

**GENERAL BOARD OF
CHURCH AND SOCIETY OF
THE UNITED METHODIST CHURCH**

FINANCIAL STATEMENTS

*As of and for the Years Ended December 31, 2017
and 2016*

And Report of Independent Auditor

**GENERAL BOARD OF CHURCH AND SOCIETY OF
THE UNITED METHODIST CHURCH
TABLE OF CONTENTS**

REPORT OF INDEPENDENT AUDITOR..... 1-2

FINANCIAL STATEMENTS

Statements of Financial Position..... 3
Statements of Activities 4
Statement of Functional Expenses 5
Statements of Cash Flows 6
Notes to the Financial Statements 7-23

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, 2017 and 2016, and the related statements of activities and cash flows for the years then ended, 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 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, 2017 and 2016, 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.

Changes in Financial Statement Presentation

As discussed in Note 2, the Board 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 expense and the disclosure of liquidity and availability of resources, which have been implemented prospectively as allowed under the provisions of ASU 2016-14.

Additionally, as discussed in Note 14, the Board made a reclassification to properly present beginning net assets as of January 1, 2016. Our opinion is not modified with respect to this matter.

A handwritten signature in black ink that reads "Cheryl Bekart LLP". The signature is written in a cursive, flowing style.

Charlotte, North Carolina
November 15, 2018

**GENERAL BOARD OF CHURCH AND SOCIETY OF
THE UNITED METHODIST CHURCH
STATEMENTS OF FINANCIAL POSITION**

DECEMBER 31, 2017 AND 2016

	2017	2016
ASSETS		
Cash and cash equivalents	\$ 16,227	\$ 15,017
Due from General Council on Finance and Administration short-term pooled investment fund	929,674	1,130,625
Accrued World Service Fund allocation	753,320	701,083
Accounts receivable, net	509,330	335,403
Prepaid expenses and other assets	172,545	137,515
Investments	16,088,287	14,221,282
Social Justice Ministries Endowment Fund at the United Methodist Church Foundation	433,598	383,823
Property and equipment, net	7,981,356	8,361,253
Total Assets	\$ 26,884,337	\$ 25,286,001
LIABILITIES AND NET ASSETS		
Liabilities:		
Accounts payable and accrued expenses	\$ 343,909	\$ 476,243
Capital lease obligation	-	7,637
Other liabilities	244,084	237,501
Total Liabilities	587,993	721,381
Net Assets:		
Without Donor Restrictions:		
Invested in property and equipment	6,864,939	7,244,836
Board-designated for endowment	9,619,509	6,109,942
Board-designated for building maintenance	1,514,851	1,142,740
Board-designated for programs	375,359	375,359
Undesignated	1,314,613	3,261,128
Total without Donor Restrictions	19,689,271	18,134,005
With Donor Restrictions:		
Subject to purpose restrictions	1,628,082	1,635,867
Endowments	4,978,991	4,794,748
Total with Donor Restrictions	6,607,073	6,430,615
Total Net Assets	26,296,344	24,564,620
Total Liabilities and Net Assets	\$ 26,884,337	\$ 25,286,001

**GENERAL BOARD OF CHURCH AND SOCIETY OF
THE UNITED METHODIST CHURCH
STATEMENTS OF ACTIVITIES**

YEARS ENDED DECEMBER 31, 2017 AND 2016

	2017			2016		
	Without Donor Restrictions	With donor Restrictions	Total	Without Donor Restrictions	With donor Restrictions	Total
Revenues:						
World Service Fund allocation	\$ 2,521,411	\$ -	\$ 2,521,411	\$ 2,442,283	\$ 60,000	\$ 2,502,283
Special Sunday offerings	-	211,930	211,930	-	208,552	208,552
Program revenue	23,993	200,000	223,993	120,491	160,000	280,491
Distribution from Benefit Trust	235,477	-	235,477	287,051	-	287,051
Contributions	38,135	3,138	41,273	10,718	2,710	13,428
Services received from GCFA	23,494	-	23,494	19,639	-	19,639
Rental income	-	2,449,767	2,449,767	-	2,328,957	2,328,957
Investment return, net	1,781,738	433,957	2,215,695	614,753	159,298	774,051
Other revenues	75,742	-	75,742	84,584	-	84,584
Net assets released from restrictions	3,122,334	(3,122,334)	-	2,962,406	(2,962,406)	-
Total Revenues	7,822,324	176,458	7,998,782	6,541,925	(42,889)	6,499,036
Expenses:						
Program Services:						
Core programs	2,773,735	-	2,773,735	2,867,137	-	2,867,137
Board-designated programs	168,371	-	168,371	605,802	-	605,802
Purpose restricted programs	655,790	-	655,790	673,340	-	673,340
Total Program Services	3,597,896	-	3,597,896	4,146,279	-	4,146,279
Management and general	1,060,349	-	1,060,349	873,089	-	873,089
Leasing and property management	1,584,321	-	1,584,321	1,698,048	-	1,698,048
Fundraising	24,492	-	24,492	-	-	-
Total Expenses	6,267,058	-	6,267,058	6,717,416	-	6,717,416
Change in net assets	1,555,266	176,458	1,731,724	(175,491)	(42,889)	(218,380)
Net assets, beginning of year	18,134,005	6,430,615	24,564,620	19,007,101	5,775,899	24,783,000
Restatement (Note 14)	-	-	-	(697,605)	697,605	-
Net assets, beginning of year (as restated)	18,134,005	6,430,615	24,564,620	18,309,496	6,473,504	24,783,000
Net assets, end of year	\$ 19,689,271	\$ 6,607,073	\$ 26,296,344	\$ 18,134,005	\$ 6,430,615	\$ 24,564,620

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, 2017

	Program Services			Supporting Services				Total
	Core Programs	Board Designated Programs	Purpose Restricted Programs	Total Program Services	Management and General	Leasing and Property Management	Fundraising	
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, 2017 AND 2016

	<u>2017</u>	<u>2016</u>
Cash flows from operating activities:		
Change in net assets	\$ 1,731,724	\$ (218,380)
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation and amortization	626,805	594,131
Net loss on fixed asset disposal	-	42
Net realized and unrealized gains on investments and Social Justice Ministries Endowment Fund at UMC Foundation	(1,839,458)	(775,682)
Changes in operating assets and liabilities:		
Accounts receivable, net	(173,927)	(92,397)
Grant receivable	-	75,000
GCFA short-term pooled investment fund	200,951	(982,607)
Accrued World Service Fund Allocation	(52,237)	81,845
Prepaid expenses and other assets	(78,554)	29,259
Accounts payable and accrued expenses	(132,334)	(55,397)
Other liabilities	6,583	3,743
Net cash flows from operating activities	<u>289,553</u>	<u>(1,340,443)</u>
Cash flows from investing activities:		
Acquisition of property and equipment	(203,384)	(151,028)
Purchases of investments	(1,327,322)	(1,211,128)
Sale of investments	1,250,000	2,720,041
Net cash flows from investing activities	<u>(280,706)</u>	<u>1,357,885</u>
Cash flows from financing activities:		
Principal payments on capital lease obligation	(7,637)	(7,637)
Net change in cash and cash equivalents	1,210	9,805
Cash and cash equivalents, beginning of year	15,017	5,212
Cash and cash equivalents, end of year	<u>\$ 16,227</u>	<u>\$ 15,017</u>

**GENERAL BOARD OF CHURCH AND SOCIETY OF
THE UNITED METHODIST CHURCH
NOTES TO THE FINANCIAL STATEMENTS**

DECEMBER 31, 2017 AND 2016

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 34% and 42% of the Board’s total revenue during the years ended December 31, 2017 and 2016, 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.

**GENERAL BOARD OF CHURCH AND SOCIETY OF
THE UNITED METHODIST CHURCH
NOTES TO THE FINANCIAL STATEMENTS**

DECEMBER 31, 2017 AND 2016

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 temporarily restricted, as 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, 2017 and 2016, 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 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 \$44,427 and \$57,525, 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, 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.

**GENERAL BOARD OF CHURCH AND SOCIETY OF
THE UNITED METHODIST CHURCH
NOTES TO THE FINANCIAL STATEMENTS**

DECEMBER 31, 2017 AND 2016

Note 2—Summary of significant accounting policies (continued)

The allocation of funds in the GCFA 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>100.0%</u>	<u>100.0%</u>

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 unrestricted investment portfolio 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.

**GENERAL BOARD OF CHURCH AND SOCIETY OF
THE UNITED METHODIST CHURCH
NOTES TO THE FINANCIAL STATEMENTS**

DECEMBER 31, 2017 AND 2016

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 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 support that increases those net asset classes. 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 2017 and 2016 were \$164,800 and \$121,775, respectively. At December 31, 2017 and 2016, undisbursed commitments on revocable grants totaled \$130,548 and \$88,545, 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 \$23,494 and \$19,639 for the years ended December 31, 2017 and 2016, respectively.

**GENERAL BOARD OF CHURCH AND SOCIETY OF
THE UNITED METHODIST CHURCH
NOTES TO THE 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 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:

<u>Expense</u>	<u>Method of Allocation</u>
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, 2017 and 2016.

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.

Adopted Pronouncements – On August 18, 2016, the 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 Board has adjusted the presentation of these statements accordingly. 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.

New Pronouncements – In May 2014, the FASB issued 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 entitled 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.

**GENERAL BOARD OF CHURCH AND SOCIETY OF
THE UNITED METHODIST CHURCH**
NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2017 AND 2016

Note 2—Summary of significant accounting policies (continued)

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 consolidated statement 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 consolidated statement 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 3—Liquidity and availability

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

	<u>2017</u>
Financial assets at year end:	
Cash	\$ 16,227
Due from GCFA short-term pooled investment fund	929,674
Accrued World Service Fund allocation	753,320
Accounts receivable	509,330
Investments	16,088,287
Social Justice Ministries Endowment Fund at UMC Foundation	<u>433,598</u>
Total financial assets	<u>18,730,436</u>
Less amounts not available to be used for general expenditures within one year:	
Donor restricted with purpose restrictions	1,628,082
Endowments (excluding real property endowment)	3,862,574
Board designations:	
Quasi-endowment	9,619,509
Reserve funds for building maintenance and programs	<u>1,890,210</u>
Financial assets not available to be used within one year	<u>17,000,375</u>
Financial assets available to meet general expenditures within one year	<u>\$ 1,730,061</u>

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.

**GENERAL BOARD OF CHURCH AND SOCIETY OF
THE UNITED METHODIST CHURCH
NOTES TO THE FINANCIAL STATEMENTS**

DECEMBER 31, 2017 AND 2016

Note 4—Accounts receivable

Accounts receivable at December 31, 2017 and 2016 are as follows:

	<u>2017</u>	<u>2016</u>
Rent receivables	\$ 533,294	\$ 359,057
Allowance for doubtful accounts	(23,964)	(23,654)
	<u>\$ 509,330</u>	<u>\$ 335,403</u>

Note 5—Investments

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>
Cash and cash equivalents	\$ 110,339	\$ 110,339	\$ 59,548	\$ 59,548
Mutual funds	2,891,291	2,896,460	3,254,832	3,333,985
Bonds	2,579,539	2,583,607	1,939,967	1,953,665
Marketable equity securities	10,507,118	8,328,888	8,966,935	8,224,060
Total investments	<u>\$ 16,088,287</u>	<u>\$ 13,919,294</u>	<u>\$ 14,221,282</u>	<u>\$ 13,571,258</u>

The Social Justice Ministries Endowment Fund which is invested with the United Methodist Church Foundation (the "UMC Foundation") as of 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>
UMC Foundation Balanced Plus Fund	<u>\$ 433,598</u>	<u>\$ 397,366</u>	<u>\$ 383,823</u>	<u>\$ 383,082</u>

Investment return and interest income earned on the GCFA Short-term Pooled Investment Fund for the years ended December 31, 2017 and 2016 consist of the following:

	<u>2017</u>	<u>2016</u>
Interest and dividends	\$ 388,157	\$ 352,593
Net realized and unrealized gains on investments	1,910,247	586,473
Investment management fees	(82,709)	(165,015)
Investment return, net	<u>\$ 2,215,695</u>	<u>\$ 774,051</u>
GCFA interest income	<u>\$ 44,427</u>	<u>\$ 57,525</u>

**GENERAL BOARD OF CHURCH AND SOCIETY OF
THE UNITED METHODIST CHURCH
NOTES TO THE FINANCIAL STATEMENTS**

DECEMBER 31, 2017 AND 2016

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, 2017 and 2016 for assets measured at fair value on a recurring basis under ASC 820, *Fair Value Measurements and Disclosures*:

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	2,896,460	2,896,460	-	-
Bonds	2,583,607	-	2,579,539	-
Marketable equity securities	8,328,888	8,328,888	-	-
	<u>\$ 13,919,294</u>	<u>\$ 11,335,687</u>	<u>\$ 2,579,539</u>	<u>\$ -</u>
UMC Foundation Balanced Plus Fund*	<u>\$ 397,366</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Fair Value Measurements at December 31, 2016				
	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	\$ 59,548	\$ 59,548	\$ -	\$ -
Mutual funds	3,333,985	3,333,985	-	-
Bonds	1,953,665	-	1,939,967	-
Marketable equity securities	8,224,060	8,224,060	-	-
	<u>\$ 13,571,258</u>	<u>\$ 11,617,593</u>	<u>\$ 1,939,967</u>	<u>\$ -</u>
UMC Foundation Balanced Plus Fund*	<u>\$ 383,082</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</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. 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.

**GENERAL BOARD OF CHURCH AND SOCIETY OF
THE UNITED METHODIST CHURCH
NOTES TO THE FINANCIAL STATEMENTS**

DECEMBER 31, 2017 AND 2016

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, 2017:

	<u>Fair Value</u>	<u>Unfunded Commitments</u>	<u>Redemption Frequency</u>	<u>Redemption Notice Period</u>
UMC Foundation Balanced Plus Fund ^(a)	\$ 397,366	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 35% invested in a fixed income fund, 27.3% in a domestic large capitalization equity portfolio, 6% in a domestic small/mid-capitalization equity portfolio, 26.5% in an international equity portfolio, 2.2% in a defensive inflation fund, and 3% in a global real estate portfolio. 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:

	<u>2017</u>	<u>2016</u>
Land	\$ 183,038	\$ 183,038
Building and improvements	14,255,968	14,164,730
Furniture and equipment	627,207	536,486
Total property and equipment	15,066,213	14,884,254
Less accumulated depreciation and amortization	(7,084,857)	(6,523,001)
Property and equipment, net	<u>\$ 7,981,356</u>	<u>\$ 8,361,253</u>

Depreciation expense was \$583,281 and \$594,131 for the years ended December 31, 2017 and 2016, 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.

**GENERAL BOARD OF CHURCH AND SOCIETY OF
THE UNITED METHODIST CHURCH
NOTES TO THE FINANCIAL STATEMENTS**

DECEMBER 31, 2017 AND 2016

Note 8—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>
Subject to purpose restriction:		
Hugh Moore population	\$ 1,243,966	\$ 1,256,029
Human Relations Day Sunday offerings	62,256	35,581
Other programs	<u>321,860</u>	<u>344,257</u>
Total subject to purpose restriction	<u>1,628,082</u>	<u>1,635,867</u>
Endowments:		
Subject to appropriation and expenditure:		
Restricted by donor for general use	142,374	7,906
Restricted by donor for ministries of the Board	<u>122,654</u>	<u>73,964</u>
Subtotal	265,028	81,870
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	<u>310,944</u>	<u>309,859</u>
Total endowments	<u>4,978,991</u>	<u>4,794,748</u>
Total net assets with donor restrictions	<u>\$ 6,607,073</u>	<u>\$ 6,430,615</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 as follows:

	<u>2017</u>	<u>2016</u>
Satisfaction of purpose restriction	<u>\$ 3,122,334</u>	<u>\$ 2,962,406</u>

Note 9—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 varying purposes.

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

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.

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

**GENERAL BOARD OF CHURCH AND SOCIETY OF
THE UNITED METHODIST CHURCH
NOTES TO THE FINANCIAL STATEMENTS**

DECEMBER 31, 2017 AND 2016

Note 10—Endowments

The Board's endowments consists 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.

**GENERAL BOARD OF CHURCH AND SOCIETY OF
THE UNITED METHODIST CHURCH
NOTES TO THE FINANCIAL STATEMENTS**

DECEMBER 31, 2017 AND 2016

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, 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
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	<u>\$ 9,619,509</u>	<u>\$ 4,978,991</u>	<u>\$ 14,598,500</u>
	December 31, 2016		
	Without Donor Restrictions	With Donor Restrictions	Total
Board-designated endowment funds	\$ 6,109,942	\$ -	\$ 6,109,942
Donor-restricted endowment funds:			
Original donor-restricted gift amount and amounts required to be maintained in perpetuity by donor	-	4,712,878	4,712,878
Accumulated investment gains	-	81,870	81,870
Endowment net assets, December 31, 2016	<u>\$ 6,109,942</u>	<u>\$ 4,794,748</u>	<u>\$ 10,904,690</u>

**GENERAL BOARD OF CHURCH AND SOCIETY OF
THE UNITED METHODIST CHURCH
NOTES TO THE FINANCIAL STATEMENTS**

DECEMBER 31, 2017 AND 2016

Note 10—Endowments (continued)

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

	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets, December 31, 2015	\$ 5,824,137	\$ 4,795,755	\$ 10,619,892
Contributions	-	2,339	2,339
Investment return, net	616,384	83,867	700,251
Rental income on real property (net of expenses)	-	630,909	630,909
Amounts appropriated for expenditure	<u>(330,579)</u>	<u>(718,122)</u>	<u>(1,048,701)</u>
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	<u>(320,790)</u>	<u>(939,776)</u>	<u>(1,260,566)</u>
Endowment net assets, December 31, 2017	<u>\$ 9,619,509</u>	<u>\$ 4,978,991</u>	<u>\$ 14,598,500</u>

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. The Board has interpreted UMPIFA to permit spending from underwater endowments in accordance with prudent measures required under law. There were no underwater endowments as of December 31, 2017 and 2016.

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. 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. The Board's policy permits spending from underwater funds depending on the degree to which the fund is underwater, unless otherwise precluded by donor intent or relevant laws and regulations.

**GENERAL BOARD OF CHURCH AND SOCIETY OF
THE UNITED METHODIST CHURCH
NOTES TO THE FINANCIAL STATEMENTS**

DECEMBER 31, 2017 AND 2016

Note 10—Endowments (continued)

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, the Board 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 the Board during the years ended December 31, 2017 and 2016 were \$237,408 and \$234,587, 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 eleven 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 \$98,600,000 and \$91,600,000 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.

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 \$218,764 and \$255,826 during the years ended December 31, 2017 and 2016, respectively, exclusive of reimbursement from the General Agency Benefit Trust (“Benefit Trust”). The cost of benefits for retired employees was \$59,586 and \$57,833 in 2017 and 2016, 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 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 during the year ended December 31, 2017 and 2016 is \$8,957,614 and \$8,822,895, respectively, of which the Board’s share, including retiree health benefits, is \$235,477 and \$287,050 during the year ended December 31, 2017 and 2016, respectively.

**GENERAL BOARD OF CHURCH AND SOCIETY OF
THE UNITED METHODIST CHURCH
NOTES TO THE FINANCIAL STATEMENTS**

DECEMBER 31, 2017 AND 2016

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, 2017, is as follows:

Year Ending December 31,	
2018	\$ 2,196,512
2019	1,507,141
2020	837,823
2021	420,346
2022	273,621
2023 and thereafter	<u>151,327</u>
	<u><u>\$ 5,386,770</u></u>

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 \$218,609 and \$261,526 for the years ended December 31, 2017 and 2016, respectively. Rental income from employees was \$21,938 for the years ended December 31, 2017 and 2016.

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, 2017 and 2016 was \$25,719 and \$25,719, respectively. Future minimum lease payments for the office space are as follows:

Year Ending December 31,	
2018	\$ 66,653
2019	68,870
2020	68,870
2021	<u>22,957</u>
	<u><u>\$ 227,350</u></u>

Capital Leases – During 2014, the Board leased a copier under a capital lease agreement that expired in December 2017. The total capitalized cost of the copier was \$30,549, and has accumulated amortization for the year ended December 31, 2017 of \$30,549.

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,	
2018	\$ 6,780
2019	6,780
2020	6,780
2021	<u>6,780</u>
Total minimum lease payments	<u><u>\$ 27,120</u></u>

**GENERAL BOARD OF CHURCH AND SOCIETY OF
THE UNITED METHODIST CHURCH
NOTES TO THE FINANCIAL STATEMENTS**

DECEMBER 31, 2017 AND 2016

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:

	<u>2017</u>	<u>2016</u>
Statements of Financial Position:		
Due from GCFA short-term pooled investment fund	\$ 929,674	\$ 1,130,625
Social Justice Ministries Endowment Fund at the United Methodist Church Foundation	433,598	383,823
Accrued World Service Fund allocation	753,320	701,083
Statements of Activities - Revenues:		
World Service Fund Allocation	2,521,411	2,502,283
Special Sunday offerings	211,930	208,552
Services received from GCFA	23,494	19,639
Distribution from Benefit Trust	235,477	287,051
Interest income	44,427	57,525
Statements of Activities/Functional Expenses - Expenses:		
Administration provided by GCFA	23,494	19,639
Rent and occupancy	25,719	25,719

Note 14—Restatement of net asset classifications

Subsequent to December 31, 2017, it was determined that the previously issued financial statements for the year ended December 31, 2016 required an adjustment of \$1,800,000 to properly state the portion of the building endowment that must be held into perpetuity. The board of directors approved a resolution in 2018 which authorized the transfer of the \$1,800,000 from without donor restriction to with donor restriction. In addition, the Board has reclassified \$1,102,395 of net assets with donor restrictions to net assets without donor restrictions as of January 1, 2016, to adopt the placed-in-service approach for reporting expirations of restrictions on gifts of cash or other assets to be used to acquire or construct long-lived assets in accordance with ASU 2016-14.

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>
Net Assets, as originally reported, December 31, 2015	\$ 19,007,101	\$ 5,775,899
Placed-in service adjustment	1,102,395	(1,102,395)
Building endowment adjustment	(1,800,000)	1,800,000
Net Assets, as restated, December 31, 2015	<u>\$ 18,309,496</u>	<u>\$ 6,473,504</u>
Change in Net Assets, as originally reported, 2016	\$ (13,526)	\$ (204,854)
Adjustment to net assets released from restriction for 2016	(161,965)	161,965
Change in Net Assets, as restated, 2016	<u>\$ (175,491)</u>	<u>\$ (42,889)</u>

**GENERAL BOARD OF CHURCH AND SOCIETY OF
THE UNITED METHODIST CHURCH
NOTES TO THE FINANCIAL STATEMENTS**

DECEMBER 31, 2017 AND 2016

Note 15—Subsequent events

Management has evaluated subsequent events through November 15, 2018, the date the financial statements were available for issuance. Management has determined that there are no additional disclosures required.