

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

**CONSOLIDATED FINANCIAL STATEMENTS
AND SUPPLEMENTAL SCHEDULES**

As of and for the Years Ended December 31, 2020 and 2019

And Report of Independent Auditor

GENERAL BOARD OF DISCIPLESHIP OF THE UNITED METHODIST CHURCH
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Report of Independent Auditor

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

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

We have audited the accompanying consolidated financial statements of the General Board of Discipleship of The United Methodist Church d/b/a Discipleship Ministries (the "Board"), which comprise the consolidated statements of financial position as of December 31, 2020 and 2019, the related consolidated statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Board's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Board's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of the General Board of Discipleship of The United Methodist Church d/b/a Discipleship Ministries as of December 31, 2020 and 2019, and the changes in their consolidated net assets and their cash flows for the years then ended, in accordance with accounting principles generally accepted in the United States of America.

Other Information

Our audits were conducted for the purpose of forming an opinion on the consolidated financial statements taken as a whole. The other information included in schedules 1 through 3, on pages 27 through 29 is presented for purposes of additional analysis and is not a required part of the consolidated financial statements.

Schedules 1 and 2 are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the consolidated financial statements. Such information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the consolidated financial statements as a whole.

Schedule 3 has not been subjected to the auditing procedures applied in the audit of the consolidated financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

Cheng Behant LLP

Charlotte, North Carolina
July 26, 2021

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

YEARS ENDED DECEMBER 31, 2020 AND 2019

	2020			2019		
	Consolidating Information			Consolidating Information		
	Discipleship Ministries	The Upper Room	Consolidated Total	Discipleship Ministries	The Upper Room	Consolidated Total
ASSETS						
Cash and cash equivalents	\$ 422,049	\$ 185,501	\$ 607,550	\$ 107,163	\$ 108,820	\$ 215,983
Due from GCFA short-term pooled investment fund	5,320,723	43,156	5,363,879	2,567,642	2,217,845	4,785,487
Accrued World Service Income	2,395,483	-	2,395,483	2,236,823	-	2,236,823
Accrued World Service Income - Strengthening the Black Church ("SBC21")	135,170	-	135,170	125,618	-	125,618
Accrued World Service Income - Native American Comprehensive Plan ("NACP")	73,405	-	73,405	68,218	-	68,218
Investments	7,318,544	23,386,606	30,705,150	6,127,696	19,578,756	25,706,452
Funds held by outside trustees for the benefit of the Board	5,757	4,758	10,515	5,553	4,590	10,143
Accounts receivable, net	28,554	916,858	945,412	367,654	495,029	862,683
Accrued income receivable	103,708	150,230	253,938	116,347	72,155	188,502
Inventories	-	903,169	903,169	-	794,863	794,863
Prepaid expenses and other assets	130,511	163,409	293,920	140,328	270,713	411,041
Property, buildings, and equipment, net	454,187	1,983,148	2,437,335	564,973	2,479,716	3,044,689
Total Assets	\$ 16,388,091	\$ 27,736,835	\$ 44,124,926	\$ 12,428,015	\$ 26,022,487	\$ 38,450,502
LIABILITIES AND NET ASSETS						
Liabilities:						
Accounts payable and accrued expenses	\$ 489,956	\$ 862,211	\$ 1,352,167	\$ 649,612	\$ 957,327	\$ 1,606,939
Custodial funds payable	174,143	-	174,143	214,498	-	214,498
Accrued royalties	-	65,850	65,850	-	94,639	94,639
Deferred income	26,377	2,613,531	2,639,908	69,299	2,641,829	2,711,128
Paycheck Protection Program deferred revenue	1,142,800	-	1,142,800	-	-	-
Total Liabilities	1,833,276	3,541,592	5,374,868	933,409	3,693,795	4,627,204
Net Assets:						
Without Donor Restrictions:						
Board-designated	120,942	2,593,756	2,714,698	206,292	2,118,410	2,324,702
Undesignated	11,727,730	20,285,904	32,013,634	8,549,529	19,109,527	27,659,056
Total Without Donor Restrictions	11,848,672	22,879,660	34,728,332	8,755,821	21,227,937	29,983,758
With Donor Restrictions:						
Subject to purpose restrictions	820,212	370,474	1,190,686	859,336	190,787	1,050,123
Endowments	1,885,931	945,109	2,831,040	1,879,449	909,968	2,789,417
Total With Donor Restrictions	2,706,143	1,315,583	4,021,726	2,738,785	1,100,755	3,839,540
Total Net Assets	14,554,815	24,195,243	38,750,058	11,494,606	22,328,692	33,823,298
Total Liabilities and Net Assets	\$ 16,388,091	\$ 27,736,835	\$ 44,124,926	\$ 12,428,015	\$ 26,022,487	\$ 38,450,502

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

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

YEAR ENDED DECEMBER 31, 2020

	Consolidating Information							2020 Consolidated Total
	Discipleship Ministries			The Upper Room			Eliminations	
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total		
Revenues:								
Sales of literature	\$ 21,187	\$ -	\$ 21,187	\$ 10,468,671	\$ -	\$ 10,468,671	\$ -	\$ 10,489,858
Cost of goods sold	-	-	-	(1,672,723)	-	(1,672,723)	-	(1,672,723)
Net Sales	21,187	-	21,187	8,795,948	-	8,795,948	-	8,817,135
Allocations through the GCFA:								
World Service	6,742,055	-	6,742,055	-	-	-	-	6,742,055
Native American Comprehensive Plan (NACP)	-	207,037	207,037	-	-	-	-	207,037
Strengthening the Black Church (SBC21)	-	381,241	381,241	-	-	-	-	381,241
Youth Service Fund	13,832	-	13,832	-	-	-	-	13,832
Registration fees/special projects	71,826	105,528	177,354	220,451	2,000	222,451	-	399,805
Grants and contributions	1,640	191,637	193,277	626,152	346,067	972,219	-	1,165,496
Reimbursements from related organizations	198,959	-	198,959	27,324	-	27,324	-	226,283
Rental income	106,088	-	106,088	109,472	-	109,472	-	215,560
Other income	2,035,373	504	2,035,877	7,252	169	7,421	(2,005,850)	37,448
Benefit trust distribution	986,857	-	986,857	1,073,388	-	1,073,388	-	2,060,245
Services received from GCFA	23,065	-	23,065	-	-	-	-	23,065
Investment return from GCFA short-term pooled investment fund	149,685	-	149,685	51,487	-	51,487	-	201,172
Investment return, net	991,487	199,361	1,190,848	3,758,829	46,102	3,804,931	-	4,995,779
Net assets with donor restrictions released from restrictions	1,117,950	(1,117,950)	-	179,510	(179,510)	-	-	-
Total Revenues	12,460,004	(32,642)	12,427,362	14,849,813	214,828	15,064,641	(2,005,850)	25,486,153
Expenses:								
Program Services:								
General secretary	484,962	-	484,962	-	-	-	-	484,962
Stakeholder relations	1,053,025	-	1,053,025	-	-	-	-	1,053,025
Strategic programming	2,649,755	-	2,649,755	-	-	-	-	2,649,755
Communications	1,309,970	-	1,309,970	-	-	-	-	1,309,970
Strengthening the Black Church (SBC21)	346,479	-	346,479	-	-	-	-	346,479
Native American Comprehensive Plan (NACP)	297,760	-	297,760	-	-	-	-	297,760
The Upper Room	-	-	-	10,914,230	-	10,914,230	-	10,914,230
Total Program Services	6,141,951	-	6,141,951	10,914,230	-	10,914,230	-	17,056,181
Supporting Services:								
Management and general	3,219,202	-	3,219,202	1,848,061	-	1,848,061	(2,005,850)	3,061,413
Fundraising	6,000	-	6,000	435,799	-	435,799	-	441,799
Total Supporting Services	3,225,202	-	3,225,202	2,283,860	-	2,283,860	(2,005,850)	3,503,212
Total Expenses	9,367,153	-	9,367,153	13,198,090	-	13,198,090	(2,005,850)	20,559,393
Changes in net assets	3,092,851	(32,642)	3,060,209	1,651,723	214,828	1,866,551	-	4,926,760
Net assets, beginning of year	8,755,821	2,738,785	11,494,606	21,227,937	1,100,755	22,328,692	-	33,823,298
Net assets, end of year	\$ 11,848,672	\$ 2,706,143	\$ 14,554,815	\$ 22,879,660	\$ 1,315,583	\$ 24,195,243	\$ -	\$ 38,750,058

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

GENERAL BOARD OF DISCIPLESHIP OF THE UNITED METHODIST CHURCH

CONSOLIDATED STATEMENT OF ACTIVITIES

YEAR ENDED DECEMBER 31, 2019

	Consolidating Information							
	Discipleship Ministries			The Upper Room				2019
	Without Donor	With Donor		Without Donor	With Donor		Eliminations	Consolidated
	Restrictions	Restrictions	Total	Restrictions	Restrictions	Total		Total
Revenues:								
Sales of literature	\$ 7,874	\$ -	\$ 7,874	\$ 11,415,171	\$ -	\$ 11,415,171	\$ -	\$ 11,423,045
Cost of goods sold	(4,492)	-	(4,492)	(2,329,867)	-	(2,329,867)	-	(2,334,359)
Net Sales	3,382	-	3,382	9,085,304	-	9,085,304	-	9,088,686
Allocations through the GCFA:								
World Service	7,348,179	-	7,348,179	-	-	-	-	7,348,179
Native American Comprehensive Plan (NACP)	-	225,649	225,649	-	-	-	-	225,649
Strengthening the Black Church (SBC21)	-	415,516	415,516	-	-	-	-	415,516
Youth Service Fund	37,039	-	37,039	-	-	-	-	37,039
Registration fees/special projects	1,074,821	156,322	1,231,143	928,507	-	928,507	-	2,159,650
Grants and contributions	5,785	126,227	132,012	547,482	293,273	840,755	-	972,767
Reimbursements from related organizations	196,464	-	196,464	32,964	-	32,964	-	229,428
Rental income	159,303	-	159,303	84,292	-	84,292	-	243,595
Other income	2,264,727	53,747	2,318,474	263,303	186	263,489	(2,500,391)	81,572
Benefit trust distribution	938,794	-	938,794	829,180	-	829,180	-	1,767,974
Services received from GCFA	22,166	-	22,166	-	-	-	-	22,166
Investment return from GCFA short-term pooled investment fund	122,444	-	122,444	75,865	-	75,865	-	198,309
Investment return, net	922,248	159,561	1,081,809	3,485,251	215,528	3,700,779	-	4,782,588
Net assets with donor restrictions released from restrictions	2,248,604	(2,248,604)	-	203,183	(203,183)	-	-	-
Total Revenues	15,343,956	(1,111,582)	14,232,374	15,535,331	305,804	15,841,135	(2,500,391)	27,573,118
Expenses:								
Program Services:								
General secretary	765,688	-	765,688	-	-	-	-	765,688
Stakeholder relations	908,657	-	908,657	-	-	-	-	908,657
Strategic programming	5,360,011	-	5,360,011	-	-	-	-	5,360,011
Communications	1,519,472	-	1,519,472	-	-	-	-	1,519,472
Strengthening the Black Church (SBC21)	712,364	-	712,364	-	-	-	-	712,364
Native American Comprehensive Plan (NACP)	275,858	-	275,858	-	-	-	-	275,858
The Upper Room	-	-	-	12,250,216	-	12,250,216	-	12,250,216
Total Program Services	9,542,050	-	9,542,050	12,250,216	-	12,250,216	-	21,792,266
Supporting Services:								
Management and general	3,457,117	-	3,457,117	2,247,712	-	2,247,712	(2,500,391)	3,204,438
Fundraising	6,000	-	6,000	437,015	-	437,015	-	443,015
Total Supporting Services	3,463,117	-	3,463,117	2,684,727	-	2,684,727	(2,500,391)	3,647,453
Total Expenses	13,005,167	-	13,005,167	14,934,943	-	14,934,943	(2,500,391)	25,439,719
Changes in net assets	2,338,789	(1,111,582)	1,227,207	600,388	305,804	906,192	-	2,133,399
Net assets, beginning of year	6,417,032	3,850,367	10,267,399	20,627,549	794,951	21,422,500	-	31,689,899
Net assets, end of year	\$ 8,755,821	\$ 2,738,785	\$ 11,494,606	\$ 21,227,937	\$ 1,100,755	\$ 22,328,692	\$ -	\$ 33,823,298

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

GENERAL BOARD OF DISCIPLESHIP OF THE UNITED METHODIST CHURCH

CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED DECEMBER 31, 2020

	Program Services								Supporting Services							
	Discipleship Ministries							Upper Room	Discipleship Ministries				Upper Room			
	General Secretary	Stakeholder Relations	Strategic Programming	Communications	Strengthening the Black Church - 21st Century	Native American Comprehensive Plan	Upper Room Program	Total Program Services	Management and General	Fundraising	Management and General	Fundraising	Eliminations	Total Supporting Services	2020 Consolidated Total	
Expenses:																
Grant distribution	\$ -	\$ 231,624	\$ 5,056	\$ -	\$ -	\$ 65,000	\$ 250,180	\$ 551,860	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 551,860
Programs and projects	-	37,579	319,287	250,931	102,280	-	328,536	1,038,613	-	-	-	-	-	-	-	1,038,613
Personnel expenses	330,361	687,009	2,170,926	627,066	224,906	181,498	5,311,010	9,532,776	1,578,075	6,000	933,344	240,424	(951,057)	1,806,786	11,339,562	
Staff travel and expense	11,594	6,525	34,038	11,289	6,945	5,435	27,107	102,933	939	-	7,157	-	(7,157)	939	103,872	
Contractual services	11,008	81,499	98,240	328,405	-	325	1,700,936	2,220,413	769,042	-	436,213	-	(436,213)	769,042	2,989,455	
Office expenses	21,255	6,479	17,157	8,455	7,501	19,187	417,771	497,805	303,618	-	177,083	-	(177,083)	303,618	801,423	
Fulfillment postage	23	-	3,271	4,306	1,084	289	1,325,233	1,334,206	241	-	151	-	(151)	241	1,334,447	
Depreciation expense	22,995	-	-	-	-	-	356,492	379,487	367,943	-	139,975	-	(280,051)	227,867	607,354	
Meetings	30,811	2,000	-	-	-	-	-	32,811	-	-	17,595	-	(17,595)	-	32,811	
Promotional	51,000	-	-	78,384	3,463	-	298,049	430,896	-	-	29,124	195,375	(29,124)	195,375	626,271	
Insurance and taxes	-	-	-	-	-	-	833,510	833,510	167,458	-	95,629	-	(95,629)	167,458	1,000,968	
Miscellaneous	5,915	310	1,780	1,134	300	26,026	65,406	100,871	8,821	-	11,790	-	(11,790)	8,821	109,692	
Administration provided by GCFA	-	-	-	-	-	-	-	-	23,065	-	-	-	-	23,065	23,065	
Total Expenses	\$ 484,962	\$ 1,053,025	\$ 2,649,755	\$ 1,309,970	\$ 346,479	\$ 297,760	\$ 10,914,230	\$ 17,056,181	\$ 3,219,202	\$ 6,000	\$ 1,848,061	\$ 435,799	\$ (2,005,850)	\$ 3,503,212	\$ 20,559,393	

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

GENERAL BOARD OF DISCIPLESHIP OF THE UNITED METHODIST CHURCH

CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED DECEMBER 31, 2019

	Program Services							Supporting Services							Total Supporting Services	2019 Consolidated Total																
	Discipleship Ministries						Upper Room	Discipleship Ministries				Upper Room																				
	General Secretary	Stakeholder Relations	Strategic Programming	Communications	Strengthening the Black Church - 21st Century	Native American Comprehensive Plan	Upper Room Program	Total Program Services	Management and General	Fundraising	Management and General	Fundraising	Eliminations																			
Expenses:																																
Grant distribution	\$	-	\$	37,229	\$	296,695	\$	-	\$	-	\$	-	\$	-	\$	-	\$	568,302														
Programs and projects		-		67,691		2,185,911		101,881		338,251		422		853,067		3,547,223		1,537	3,548,760													
Personnel expenses		345,528		611,763		2,211,325		551,058		328,736		171,655		6,403,522		10,623,587		1,564,026	6,000	1,004,865	235,685	(1,077,676)		1,732,900		12,356,487						
Staff travel and expense		44,773		45,649		403,721		43,707		35,357		18,038		172,037		763,282		5,681		-		29,276		-		(29,276)		5,681		768,963		
Contractual services		100,743		132,612		147,342		559,866		-		11,857		1,550,015		2,502,435		873,708		-		518,475		-		(518,475)		873,708		3,376,143		
Office expenses		64,621		10,735		31,851		33,475		8,643		20,036		447,048		616,409		361,307		-		244,352		-		(244,352)		361,307		977,716		
Fulfillment postage				2,352		688		7,469		39,078		1,005		823		1,400,320		1,451,735		2,594		-		3,002		-		(3,002)		2,594		1,454,329
Depreciation expense		60,642		-		-		-		-		-		-		434,513		495,155		479,697		-		256,882		-		(436,750)		299,829		794,984
Meetings		133,218		28		66,179		-		-		199		-		199,624		-		-		-		77,302		-		(77,302)		-		199,624
Promotional		12,680		-		-		179,950		-		-		-		601,518		794,148		-		-		7,358		201,330		(7,358)		201,330		995,478
Insurance and taxes		-		-		-		-		-		-		-		18,576		18,576		138,372		-		86,471		-		(86,471)		138,372		156,948
Miscellaneous		1,131		2,262		9,518		10,457		372		52,828		135,222		211,790		8,029		-		19,729		-		(19,729)		8,029		219,819		
Administration provided by GCFA		-		-		-		-		-		-		-		-		22,166		-		-		-		-		-		22,166		22,166
Total Expenses	\$	765,688	\$	908,657	\$	5,360,011	\$	1,519,472	\$	712,364	\$	275,858	\$	12,250,216	\$	21,792,266	\$	3,457,117	\$	6,000	\$	2,247,712	\$	437,015	\$	(2,500,391)	\$	3,647,453	\$	25,439,719		

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

GENERAL BOARD OF DISCIPLESHIP OF THE UNITED METHODIST CHURCH

CONSOLIDATED STATEMENTS OF CASH FLOWS

YEARS ENDED DECEMBER 31, 2020 AND 2019

	2020	2019
Cash flows from operating activities:		
Change in net assets	\$ 4,926,760	\$ 2,133,399
Adjustments to reconcile change in net assets to net cash from operating activities:		
Depreciation	607,354	794,984
Net realized gains on investments	-	(3,921,039)
Net unrealized gains on investments	(4,995,779)	(861,549)
Loss on disposal of equipment	-	10,306
Gifts restricted for long-term investments	(5,335)	-
Changes in assets and liabilities:		
Due from GCFA short-term pooled investment fund	(578,392)	(726,114)
Accrued World Service Income	(158,660)	59,763
Accrued World Service Income - SBC21	(9,552)	3,858
Accrued World Service Income - NACP	(5,187)	2,095
Funds held by outside trustees for the benefit of the Board	(372)	691,879
Accounts receivable, net	(82,729)	20,314
Accrued income receivable	(65,436)	(87,713)
Inventories	(108,306)	188,388
Prepaid expenses and other assets	117,121	47,226
Accounts payable and accrued expenses	(254,772)	537
Custodial funds payable	(40,355)	(76,454)
Accrued royalties	(28,789)	(3,656)
Deferred income	(71,220)	(322,028)
Paycheck Protection Program deferred revenue	1,142,800	-
Net cash flows from operating activities	<u>389,151</u>	<u>(2,045,804)</u>
Cash flows from investing activities:		
Purchases of property, buildings, and equipment	-	(24,649)
Proceeds from sale of investments	-	2,000,000
Purchases of investments	(2,919)	-
Net cash flows from investing activities	<u>(2,919)</u>	<u>1,975,351</u>
Cash flows from financing activities:		
Proceeds from gifts restricted for long-term investments	5,335	-
Net cash flows from financing activities	<u>5,335</u>	<u>-</u>
Net change in cash and cash equivalents	391,567	(70,453)
Cash and cash equivalents, beginning of year	215,983	286,436
Cash and cash equivalents, end of year	<u>\$ 607,550</u>	<u>\$ 215,983</u>

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

GENERAL BOARD OF DISCIPLESHIP OF THE UNITED METHODIST CHURCH

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2020 AND 2019

Note 1—Organization and nature of operations

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

The Upper Room is incorporated as a separate entity within Discipleship Ministries and is financially maintained and presented as a separate fund of Discipleship Ministries in accordance with the Book of Discipline. Discipleship Ministries and The Upper Room each has its own Board of Directors, the members of which are common. Strengthening the Black Church for the 21st Century (“SBC21”) and the Native American Comprehensive Plan (“NACP”) are special initiatives of The United Methodist Church, administratively assigned to Discipleship Ministries. SBC21 and NACP each has its own advisory committees separate from the Discipleship Ministries Board of Directors.

The accompanying consolidated financial statements present the consolidated accounts of Discipleship Ministries, The Upper Room, and the administratively assigned special initiatives for SBC21 and NACP and collectively will be referred to as the “Board”. All material interdivisional accounts and transactions have been eliminated in consolidation.

Note 2—Summary of significant accounting policies

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

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

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

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

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 designated for specific activities.

GENERAL BOARD OF DISCIPLESHIP OF THE UNITED METHODIST CHURCH

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2020 AND 2019

Note 2—Summary of significant accounting policies (continued)

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

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

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

Contributions are recognized when cash, other assets, or an unconditional promise to give is received. Conditional promises to give, that is, those with a measurable performance or other barrier, and a right of return or right of release, are not recognized until the conditions on which they depend have been substantially met. Contributions of assets other than cash are recorded at their estimated fair value.

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

The Board places its cash and cash equivalents on deposit with financial institutions in the United States. The Federal Deposit Insurance Corporation covers \$250,000 for substantially all depository accounts. The Board from time to time may have amounts on deposit in excess of the insured limits. As of December 31, 2020, the Board had one account with \$354,252 in excess of these insured amounts.

Due from GCFA Short-Term Pooled Investment Fund – The amounts presented as due from the General Council on Finance and Administration (“GCFA”) short-term pooled investment fund in the accompanying consolidated financial statements represent the Board’s portion of the short-term investment portfolio managed by GCFA on behalf of certain agencies and related organizations of The United Methodist Church (“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, 2020 and 2019, GCFA allocated \$201,172 and \$198,309 of interest income, respectively, to the Board. While interest income can be earned based on the performance of the pooled investment funds, the Board believes there is little to no risk exposure to losses due to the relationship with GCFA and policy under which the pooled funds are invested. The operating cash requirements of the general agencies are centrally managed by GCFA.

GENERAL BOARD OF DISCIPLESHIP OF THE UNITED METHODIST CHURCH

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2020 AND 2019

Note 2—Summary of significant accounting policies (continued)

When an agency has surplus funds, they are invested by GCFA in the short-term pooled investment fund. GCFA allocates interest earned to the agencies invested in the pool based upon their pro rata share of the pool on a monthly basis. The overall return for the short-term pooled investment fund for the years ended December 31, 2020 and 2019 was 3.63% and 4.17%, respectively. The overall rate of return for each agency may vary due to fluctuating balances throughout the year and the timing of investment gains and losses. The allocation of funds in the short-term investment pool as of December 31, 2020 and 2019 were as follows:

	2020	2019
Texas Methodist Foundation loan fund	28.3%	18.4%
Mutual funds	13.2%	2.4%
Short-term collateralized loan fund	3.5%	0.4%
Fixed income	9.8%	15.1%
Corporate bonds	34.0%	46.1%
Cash	11.2%	17.6%
	100%	100%

World Service Allocation – Funding for the Board's operations is principally provided by allocations of the World Service Fund received from the General Funds of the Church, of which \$2,604,058 and \$2,430,659 as of December 31, 2020 and 2019, respectively, was accrued and unpaid. The General Funds of the Church are allocated to the Board based on a four-year budget developed from projections of expected program costs. The Board's continued existence is dependent upon the Church's future support. The Church's future support is dependent upon contributions from its congregations.

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

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

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

Inventories – Inventories of printed literature are valued at the lower of cost (first-in, first-out) or net realizable value.

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

GENERAL BOARD OF DISCIPLESHIP OF THE UNITED METHODIST CHURCH

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2020 AND 2019

Note 2—Summary of significant accounting policies (continued)

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

The expenses that are allocated include the following:

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

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

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

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

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

Revenue Concentration – Funding for the Board's operations is significantly provided by apportionments received from the General Funds of the Church that are allocated to the Board based on a four-year budget developed from projections of expected program costs. The apportionment accounted for approximately 29% and 39% of the Board's total revenue in 2020 and 2019, respectively. The Board is dependent upon the Church's future support as well as sales of literature. The Church's future support is dependent upon contributions from its congregations (i.e., congregational participation in the apportionment covenant) as well as sales of literature to those congregations.

Revenue Recognition – The Board recognizes registration fees/special project revenues when the performance obligation has been met which is when the service is performed or the good is provided. Sales of literature revenue is recognized when the goods are shipped to the customer.

GENERAL BOARD OF DISCIPLESHIP OF THE UNITED METHODIST CHURCH

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2020 AND 2019

Note 2—Summary of significant accounting policies (continued)

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

Services Received from Personnel of an Affiliate – Services received from personnel of an affiliate for which the affiliate does not charge the Board has been measured at the cost recognized by the affiliate in providing those services. The revenue and expense relating to those services received are presented in the related party Note 9, and totaled \$23,065 and \$22,166 for the years ended December 31, 2020 and 2019, respectively.

Financial Instruments – Assets recorded at fair value in the statements of financial position are categorized based on the level of judgment associated with the inputs used to measure their fair value. Level inputs, as defined by 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 best estimate of what hypothetical market participants would use to determine a transaction price for the asset or liability at the reporting date.

Future Pronouncements – In September 2020, FASB issued ASU 2020-07, *Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*. The standard requires presentation of contributed nonfinancial assets as a separate line item in the statement of activities, apart from contributions of cash and other financial assets. It also requires a disclosure of disaggregated contributions of nonfinancial assets by category that depicts the type of contributed nonfinancial assets. This distinction will increase transparency of contributions recognized. This standard will be effective for fiscal years beginning after June 15, 2021. Management is currently evaluating the impact the pending adoption will have on the Board’s consolidated financial statements.

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

DECEMBER 31, 2020 AND 2019

Note 3—Liquidity and availability of resources

The tables below represent financial assets available for general expenditures within one year at December 31:

	2020		
	Discipleship Ministries	The Upper Room	Consolidated
Financial assets at year-end:			
Cash and cash equivalents	\$ 422,049	\$ 185,501	\$ 607,550
Due from GCFA short-term pooled investment fund	5,320,723	43,156	5,363,879
Accrued World Service	2,395,483	-	2,395,483
Accrued World Service - SBC21	135,170	-	135,170
Accrued World Service - NACP	73,405	-	73,405
Investments	7,318,544	23,386,606	30,705,150
Funds held by outside trustees for the benefit of the Board	5,757	4,758	10,515
Accounts receivable	28,554	916,858	945,412
Accrued income receivable	103,708	150,230	253,938
Total financial assets	<u>15,803,393</u>	<u>24,687,109</u>	<u>40,490,502</u>
Less amounts not available to be used for general expenditures within one year:			
Custodial funds payable	174,143	-	174,143
Board designated	120,942	2,593,756	2,714,698
Purpose restrictions	820,212	370,474	1,190,686
Endowments	<u>1,885,931</u>	<u>945,109</u>	<u>2,831,040</u>
Financial assets not available to be used within one year	<u>3,001,228</u>	<u>3,909,339</u>	<u>6,910,567</u>
Financial assets available to meet general expenditures within one year	<u>\$ 12,802,165</u>	<u>\$ 20,777,770</u>	<u>\$ 33,579,935</u>

GENERAL BOARD OF DISCIPLESHIP OF THE UNITED METHODIST CHURCH

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2020 AND 2019

Note 3—Liquidity and availability of resources (continued)

	2019		
	Discipleship Ministries	The Upper Room	Consolidated
Financial assets at year-end:			
Cash and cash equivalents	\$ 107,163	\$ 108,820	\$ 215,983
Due from GCFA short-term pooled investment fund	2,567,642	2,217,845	4,785,487
Accrued World Service	2,236,823	-	2,236,823
Accrued World Service - SBC21	125,618	-	125,618
Accrued World Service - NACP	68,218	-	68,218
Investments	6,127,696	19,578,756	25,706,452
Funds held by outside trustees for the benefit of the Board	5,553	4,590	10,143
Accounts receivable	367,654	495,029	862,683
Accrued income receivable	116,347	72,155	188,502
Total financial assets	11,722,714	22,477,195	34,199,909
Less amounts not available to be used for general expenditures within one year:			
Custodial funds payable	214,498	-	214,498
Board designated	206,292	2,118,410	2,324,702
Purpose restrictions	859,336	190,787	1,050,123
Endowments	1,879,449	909,968	2,789,417
Financial assets not available to be used within one year	3,159,575	3,219,165	6,378,740
Financial assets available to meet general expenditures within one year	\$ 8,563,139	\$ 19,258,030	\$ 27,821,169

The Board considers general expenditures to include program expenses, supporting services, and any commitments or liabilities to be paid in the subsequent year. As part of the Board's liquidity management plan, it structures its financial assets to be available as its obligations come due. Cash in excess of daily requirements are invested in the GCFA's short-term pooled investment fund. This fund established by the Board may be drawn upon, if necessary, to meet unexpected liquidity needs.

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

Note 4—Investments

The investments at December 31, 2020 and 2019 consist of the following:

	2020		2019	
	Fair Value	Cost	Fair Value	Cost
Multiple Asset Fund - I Series (Wespath)	\$ 30,705,150	\$ 21,171,046	\$ 25,706,452	\$ 22,923,864

GENERAL BOARD OF DISCIPLESHIP OF THE UNITED METHODIST CHURCH

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2020 AND 2019

Note 4—Investments (continued)

Multiple Asset Fund – I Series (Wespath) – The investments in Wespath Benefits and Investments (“Wespath”) Multiple Asset Fund – I Series are a composite of U.S. equity funds (35%), fixed income funds (25%), international equity funds (30%), and inflation protection funds (10%).

Net investment return for the years ended December 31, 2020 and 2019 was as follows:

	2020	2019
Return on investments:		
Realized gains on sale of investments	\$ -	\$ 3,921,039
Unrealized gains on investments	4,995,779	861,549
Net investment return	<u>\$ 4,995,779</u>	<u>\$ 4,782,588</u>

Note 5—Fair value measurement

Required disclosures concerning the estimated fair value of financial instruments are presented below. The estimated fair value amounts have been determined based on the Board’s assessment of available market information and appropriate valuation methodologies. The following tables summarize the required fair value disclosures and measurements at December 31, 2020 and 2019 for assets and liabilities measured at fair value on a recurring basis under ASC 820, *Fair Value Measurements and Disclosures*:

	Fair Value Measurements at Reporting Date Using			
	Amounts Measured at at Fair Value	Quoted Prices in Active Markets for Identical Instruments (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
December 31, 2020				
Funds held by outside trustees for the benefit of the Board:	\$ 10,515	\$ -	\$ -	\$ 10,515
Investments reported at net asset value:				
Multiple Asset Fund - I Series (Wespath)	<u>30,705,150</u>			
Total Investments	<u>\$ 30,705,150</u>			

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

DECEMBER 31, 2020 AND 2019

Note 5—Fair value measurement (continued)

	Fair Value Measurements at Reporting Date Using			
	Amounts Measured at at Fair Value	Quoted Prices in Active Markets for Identical Instruments (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
December 31, 2019				
Funds held by outside trustees for the benefit of the Board:	\$ 10,143	\$ -	\$ -	\$ 10,143
Investments reported at net asset value:				
Multiple Asset Fund - I Series (Wespath)	25,706,452			
Total Investments	<u>\$ 25,706,452</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 this table are intended to permit reconciliation of the fair value hierarchy to the amounts presented in the consolidated statements of financial position.

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

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

The following is a reconciliation of activity for 2020 and 2019 for assets measured at fair value based on significant unobservable information:

	2020	2019
Balance, beginning of year	\$ 10,143	\$ 702,022
Change in fair value	372	412
Sales and redemptions	-	(692,291)
Balance, end of year	<u>\$ 10,515</u>	<u>\$ 10,143</u>

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

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

DECEMBER 31, 2020 AND 2019

Note 6—Accounts receivable

Accounts receivable at December 31 consist of the following:

	2020		
	Discipleship Ministries	The Upper Room	Total
Trade accounts	\$ -	\$ 1,021,776	\$ 1,021,776
Due from other agencies	25,507	(231)	25,276
Other	3,047	-	3,047
	28,554	1,021,545	1,050,099
Less allowance for doubtful accounts	-	(104,687)	(104,687)
	<u>\$ 28,554</u>	<u>\$ 916,858</u>	<u>\$ 945,412</u>

	2019		
	Discipleship Ministries	The Upper Room	Total
Trade accounts	\$ -	\$ 597,414	\$ 597,414
Due from other agencies	367,317	11,473	378,790
Other	337	2,712	3,049
	367,654	611,599	979,253
Less allowance for doubtful accounts	-	(116,570)	(116,570)
	<u>\$ 367,654</u>	<u>\$ 495,029</u>	<u>\$ 862,683</u>

Note 7—Property, buildings, and equipment

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

	2020		
	Discipleship Ministries	The Upper Room	Total
Land and land improvements	\$ 257,318	\$ 223,836	\$ 481,154
Buildings and improvements	1,687,340	7,989,289	9,676,629
Furniture, fixtures, and equipment	1,320,436	601,202	1,921,638
	3,265,094	8,814,327	12,079,421
Less accumulated depreciation	(2,810,907)	(6,831,179)	(9,642,086)
	<u>\$ 454,187</u>	<u>\$ 1,983,148</u>	<u>\$ 2,437,335</u>

GENERAL BOARD OF DISCIPLESHIP OF THE UNITED METHODIST CHURCH

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2020 AND 2019

Note 7—Property, buildings, and equipment (continued)

	2019		
	Discipleship Ministries	The Upper Room	Total
Land and land improvements	\$ 257,318	\$ 223,836	\$ 481,154
Buildings and improvements	1,687,340	8,006,350	9,693,690
Furniture, fixtures, and equipment	1,548,836	754,202	2,303,038
	3,493,494	8,984,388	12,477,882
Less accumulated depreciation	(2,928,521)	(6,504,672)	(9,433,193)
	<u>\$ 564,973</u>	<u>\$ 2,479,716</u>	<u>\$ 3,044,689</u>

Depreciation expense was \$607,354 and \$794,984 for 2020 and 2019, respectively. Included in buildings and improvements is the Board's portion of a building jointly owned with the General Board of Higher Education and Ministry.

Property owned by the Board is presented in Schedule 3.

Note 8—Employee benefits

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

The Board makes semi-monthly contributions to each eligible employee's account held by Wespath based on 8% of annual employee compensation. Additionally, the Board matches up to 2% of each employee's compensation to their United Methodist Personal Investment Plan (UMPIP). Total contributions made by the Board for both components during 2020 and 2019 were \$890,230 and \$922,417, respectively.

Health, Life, and Other Employee Benefits – The General Agencies of The United Methodist Church Benefit Plan (the "Plan"), which qualifies for treatment as a multiemployer plan under ASC 715, *Compensation - Retirement Benefits*, provides medical, dental, life, and long- and short-term disability defined benefits to participants of the 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 Board provides health, dental, life, and other employee benefits for its active employees and health, dental, and life benefits to non-Medicare eligible retirees through the Plan. Retirees who are Medicare eligible, and who elect to enroll, are eligible for a Health Reimbursement Account up to \$2,100 annually and \$2,000 annually for their spouse, if applicable. Unused reimbursement funds continue to rollover to subsequent years until death of the retiree or their spouse, whichever is later.

All of the Board's active employees are covered by the Plan. The cost of the benefits is recognized as an expense as premiums are paid. The total cost of benefits for active employees was \$1,213,218 and \$1,380,367 in 2020 and 2019, respectively, and the cost of retired employees was \$443,533 and \$375,614, respectively, exclusive of reimbursement from the General Agency Benefit Trust ("Benefit Trust").

The Plan's unfunded accumulated postretirement benefit obligation was approximately \$71,430,000 and \$76,725,000 as of December 31, 2020 and 2019, respectively, and the Plan's unfunded expected postretirement benefit obligation ("EPBO") was approximately \$100,140,000 and \$106,750,000 as of December 31, 2020 and 2019, respectively.

GENERAL BOARD OF DISCIPLESHIP OF THE UNITED METHODIST CHURCH

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2020 AND 2019

Note 8—Employee benefits (continued)

Wespath has transferred certain excess pension assets to the Benefit Trust established by the 1996 General Conference. Annually, the Benefit Trust allows a stated percentage payout, 6% for 2020 and 2019, of the fair market value of Benefit Trust assets at year-end for which GCFA is the beneficiary 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) for which GCFA is the beneficiary, was approximately \$186,112,000 and \$167,449,000 as of December 31, 2020 and 2019, respectively. The total amount available for reimbursement in 2020 and 2019 was \$10,046,935 and \$8,797,702, respectively, of which the Board's share, net of retiree health benefits was \$2,060,245 and \$1,767,974, respectively.

Note 9—Related party transactions

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

	2020	2019
Statements of Financial Position:		
Due from GCFA short-term pooled investment fund	\$ 5,363,879	\$ 4,785,487
Accrued World Service Fund allocation	2,395,483	2,236,823
Accrued World Service Fund allocation - SBC21	135,170	125,618
Accrued World Service Fund allocation - NACP	73,405	68,218
Accounts receivable from related organizations	25,276	378,790
Funds held by outside trustees for the benefit of the Board	10,515	10,143
Statements of Activities:		
Revenue:		
Net sales - United Methodist Publishing House	249,234	347,238
Allocations through GCFA - World Service	6,742,055	7,348,179
Allocations through GCFA - Youth Service Fund	13,832	37,039
Allocations through GCFA - NACP	207,037	225,649
Allocations through GCFA - SBC21	381,241	415,516
Benefit Trust distribution	2,060,245	1,767,974
Reimbursements from related organizations	226,283	229,428
Services received from GCFA	23,065	22,166
Investment return from GCFA short-term pooled investment fund	201,172	198,309
Expenses:		
Personnel expenses - Group insurance expense	1,656,751	1,755,981
Administration provided by GCFA	23,065	22,166

SBC21 and NACP are special initiatives separate from the Board, funded by a separate World Service allocation. The Board provides telephone, computer network, mail, and building maintenance services on a service fee basis. The Board provides office space, computer equipment, human resources, accounting, financial reporting, auditing, and budget support services on an in-kind basis. SBC21 and NACP financial information are included and identified in these consolidated financial statements and in Schedule 1 and 2, respectively.

GENERAL BOARD OF DISCIPLESHIP OF THE UNITED METHODIST CHURCH

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2020 AND 2019

Note 10—Board-designated net assets

Certain net assets without donor restrictions at December 31, 2020 and 2019 have been designated by the Board of directors for the following purposes:

	2020	2019
Discipleship Ministries:		
Older Adult Ministries Plan	\$ 44,500	\$ 46,301
Division on Ministries with Young People International Scholarship Fund	76,442	139,423
Division on Ministries with Young People Racial Justice Contingency Grant	-	20,568
Total Board-Designated Net Assets	<u>\$ 120,942</u>	<u>\$ 206,292</u>
The Upper Room:		
Capital Expenditures	\$ 2,258,293	\$ 1,761,725
Emmaus Funding Plan	25,000	25,000
Academy Leader Program	50,000	50,000
CTR Program	147,879	169,101
Chaplains Fund	50,000	50,000
International Editions Fund	62,584	62,584
Total Board-Designated Net Assets	<u>\$ 2,593,756</u>	<u>\$ 2,118,410</u>

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

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

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

Division on Ministries with Young People Racial Justice Contingency Grant – To provide seed-money grants of up to \$2,500 for at least 20 racial justice ministry projects initiated and led by young people to local churches and groups.

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

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

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

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

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

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

GENERAL BOARD OF DISCIPLESHIP OF THE UNITED METHODIST CHURCH

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2020 AND 2019

Note 11—Net assets with donor restrictions

Net assets with donor restrictions at December 31, 2020 and 2019 have been restricted by the donors for the following purpose restrictions:

	2020	2019
Discipleship Ministries:		
Subject to purpose restrictions:		
New Church Starts Foundation for Evangelism	\$ 69,813	\$ 62,357
National Hispanic Plan	148,178	262,040
Native American Comprehensive Plan	174,069	144,684
Strengthening the Black Church for the 21st Century	8,078	3,423
E-Reader Project	230,609	202,845
Korean Partner in Mission	189,465	183,987
Total subject to purpose restrictions	820,212	859,336
Endowments:		
Accumulated earnings on the Board endowment fund	1,502,991	1,496,509
The Board endowment fund held in perpetuity	382,940	382,940
Total endowments	1,885,931	1,879,449
Total net assets with donor restrictions	<u>\$ 2,706,143</u>	<u>\$ 2,738,785</u>
The Upper Room:		
Subject to purpose restrictions:		
Emmaus Funding Plan	\$ 48,558	\$ 48,727
Crisis Literature Programs	97,212	2,309
Spiritual Academies Fund	101,552	70,531
Chaplain Donations	117,992	69,220
Stephen Bryant Prayer and Spiritual Formation	5,160	-
Total subject to purpose restrictions	370,474	190,787
Endowments:		
Accumulated earnings on the Upper Room endowment fund	230,934	201,128
Upper Room endowment fund held in perpetuity	714,175	708,840
Total endowments	945,109	909,968
Total net assets with donor restrictions	<u>\$ 1,315,583</u>	<u>\$ 1,100,755</u>
Totals:		
Total subject to purpose restrictions	\$ 1,190,686	\$ 1,050,123
Total endowments	2,831,040	2,789,417
Total net assets with donor restrictions	<u>\$ 4,021,726</u>	<u>\$ 3,839,540</u>

GENERAL BOARD OF DISCIPLESHIP OF THE UNITED METHODIST CHURCH

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2020 AND 2019

Note 11—Net assets with donor restrictions (continued)

Net assets with donor restrictions for the years ended December 31, 2020 and 2019 were released from donor restrictions by incurring expenses satisfying the restricted purposes or by occurrence of other events specified by donors.

	2020	2019
Discipleship Ministries:		
New Church Starts Foundation for Evangelism	\$ -	\$ 339
Legacy of Leadership Camp Annual Fund	-	126,452
National Hispanic Plan	145,194	186,111
Native American Comprehensive Plan	297,760	275,858
Strengthening the Black Church for the 21st Century	496,479	562,364
E-Reader Project	18,538	167,038
Korean Partner in Mission	42,029	52,328
Sam Taylor	117,950	120,587
O'Neal Memorial Fund	-	1,227
Solomon Cramer	-	756,300
Board of Discipleship Total	<u>1,117,950</u>	<u>2,248,604</u>
The Upper Room:		
Emmaus Gift Fund	12,807	39,331
Spiritual Academies Fund	3,298	10,195
Chaplain Donations	<u>163,405</u>	<u>153,657</u>
The Upper Room Total	<u>179,510</u>	<u>203,183</u>
Total Releases from Restrictions	<u>\$ 1,297,460</u>	<u>\$ 2,451,787</u>

Note 12—Endowment

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

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

GENERAL BOARD OF DISCIPLESHIP OF THE UNITED METHODIST CHURCH

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2020 AND 2019

Note 12—Endowment (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 Board and the donor-restricted endowment fund
- General economic conditions
- The possible effect of inflation and deflation
- The expected total return from income and the appreciation of investments
- Other resources of the Board
- The investment policies of the Board

The Board had the following endowment net asset composition by type of fund as of December 31:

December 31, 2020			
	Without Donor Restrictions	With Donor Restrictions	Total
Donor-restricted endowment funds:			
Original donor-restricted gift amount and amounts required to be maintained in perpetuity by donor	\$ -	\$ 1,097,115	\$ 1,097,115
Accumulated investment gains	-	1,733,925	1,733,925
Endowment net assets, December 31, 2020	<u>\$ -</u>	<u>\$ 2,831,040</u>	<u>\$ 2,831,040</u>
December 31, 2019			
	Without Donor Restrictions	With Donor Restrictions	Total
Donor-restricted endowment funds:			
Original donor-restricted gift amount and amounts required to be maintained in perpetuity by donor	\$ -	\$ 1,091,780	\$ 1,091,780
Accumulated investment gains	-	1,697,637	1,697,637
Endowment net assets, December 31, 2019	<u>\$ -</u>	<u>\$ 2,789,417</u>	<u>\$ 2,789,417</u>

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor or the applicable state law requires the Board to retain as a fund of perpetual duration. The Board has interpreted UPMIFA to permit spending from underwater endowments in accordance with prudent measures required under law. At December 31, 2020 and 2019, the Board had no underwater endowments.

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

GENERAL BOARD OF DISCIPLESHIP OF THE UNITED METHODIST CHURCH

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2020 AND 2019

Note 12—Endowment (continued)

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

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

Changes in endowment net assets for the years ended December 31, 2020 and 2019 are as follows:

	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets, December 31, 2018	\$ -	\$ 3,292,021	\$ 3,292,021
Investment return, net	-	382,636	382,636
Contributions	-	19,165	19,165
Release of funds held in perpetuity	-	(719,196)	(719,196)
Appropriation of endowment assets for expenditure pursuant to spending-rate policy	-	(185,209)	(185,209)
Endowment net assets, December 31, 2019	-	2,789,417	2,789,417
Investment return, net	-	154,238	154,238
Contributions	-	5,335	5,335
Appropriation of endowment assets for expenditure pursuant to spending-rate policy	-	(117,950)	(117,950)
Endowment net assets, December 31, 2020	\$ -	\$ 2,831,040	\$ 2,831,040

Note 13—Contingencies

During 2020, an outbreak of a novel strain of coronavirus (“COVID-19”) emerged globally. As a result of the spread of COVID-19, economic uncertainties have arisen that could negatively impact the Board's revenue and operations for an indeterminable time period. Other financial impacts could occur that are unknown at this time.

The Protocol of Reconciliation and Grace Through Separation was introduced as legislation in early 2020 for the upcoming General Conference. This joins other legislative proposals that if adopted by the General Conference would provide an alternative way for churches to separate from The United Methodist Church. These proposals include a provision for new denominations to receive financial payments from The United Methodist Church and retain their real estate. The scheduled General Conference has been delayed until 2022, and the financial impact resulting from these potential separations on the Board is unknown at this time.

GENERAL BOARD OF DISCIPLESHIP OF THE UNITED METHODIST CHURCH

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2020 AND 2019

Note 14—Paycheck protection program

The Board received a Paycheck Protection Program loan ("PPP") in the amount of \$2,352,400 in April 2020. The PPP loan is granted by the Small Business Administration under the Coronavirus Aid, Relief, and Economic Security Act ("CARES Act"). PPP loans are considered conditional contributions under ASC 958-605, *Not-for-Profit Entities –Revenue Recognition*. The loan must be repaid if the Commission does not overcome certain barriers within the CARES Act. The barriers under the program include the requirement to maintain employee headcount, spend up to 60% of the loan proceeds on certain payroll and employee benefits, and restricts other loan proceeds to be used for other qualifying expenses such as mortgage interest, rent, and utilities. The Board believed it had not substantially met all barriers for loan forgiveness and, therefore, returned \$1,209,600 in May 2020. For the remaining amount, the Commission believes it has not substantially met all barriers for full loan forgiveness yet and, therefore, has recorded the receipt of the funds of \$1,142,800 as deferred revenue in the statement of financial position as of December 31, 2020.

Note 15—Subsequent events

Management has evaluated subsequent events through July 26, 2021, the date the consolidated financial statements were available for issuance. Management has determined that there are no subsequent events requiring disclosure other than those included below.

In July 2021, the Kern building was sold for \$55,000,000. The all cash proceeds, which will result in a gain in 2021, will be split equally by the Board and The General Board of Higher Education.

SUPPLEMENTAL SCHEDULES

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

SCHEDULE 1

DECEMBER 31, 2020 AND 2019

Statements of Financial Position Information

	2020	2019
Assets		
Accrued World Service allocation	\$ 135,170	\$ 125,618
Total Assets	<u>\$ 135,170</u>	<u>\$ 125,618</u>
Liabilities		
Deferred income	\$ -	\$ 50,000
Due to GBOD	127,092	222,195
Total Liabilities	<u>127,092</u>	<u>272,195</u>
Net Assets		
Without donor restrictions	-	(150,000)
With donor restrictions	8,078	3,423
Total Liabilities and Net Assets	<u>\$ 135,170</u>	<u>\$ 125,618</u>

Statements of Activities and Changes in Net Assets Information

	2020			2019		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
Revenues:						
Allocations through the GCFA:						
World Service	\$ -	\$ 381,241	\$ 381,241	\$ -	\$ 415,516	\$ 415,516
Registrations and project income	-	119,893	119,893	-	149,945	149,945
Release of restrictions	496,479	(496,479)	-	562,364	(562,364)	-
Total Revenues	<u>496,479</u>	<u>4,655</u>	<u>501,134</u>	<u>562,364</u>	<u>3,097</u>	<u>565,461</u>
Expenses:						
Program services	101,980	-	101,980	338,251	-	338,251
Personnel expenses	198,165	-	198,165	294,986	-	294,986
Staff travel	6,945	-	6,945	35,357	-	35,357
Other general and administrative expense	39,389	-	39,389	43,770	-	43,770
Total Expenses	<u>346,479</u>	<u>-</u>	<u>346,479</u>	<u>712,364</u>	<u>-</u>	<u>712,364</u>
Change in net assets	150,000	4,655	154,655	(150,000)	3,097	(146,903)
Net (deficit) asset, beginning of year	(150,000)	3,423	(146,577)	-	326	326
Net assets (deficit), end of year	<u>\$ -</u>	<u>\$ 8,078</u>	<u>\$ 8,078</u>	<u>\$ (150,000)</u>	<u>\$ 3,423</u>	<u>\$ (146,577)</u>

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

SCHEDULE 2

DECEMBER 31, 2020 AND 2019

Statements of Financial Position Information

	2020	2019
Assets		
Accrued World Service allocation	\$ 73,405	\$ 68,218
Due from GBOD	100,664	76,466
Total Assets	\$ 174,069	\$ 144,684
Net Assets		
With donor restrictions	\$ 174,069	\$ 144,684
Total Liabilities and Net Assets	\$ 174,069	\$ 144,684

Statements of Activities and Changes in Net Assets Information

	2020			2019		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
Revenues:						
Allocations through the GCFA:						
World Service	\$ -	\$ 207,037	\$ 207,037	\$ -	\$ 225,649	\$ 225,649
Registrations and project income	-	2,807	2,807	-	6,376	6,376
Grants and contributions	-	100,000	100,000	-	400	400
Investment return, net	-	17,301	17,301	-	20,064	20,064
Release of restrictions	297,760	(297,760)	-	275,858	(275,858)	-
Total Revenues	297,760	29,385	327,145	275,858	(23,369)	252,489
Expenses:						
Program services	65,000	-	65,000	422	-	422
Personnel expenses	162,498	-	162,498	152,655	-	152,655
Staff travel	5,435	-	5,435	18,038	-	18,038
Meeting expense	-	-	-	199	-	199
Other general and administrative expense	64,827	-	64,827	104,544	-	104,544
Total Expenses	297,760	-	297,760	275,858	-	275,858
Change in net assets	-	29,385	29,385	-	(23,369)	(23,369)
Net asset, beginning of year	-	144,684	144,684	-	168,053	168,053
Net assets, end of year	\$ -	\$ 174,069	\$ 174,069	\$ -	\$ 144,684	\$ 144,684

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

SCHEDULE 3

DECEMBER 31, 2020

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

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

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

*** In July 2021, the Kern building was sold for \$55,000,000. The all cash proceeds, which will result in a gain in 2021, will be split equally by the Board and The General Board of Higher Education.