances that are still outstanding after management has used reasonable collection efforts are written off through bad debt expense.

Investments and Investment Earnings – Investments in debt and equity securities with a readily determinable market value are reported at fair value with gains and losses included in the statements of activities based on quotations obtained from national securities exchanges. Cash equivalent funds held by the investment manager are not considered cash equivalents for purposes of the statements of cash flows.

The Board's investment portfolios were established for the purposes of supporting the programs of the Board to carry out the missions as defined in the Book of Discipline and to maintain the physical plant of the Board. Consistent with that purpose, the goal of investing the portfolios assets is to provide current funding to the Board defined by the spending policy, while preserving the purchasing power of the funds held for future expenditure. The Board has adopted the total return concept in allocating investment income. The Board has designated the income from a portion of its investment portfolio that represent funds without donor restrictions to support operations. In accordance with the Board's total return objective, an amount equal to 5% of a three-year rolling average of total fair market value of this portion is in the form of an investment payout. If investment income received (i.e., interest and dividends) is not sufficient to support the total return objective, the balance is provided from realized gains. If investment income is received in excess of the objective, the excess is reinvested.

Property and Equipment – Property and equipment assets are carried at original cost or estimated fair value at date of donation, if donated. Depreciation is computed on a straight-line basis over estimated useful lives of 37.5 years for major building renovations and 10 to 20 years for minor building improvements, furniture, and equipment. Tenant improvements are amortized over the term of the related lease.

Note 2—Summary of significant accounting policies (continued)

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 Financial Accounting Standards Board ("FASB") 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 Board's best estimate of what hypothetical market participants would use to determine a transaction price for the asset or liability at the reporting date.

Contributions – Contributions are available for unrestricted use unless specifically restricted by the donor. Amounts received that are designated for future periods or restricted by the donor for specific purposes are reported as net assets with donor restrictions. Private gifts, including unconditional pledges, are recognized as revenue in the period received. Conditional pledges are recognized when the conditions on which they depend are substantially met. Contributions of assets other than cash are recorded at their estimated fair value at the date of gift.

Grant Commitments – Conditional revocable grants are awarded to support various organizations such as Ethnic Local Church, Peace with Justice, Human Relations Day, and Central Conference. Grants awarded are charged to program expense as grant requirements are met. Total grants awarded for the year ended December 31, 2018 and 2017 were $90,000 and $164,800, respectively. At December 31, 2018 and 2017, undisbursed commitments on revocable grants totaled $108,230 and $130,548, respectively. These amounts are not recorded as liabilities or revenue in the accompanying financial statements as funding decisions for conditional grants are dependent on receiving progress reports from the grantees.

Program Services – The Board completes a programmatic evaluation each quadrennium. The Board's board of directors determine the direction for programming based on assignments by General Conference, constituent surveys, and assessed needs. These "prioritized" programs change over time and each quadrennium, the Board's board of directors determine what those changes are.

Services Received from Personnel of an Affiliate – Services received from personnel of an affiliate for which the affiliate does not charge the Board have 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 Note 13 and totaled $21,105 and $23,494 for the years ended December 31, 2018 and 2017, respectively.

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 statements of activities and functional expenses. Accordingly, certain 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:

Expense	Method of Allocation
Occupancy	Department's percentage of total annual payroll

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 Board had no significant unrelated business income during the years ended December 31, 2018 and 2017.

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.

Use of Estimates – The preparation of financial statements in conformity with GAAP requires management to make estimates and judgments that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expense during the reporting period. Actual results could differ from those estimates.

New Pronouncements – In May 2014, the FASB issued Accounting Standards Update ("ASU") 2014-09. The amendments in this update create Topic 606, *Revenue from Contracts with Customers*, 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. 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 entitles in exchange for those goods or services. The amendments in this update will be effective for the year ended December 31, 2019. Management is currently evaluating the impact of this standard on the Board's financial statements.

In February 2016, the FASB issued ASU 2016-02, *Leases (Topic 842)*. The guidance in this ASU supersedes the leasing guidance in Topic 840, *Leases*. Under the new guidance, lessees are required to recognize lease assets and lease liabilities on the statements of financial position for all leases with terms longer than 12 months. Leases will be classified as either finance or operating, with classifications affecting the pattern of expense recognition in the statements of activities. A modified retrospective transition approach is required for lessees for capital and operating leases existing at, or entered into after, the beginning of the earliest comparative period presented in the financial statements, with certain practical expedients available. This standard is effective for the year ended December 31, 2020. Management is currently evaluating the impact of this standard on the Board's financial statements.

Note 2—Summary of significant accounting policies (continued)

In June 2018, the FASB issued ASU 2018-08, *Clarifying the Scope and Accounting Guidance for Contributions Received and Contributions Made*. ASU 2018-08 provides a more detailed framework for determining whether a grant or similar contract should be accounted for as a contribution or as an exchange transaction. ASU 2018-08 also provides additional guidance to help determine whether a contribution is conditional, and better distinguish between a donor-imposed condition and a donor-imposed restriction. The ASU is effective for fiscal years beginning after December 15, 2018. The ASU requires the provisions to be applied on a modified prospective basis and early adoption is permitted. Management is currently evaluating the impact of this standard on the Board's financial statements.

Note 3—Liquidity and availability

The table below represents financial assets available for general expenditures within one year at December 31, 2018 and 2017:

	2018	2017
Financial assets at year end:		
Cash	$ 7,990	$ 16,227
Due from GCFA short-term pooled investment fund	860,605	929,674
Accrued World Service Fund allocation	758,233	753,320
Accounts receivable	464,102	509,330
Investments	14,975,372	16,088,287
Social Justice Ministries Endowment Fund at UMC Foundation	380,953	433,598
Total financial assets	17,447,255	18,730,436
Less amounts not available to be used for general expenditures within one year:		
Board-designated funds	10,938,735	11,509,719
Subject to donor purpose restrictions	1,421,366	1,628,082
Endowments (excluding real property endowment)	3,543,083	3,862,574
Financial assets not available to be used within one year	15,903,184	17,000,375
Financial assets available to meet general expenditures within one year	$ 1,544,071	$ 1,730,061

The Board has certain assets limited to use for donor-restricted purposes. Additionally, board-designated assets are designated for future operating and capital expenditures. These assets limited to use, which are more fully described in Notes 8 and 9 are not available for general expenditure within the next year. However, the board-designated amounts could be made available, if necessary.

As part of the Boards liquidity management plan, cash in excess of daily requirements are invested in GCFA's short-term pooled investment fund and the Board's general investment pool held by a financial institution.

Note 4—Accounts receivable

Accounts receivable at December 31, 2018 and 2017 are as follows:

	2018	2017
Rent receivables	$ 488,066	$ 533,294
Allowance for doubtful accounts	(23,964)	(23,964)
	$ 464,102	$ 509,330

Note 5—Investments

Investments at December 31, 2018 and 2017 consist of the following:

	2018		2017	
	Fair Value	Cost	Fair Value	Cost
Cash and cash equivalents	$ 119,156	$ 119,156	$ 110,339	$ 110,339
Mutual funds	2,898,058	3,002,193	2,891,291	2,896,460
U.S. government securities	1,046,303	1,049,489	816,831	820,775
Bonds	1,535,732	1,550,774	1,762,708	1,762,832
Common stocks	4,920,595	3,801,615	5,353,202	3,671,146
International equity securities	4,455,528	4,827,440	5,153,916	4,657,742
Total investments	$ 14,975,372	$ 14,350,667	$ 16,088,287	$ 13,919,294

The Social Justice Ministries Endowment Fund which is invested with The United Methodist Church Foundation (the "UMC Foundation") as of December 31, 2018 and 2017 consist of the following:

	2018		2017	
	Fair Value	Cost	Fair Value	Cost
UMC Foundation Balanced Plus Fund	$ 380,953	$ 393,680	$ 433,598	$ 397,366

Investment return and interest income earned on the GCFA short-term pooled investment fund for the years ended December 31, 2018 and 2017 consist of the following:

	2018	2017
Interest and dividends	$ 433,111	$ 388,157
Net realized and unrealized gains (losses) on investments	(1,094,263)	1,910,247
Investment management fees	(127,222)	(82,709)
Investment return, net	$ (788,374)	$ 2,215,695
GCFA interest income	$ 11,030	$ 44,427

Note 6—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 tables summarize required fair value disclosures and measurements at December 31, 2018 and 2017 for assets measured at fair value on a recurring basis under ASC 820, *Fair Value Measurements and Disclosures:*

	Fair Value Measurements at December 31, 2018			
	Total Assets Measured at Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Other Unobservable Inputs (Level 3)
Investments:				
Cash and cash equivalents	$ 119,156	$ 119,156	$ -	$ -
Mutual funds	2,898,058	2,898,058	-	-
U.S. government securities	1,046,303	1,046,303	-	-
Bonds	1,535,732	-	1,535,732	-
Common stocks	4,920,595	4,920,595	-	-
International equity securities	4,455,528	4,455,528	-	-
	$ 14,975,372	$ 13,439,640	$ 1,535,732	$ -
UMC Foundation Balanced Plus Fund*	$ 380,953	$ -	$ -	$ -

	Fair Value Measurements at December 31, 2017			
	Total Assets Measured at Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Other Unobservable Inputs (Level 3)
Investments:				
Cash and cash equivalents	$ 110,339	$ 110,339	$ -	$ -
Mutual funds	2,891,291	2,891,291	-	-
U.S. government securities	816,831	816,831	-	-
Bonds	1,762,708	-	1,762,708	-
Common stocks	5,353,202	5,353,202	-	-
International equity securities	5,153,916	5,153,916	-	-
	$ 16,088,287	$ 14,325,579	$ 1,762,708	$ -
UMC Foundation Balanced Plus Fund*	$ 433,598	$ -	$ -	$ -

* 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. The fair value amounts presented in these tables are intended to permit reconciliation of the fair value hierarchy to the amounts presented in the statements of financial position.

Note 6—Fair value measurement (continued)

For entities that calculate Net Asset Value ("NAV") per share (or its equivalent), the following table provides information about the probability of investments being sold at amounts different from NAV per share for the year ended December 31, 2018:

	Fair Value	Unfunded Commitments	Redemption Frequency	Redemption Notice Period
UMC Foundation Balanced Plus Fund[a]	$ 380,953	none	Daily	3 Days

[a] The UMC Foundation investment is within the Balanced Plus Fund. The objective of the Balanced Fund is to provide a reasonable level of current income and, simultaneously, to protect the purchasing power of the principal against inflation. The targeted allocation of the fund is 30% invested in a fixed income fund, 25% in a domestic large capitalization equity portfolio, 10% in a domestic small/mid-capitalization equity portfolio, 15% in an international equity portfolio, and 20% in alternative investments consisting of funds of hedge funds and managed futures portfolios. This fund is designed for those investors who are seeking a single fund to provide broad diversification, reasonable current income, and protection against inflation.

Note 7—Property and equipment

Property and equipment assets consist of the following at December 31:

	2018	2017
Land	$ 183,038	$ 183,038
Building and improvements	14,670,236	14,255,968
Furniture and equipment	771,256	627,207
Total property and equipment	15,624,530	15,066,213
Less accumulated depreciation and amortization	(7,737,835)	(7,084,857)
Property and equipment, net	$ 7,886,695	$ 7,981,356

Depreciation and amortization expense was $653,247 and $626,805 for the years ended December 31, 2018 and 2017, respectively.

The Board has legal title to the United Methodist Building at 100 and 110 Maryland Avenue, N.E., Washington, D.C. However, the Board must obtain approval from the General Conference of the United Methodist Church prior to sale of the building.

Note 8—Net assets with donor restrictions

Net assets with donor restrictions at December 31, 2018 and 2017 have been restricted by the donors for the following purpose restrictions:

	2018	2017
Subject to purpose restriction:		
Hugh Moore population	$ 1,008,465	$ 1,243,966
Human Relations Day Sunday offerings	67,225	62,256
Other programs	345,676	321,860
Total subject to purpose restriction	1,421,366	1,628,082
Endowments:		
Subject to appropriation and expenditure:		
Restricted by donor for general use	(124,472)	142,374
Restricted by donor for ministries of the Board	69,909	122,654
Subtotal	(54,563)	265,028
Held into perpetuity subject to endowment spending policy and appropriation:		
Building Fund - For general use	3,286,602	3,286,602
Building Fund (Real Property) - For general use	1,116,417	1,116,417
Social Justice Endowment Fund - Ministries of the Board	311,044	310,944
Total endowments	4,659,500	4,978,991
Total net assets with donor restrictions	$ 6,080,866	$ 6,607,073

Net assets with donor restrictions for the years ended December 31, 2018 and 2017 were released from donor restrictions by incurring expenses satisfying the restricted purposes or by occurrence of other events specified by donors as follows:

	2018	2017
Satisfaction of purpose restriction	$ 3,068,455	$ 3,122,334

Note 9—Board-designated net assets

Certain net assets without donor restrictions at December 31, 2018 and 2017 have been designated by the board of directors for varying purposes.

The board-designated endowment was established by the board of directors and its purpose and use are more fully described in Note 10.

The building maintenance fund represents funded depreciation, where the amount of annual depreciation is appropriated from operations for future capital expenditures of the Board.

Note 9—Board-designated net assets (continued)

The board-designated for programs are funds, such as the Emerging Issues Fund, set up by the board of directors for specific and periodic needs that may arise and are directed to be used for ministry program needs including advocacy.

Note 10—Endowments

The Board's endowments consist of 2 individual funds established by donors to provide annual funding for specific activities and general operations: (1) the Methodist Building Endowment Fund and (2) the Social Justice Endowment Fund. The Board's endowments also include certain net assets without donor restrictions that have been designated for endowment by the Board of Directors.

The Methodist Building Endowment Fund (the "Fund") was created by the Fund's Trust Agreement (the "Trust"), from the Division of Alcohol Problems and General Welfare of the Board of Christian Social Concerns of the Methodist Church, and from the Board of Temperance, Prohibition, and Public Morals of the Methodist Episcopal Church. The Trust permanently restricts the use of the Fund's corpus, and requires that income generated by the corpus be used for building operations, alterations, repairs, improvements, and to support programs addressing problems involving alcohol, public morals, gambling, drug abuse, and general welfare.

The Social Justice Ministries Endowment Fund (the "Fund") represents resources received from donors that must be invested into perpetuity. The investment returns earned from the investments of the Fund will be available to the Board to use for any purpose consistent with its ministries to respond to the Christian social concerns of the day. The Fund is invested in the UMC Foundation's Balanced Plus Fund. The UMC Foundation has established, for accounting purposes, an initial unit value for an accounting unit of the participants' accounts based on the participants' net assets divided by the unit value. At all times, the total value of the participants' net assets, divided by the total of all participants' units, will equal the unit value. The unit value of the net assets is determined on each business day.

The Board's management has long interpreted its work on public policy as well as its efforts to communicate that work to its constituents and resource local congregations to affect public policy change as fitting under the categories of "public morals" and "general welfare" for Trust Fund purposes. Specifically, management believes the work it performs in all core programs of the Board meets the "public morals" and "general welfare" descriptions above. This would include the following core programs: Public Witness and Advocacy, Education and Leadership Formation, Communications, Resource Production, United Nations Office, and the program-related portion of the General Secretary's Office. This policy is based on a legal opinion obtained by the Board in 1975 and was upheld in a ruling of the Superior Court of the District of Columbia on October 6, 2010.

The Board's management 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.

Note 10—Endowments (continued)

In accordance with applicable state laws, the 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 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

As of December 31, 2018 and 2017, the Board had the following endowment net asset composition by type of fund:

	December 31, 2018		
	Without Donor Restrictions	With Donor Restrictions	Total
Board-designated endowment funds	$ 8,660,171	$ -	$ 8,660,171
Donor-restricted endowment funds:			
Original donor-restricted gift amount and amounts required to be maintained in perpetuity by donor	-	4,714,063	4,714,063
Accumulated investment gains	-	(54,563)	(54,563)
Endowment net assets, December 31, 2018	$ 8,660,171	$ 4,659,500	$ 13,319,671

	December 31, 2017		
	Without Donor Restrictions	With Donor Restrictions	Total
Board-designated endowment funds	$ 9,619,509	$ -	$ 9,619,509
Donor-restricted endowment funds:			
Original donor-restricted gift amount and amounts required to be maintained in perpetuity by donor	-	4,713,963	4,713,963
Accumulated investment gains	-	265,028	265,028
Endowment net assets, December 31, 2017	$ 9,619,509	$ 4,978,991	$ 14,598,500

Note 10—Endowments (continued)

Changes in endowment net assets for the years ended December 31, 2018 and 2017 were as follows:

	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets, December 31, 2016	$ 6,109,942	$ 4,794,748	$ 10,904,690
Contributions	2,048,620	1,085	2,049,705
Investment return, net	1,781,737	257,488	2,039,225
Rental income on real property (net of expenses)	-	865,446	865,446
Amounts appropriated for expenditure	(320,790)	(939,776)	(1,260,566)
Endowment net assets, December 31, 2017	9,619,509	4,978,991	14,598,500
Contributions	-	100	100
Investment return, net	(538,888)	(187,973)	(726,861)
Rental income on real property (net of expenses)	-	619,051	619,051
Amounts appropriated for expenditure	-	(750,669)	(750,669)
Distribution from board-designated endowment	(380,117)	-	(380,117)
Additional distribution	(40,333)	-	(40,333)
Endowment net assets, December 31, 2018	$ 8,660,171	$ 4,659,500	$ 13,319,671

Underwater Endowment Funds – From time to time, the fair value of assets associated with individual donor restricted endowment funds may fall below the level that the donor or the applicable state law requires the Board to retain as a fund of perpetual duration (underwater endowments). The Board has interpreted UPMIFA to permit spending from underwater endowments in accordance with prudent measures required under law. At December 31, 2018, one fund with an original gift value of $3,286,602, fair value of $3,162,130, and deficiency of $124,472 was reported in net assets with donor restrictions. There were no underwater endowments as of December 31, 2017.

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 endowments while seeking to maintain the purchasing power of the endowment assets. Under this policy, as approved by the board of directors, the endowment assets of the Board, which are in liquid assets, are invested with an unrelated financial institution and the UMC Foundation.

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.

Spending Policy and How the Investment Objectives Relate to Spending Policy – The Board has adopted a distribution policy of 5% of a three-year rolling average of the total fair market value of an endowment fund, including those endowments deemed to be underwater. If investment income received (i.e., interest and dividends) is not sufficient to support the total return objective, the balance is provided from realized gains. If investment income is received in excess of the objective the balance is reinvested in the investment fund.

Note 11—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 Benefits and Investments (“Wespath”).

The Board makes semi-monthly contributions to each eligible employee’s account held by Wespath based on 8% of annual employee compensation. Additionally, GCFA matches United Methodist Personal Investment Plan (UMPIP) before-tax and/or after tax contributions up to 2% of each eligible employee’s compensation. Total contributions made by GCFA during the years ended December 31, 2018 and 2017 were $250,914 and $237,408, respectively.

Health Care and Life Insurance 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 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 employment 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 11 general agencies, all Bishops covered by the Episcopal Fund, and employees of other United Methodist related organizations. Effective January 1, 2004, plan amendments were made to change the retiree benefits offered and increase the related premiums paid by retirees.

The Plan’s unfunded accumulated postretirement benefit obligation (APBO) was approximately $94,500,000 and $98,600,000 and the Plan’s unfunded expected postretirement benefit obligation (EPBO) was approximately $131,500,000 and $148,700,000 as of December 31, 2018 and 2017, respectively.

All of the Board’s active employees are covered by the Plan. The cost of the benefits is recognized as expenses as premiums are paid. The total cost of benefits for active employees was $251,409 and $218,764 during the years ended December 31, 2018 and 2017, respectively, exclusive of reimbursement from the General Agency Benefit Trust (“Benefit Trust”). The cost of benefits for retired employees was $45,469 and $59,586 in 2018 and 2017, respectively, exclusive of reimbursement from the 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, 6% for both 2018 and 2017, 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 $146,625,000 and $165,800,000 as of December 31, 2018 and 2017, respectively. The total amount available for reimbursement during the years ended December 31, 2018 and 2017 was $9,948,300 and $8,957,614, respectively, of which the Board’s share, including retiree health benefits, was $281,406 and $235,477 during the years ended December 31, 2018 and 2017, respectively.

Note 12—Lease commitments

Operating Leases – The Board rents office space to not-for-profit organizations in the buildings it owns. A summary of future minimum rental income on noncancelable leases at December 31, 2018 is as follows:

Year Ending December 31,	
2019	$ 2,207,396
2020	1,246,686
2021	792,430
2022	497,700
2023	262,102
2024 and therafter	83,061
	$ 5,089,375

In addition to the aforementioned rental income, the Board rents certain office space to other agencies of the Church as well as certain residential space to employees on an annual basis. Rental income for related agencies was approximately $228,999 and $218,609 for the years ended December 31, 2018 and 2017, respectively. Rental income from employees was $22,004 and $21,938 for the years ended December 31, 2018 and 2017, respectively.

In May 2015, the Board entered into a lease with the United Methodist Women for office space in New York at the annual rate of $25,719 and a termination date of April 30, 2018. However, in January 2018 the original lease was terminated early and a new lease for additional space was entered into with a termination date of April 30, 2021. Rent expense for the years ended December 31, 2018 and 2017 was $66,653 and $25,719, respectively. Future minimum lease payments for the office space are as follows:

Year Ending December 31,	
2019	$ 68,870
2020	68,870
2021	22,957
	$ 160,697

Capital Leases – In January 2018, the Board leased a copier under a capital lease agreement that expires in December 2021. The total capitalized cost of the copier was $27,120 with monthly payments of $565. Future minimum lease payments for the copier lease are as follows:

Year Ending December 31,	
2019	$ 6,780
2020	6,780
2021	6,780
Total minimum lease payments	$ 20,340

Note 13—Related parties

The Board receives World Service allocations from the General Funds of the Church, which are administered by GCFA to support the activities of the agency. In addition, GCFA performs limited managerial, financial, and clerical duties for the Board.

The Board had the following transactions with or through GCFA or other Church entities:

	2018	2017
Statements of Financial Position:		
Due from GCFA short-term pooled investment fund	$ 860,605	$ 929,674
Social Justice Ministries Endowment Fund at UMC Foundation	380,953	433,598
Accrued World Service Fund allocation	758,233	753,320
Statements of Activities - Revenues:		
World Service Fund Allocation	2,538,442	2,521,411
Special Sunday offerings	240,545	211,930
Services received from GCFA	21,105	23,494
Distribution from Benefit Trust	235,941	235,477
Interest income	11,030	44,427
Statements of Activities/Functional Expenses - Expenses:		
Administration provided by GCFA	21,105	23,494
Rent and occupancy	66,653	25,719

Note 14—Subsequent events

Management has evaluated subsequent events through June 28, 2019, the date the financial statements were available for issuance. Management has determined that there are no additional disclosures required.