

**GENERAL COMMISSION ON THE
STATUS AND ROLE OF WOMEN 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 COMMISSION ON THE STATUS AND ROLE OF WOMEN OF
THE UNITED METHODIST CHURCH
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Report of Independent Auditor

The Board of Directors
General Commission on the Status and Role of Women of
The United Methodist Church
Chicago, IL

The Committee on Audit and Review of
The General Council on Finance and Administration of
The United Methodist Church
Nashville, TN

We have audited the accompanying financial statements of the General Commission on the Status and Role of Women of the United Methodist Church (a nonprofit organization), which comprise the statements of financial position as of December 31, 2017 and 2016, the related statements of activities and cash flows for the years ended December 31, 2017 and 2016, 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 audits 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 General Commission on the Status and Role of Women of the United Methodist Church 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 General Commission on the Status of and Role of Women of the United Methodist Church 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 expenses and the disclosure of liquidity and availability of resources, which have been implemented prospectively as allowed under the provisions of ASU 2016-14. Our opinion is not modified with respect to this matter.

A handwritten signature in cursive script that reads "Cheryl Bekaert LLP".

Charlotte, North Carolina
May 11, 2018

**GENERAL COMMISSION ON THE STATUS AND ROLE OF WOMEN OF
THE UNITED METHODIST CHURCH
STATEMENTS OF FINANCIAL POSITION**

DECEMBER 31, 2017 AND 2016

	2017	2016
ASSETS		
Due from General Council on Finance and Administration		
short-term pooled investment fund	\$ 633,602	\$ 524,350
Investment in United Methodist Church Foundation	130,670	115,804
Accrued World Service Fund allocation	262,728	241,405
Prepaid expenses and other assets	12,749	2,430
Property and equipment, net	3,212	8,469
Total Assets	\$ 1,042,961	\$ 892,458
LIABILITIES AND NET ASSETS		
Liabilities:		
Accounts payable and accrued liabilities	\$ 36,078	\$ 44,791
Deferred rent expense	14,009	13,627
Deferred income	11,181	15,000
Total Liabilities	61,268	73,418
Net Assets:		
Without Donor Restrictions:		
Invested in property and equipment	3,212	8,469
Undesignated	620,976	553,425
Total without Donor Restrictions	624,188	561,894
With Donor Restrictions:		
Subject to purpose restrictions	226,835	141,342
Endowments	130,670	115,804
Total with Donor Restrictions	357,505	257,146
Total Net Assets	981,693	819,040
Total Liabilities and Net Assets	\$ 1,042,961	\$ 892,458

**GENERAL COMMISSION ON THE STATUS AND ROLE OF WOMEN 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 and Support:						
Allocation from World Service Fund	\$ 905,355	\$ -	\$ 905,355	\$ 891,929	\$ -	\$ 891,929
World Service Contingency Fund Grant	-	150,000	150,000	-	-	-
Contributions	-	200	200	-	310	310
Distributions from Benefit Trust	74,773	-	74,773	70,583	-	70,583
Services received from General Council on Finance and Administration	26,649	-	26,649	36,630	-	36,630
Interest income from General Council on Finance and Administration short-term pooled investment fund	27,719	-	27,719	24,353	-	24,353
Investment return, net	-	14,666	14,666	-	686	686
Other income	7,814	-	7,814	12,209	-	12,209
Net assets released from restrictions	64,507	(64,507)	-	41,566	(41,566)	-
Total Revenues and Support	1,106,817	100,359	1,207,176	1,077,270	(40,570)	1,036,700
Expenses:						
Program Services:						
Monitoring, research, and review	97,360	-	97,360	172,433	-	172,433
Connectional ministries	357,908	-	357,908	522,897	-	522,897
Gender justice and education	243,871	-	243,871	186,979	-	186,979
Sexual ethics	255,441	-	255,441	156,049	-	156,049
Supporting Services:						
Management and general	89,943	-	89,943	86,830	-	86,830
Total Expenses	1,044,523	-	1,044,523	1,125,188	-	1,125,188
Change in net assets	62,294	100,359	162,653	(47,918)	(40,570)	(88,488)
Net assets, beginning of year	561,894	257,146	819,040	609,812	297,716	907,528
Net assets, end of year	<u>\$ 624,188</u>	<u>\$ 357,505</u>	<u>\$ 981,693</u>	<u>\$ 561,894</u>	<u>\$ 257,146</u>	<u>\$ 819,040</u>

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

**GENERAL COMMISSION ON THE STATUS AND ROLE OF WOMEN OF
THE UNITED METHODIST CHURCH
STATEMENT OF FUNCTIONAL EXPENSES**

YEARS ENDED DECEMBER 31, 2017

	Program Services				Supporting Services	Total
	Monitoring, Research, and Review	Connectional Ministries	Gender Justice and Education	Sexual Ethics	Management and General	
Contributions and grants to others	\$ 330	\$ 1,168	\$ 25,728	\$ 39,548	\$ -	\$ 66,774
Salaries and wages	53,028	190,902	111,360	121,965	53,029	530,284
Employee benefits	17,448	62,813	36,641	40,130	17,447	174,479
Adminstration provided by General Council on Finance and Administration	2,665	9,594	5,596	6,129	2,665	26,649
Rent and occupancy	6,187	22,271	12,992	14,229	6,186	61,865
Travel and meetings	5,778	43,109	28,872	19,386	5,222	102,367
Professional fees	8,350	10,612	5,380	4,685	1,819	30,846
Supplies	98	353	233	226	98	1,008
Telephone and web service	655	2,358	1,375	1,506	655	6,549
Postage, shipping and freight	68	332	1,412	363	68	2,243
Repairs and maintenance	1,098	3,952	2,305	2,524	1,099	10,978
Insurance	759	2,733	1,594	1,746	759	7,591
Depreciation	526	1,892	1,104	1,209	526	5,257
Promotional and information material	36	4,166	4,887	84	37	9,210
Other expense	334	1,653	4,392	1,711	333	8,423
	<u>\$ 97,360</u>	<u>\$ 357,908</u>	<u>\$ 243,871</u>	<u>\$ 255,441</u>	<u>\$ 89,943</u>	<u>\$ 1,044,523</u>

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

**GENERAL COMMISSION ON THE STATUS AND ROLE OF WOMEN OF
THE UNITED METHODIST CHURCH
STATEMENTS OF CASH FLOWS**

YEARS ENDED DECEMBER 31, 2017 AND 2016

	2017	2016
Cash flows from operating activities:		
Change in net assets	\$ 162,653	\$ (88,488)
Adjustments to reconcile change in net assets to net cash from operating activities:		
Depreciation	5,257	5,668
Realized and unrealized (gain) loss on investments	(13,219)	293
Gifts restricted for long-term investments	(200)	(310)
Changes in operating assets and liabilities:		
Due from General Council on Finance and Administration short-term pooled investment fund	(109,252)	22,361
Accrued World Service Fund allocation	(21,323)	29,224
Prepaid expenses and other assets	(10,319)	4,608
Accounts payable and accrued liabilities	(8,713)	15,833
Deferred rent expense	382	2,747
Deferred income	(3,819)	15,000
Net cash flows from operating activities	<u>1,447</u>	<u>6,936</u>
Cash flows from investing activities:		
Purchase of property and equipment	-	(8,843)
Net (purchase) sale of investment at United Methodist Church Foundation	(1,647)	1,597
Net cash flows from investing activities	<u>(1,647)</u>	<u>(7,246)</u>
Cash flows from financing activities:		
Proceeds from gifts restricted for long-term investment	200	310
Net cash flows from financing activities	<u>200</u>	<u>310</u>
Net change in cash and cash equivalents	-	-
Cash and equivalents, beginning of year	-	-
Cash and equivalents, end of year	<u>\$ -</u>	<u>\$ -</u>

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

GENERAL COMMISSION ON THE STATUS AND ROLE OF WOMEN OF THE UNITED METHODIST CHURCH

NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2017 AND 2016

Note 1—Nature of the organization

As stated in *The Book of Discipline of The United Methodist Church*, “the primary purpose of the General Commission on The Status and Role of Women (the “Commission”) shall be to challenge The United Methodist Church (the “Church”), including its general agencies, institutions, and connectional structures, to a continuing commitment to the full and equal responsibility and participation of women in the total life and mission of the Church, sharing fully in the power and in the policy-making at all levels of the Church’s life.”

Funding for the Commission’s operations is principally provided by allocations received from the General Funds of the Church based on a four-year budget developed from projections of expected program costs. The allocation accounts for 87% and 86% of the Commission’s total revenue in 2017 and 2016, respectively. The Commission’s continued existence is dependent upon the Church’s future financial support. The Church’s financial support of the Commission is dependent upon contributions from its congregations (i.e., congregational participation in the apportionment covenant).

Note 2—Summary of significant accounting policies

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

Basis of Presentation – The Commission 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 Commission. Separate accounts are maintained for each fund.

For reporting purposes, however, the Commission’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 Commission 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 Commission. These net assets may be used at the discretion of the Commission’s management and the board of directors. The Commission 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 of directors. The Commission had no board-designated net assets as of December 31, 2017 and 2016.

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 Commission or by the passage of time. Other donor restrictions are perpetual in nature, where by the donor has stipulated the funds be maintained in perpetuity.

**GENERAL COMMISSION ON THE STATUS AND ROLE OF WOMEN OF
THE UNITED METHODIST CHURCH
NOTES TO THE FINANCIAL STATEMENTS**

DECEMBER 31, 2017 AND 2016

Note 2—Summary of significant accounting policies (continued)

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

Revenue is reported as increases in net assets without donor restrictions unless use of the related assets is limited by donor-imposed restrictions. Expenses are reported as decreases in net assets without donor 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.

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.

Program Services – The Commission completes a programmatic evaluation each quadrennium. The Commission'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 Commission's board of directors determine what those changes are.

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 Commission's portion of the GCFA short-term pooled investment fund the following month.

Services Received from Personnel of an Affiliate – Services received from personnel of an affiliate for which the affiliate does not charge the Commission 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 7 and totaled \$26,649 and \$36,630 for the years ended December 31, 2017 and 2016, respectively.

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 Commission's portion of the short-term investment portfolio managed by the General Council on Finance and Administration ("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 Commission 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 Commission'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 \$27,719 and \$24,353 of interest income, respectively, to the Commission.

**GENERAL COMMISSION ON THE STATUS AND ROLE OF WOMEN OF
THE UNITED METHODIST CHURCH
NOTES TO THE FINANCIAL STATEMENTS**

DECEMBER 31, 2017 AND 2016

Note 2—Summary of significant accounting policies (continued)

While interest income can be earned based on the performance of the pooled investment funds, the Commission 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. The allocation of funds in the short-term investment pool as of December 31, 2017 and 2016 were as follows:

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

Functional Expenses – The costs of providing program and other activities have been summarized on a functional basis in the statements of activities. 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>
Salaries and benefits	Time and effort

Investment in United Methodist Church Foundation – The Commission is a participant investor, placing its investment funds with The United Methodist Church Foundation (the “UMC Foundation”) for their management. 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 will be determined on each valuation date. The valuation date is the last business day of each calendar month.

Property and Equipment – Property and equipment, which consists of office equipment and furniture, are reported at cost at date of acquisition, or fair value at date of donation in the case of gifts. The Commission capitalizes and depreciates property and equipment of \$1,000 or more. Depreciation is provided over the estimated useful lives (three to five years) of the respective assets, using the straight-line method with a modified half-year convention. The modified half-year convention treats property placed in service or retired during the first half of the year as being made on the first day of the year. Thus, a full-year’s depreciation under this method is allowed on property placed in service in the first six months, and no depreciation is allowed on property placed in service in the second six months.

**GENERAL COMMISSION ON THE STATUS AND ROLE OF WOMEN OF
THE UNITED METHODIST CHURCH
NOTES TO THE FINANCIAL STATEMENTS**

DECEMBER 31, 2017 AND 2016

Note 2—Summary of significant accounting policies (continued)

Use of Estimates – The preparation of financial statements in conformity with generally accepted accounting principles in the United States of America requires management to make estimates and assumptions 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 expenses during the reporting period. Actual results could differ from those estimates.

Income Taxes – The Commission 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 Commission 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 Commission 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 Commission include, but are not limited to, the tax-exempt status and determination of whether income is subject to unrelated business income tax.

New Accounting Pronouncement – On August 18, 2016, Financial Accounting Standards Board (“FASB”) issued Accounting Standards Update (“ASU”) 2016-14, *Not-for-Profit Entities (Topic 958) – Presentation of Financial Statements of Not-for-Profit Entities*. The update addresses the complexity and understandability of net asset classification, deficiencies in information about liquidity and availability of resources, and the lack of consistency in the type of information provided about expenses and investment return. During the year ended December 31, 2017, the Commission adopted ASU 2016-14 and 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.

Future Pronouncements – In February 2016, the FASB issued ASU 2016-02, *Leases (Topic 842)*. The guidance in this ASU supersedes the leasing guidance in *Topic 840, Leases*. Under the new guidance, lessees are required to recognize lease assets and lease liabilities on the statements of financial position for all leases with terms longer than 12 months. Leases will be classified as either finance or operating, with classifications affecting the pattern of expense recognition in the statements of activities. The new standard is effective for fiscal years beginning after December 15, 2019. 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. Management is currently evaluating the impact the pending adoption will have on the Commission’s financial statements.

**GENERAL COMMISSION ON THE STATUS AND ROLE OF WOMEN OF
THE UNITED METHODIST CHURCH
NOTES TO THE FINANCIAL STATEMENTS**

DECEMBER 31, 2017 AND 2016

Note 3—Liquidity and availability of resources

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

Financial assets at year end:	
Due from GCFA short-term pooled investment fund	\$ 633,602
Investments in United Methodist Foundation	130,670
Accrued World Service Fund allocation	262,728
Total financial assets	<u>1,027,000</u>
Less amounts not available to be used for general expenditures within one year:	
Subject to donor purpose restrictions and accumulated earnings on endowments	264,056
Funds to be held in perpetuity	93,449
Financial assets not available to be used within one year	<u>357,505</u>
Financial assets available to meet general expenditures within one year	<u>\$ 669,495</u>

The Commission has certain donor-restricted assets limited to use which are available for general expenditure within one year in the normal course of operations. Accordingly, these assets have been included in the quantitative information above for financial assets to meet general expenditures within one year. The Commission has other assets limited to use for donor-restricted purposes. These assets limited to use, which are more fully described in Notes 10 and 11, are not available for general expenditure within the next year.

As part of the Commission's liquidity management plan, cash in excess of daily requirements are invested in GCFA's short-term pooled investment fund.

Note 4—Equipment

As of December 31, 2017 and 2016, the Commission's equipment had a cost of \$42,051 in both years and accumulated depreciation of \$38,839 and \$33,582, respectively. Depreciation expense for the years ended December 31, 2017 and 2016 was \$5,257 and \$5,668, respectively.

Note 5—Investments

The Commission's 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>
UMC Foundation	<u>\$ 130,670</u>	<u>\$ 119,755</u>	<u>\$ 115,804</u>	<u>\$ 115,580</u>

**GENERAL COMMISSION ON THE STATUS AND ROLE OF WOMEN OF
THE UNITED METHODIST CHURCH
NOTES TO THE FINANCIAL STATEMENTS**

DECEMBER 31, 2017 AND 2016

Note 5—Investments (continued)

Investment return consists of the following for the years ended December 31, 2017 and 2016:

	<u>2017</u>	<u>2016</u>
Interest income	\$ 1,447	\$ 979
Realized gain on investments	2,528	2,696
Unrealized gain (loss) on investments	10,691	(2,989)
	<u>\$ 14,666</u>	<u>\$ 686</u>

Note 6—Fair value of investments

Required disclosures concerning the estimated fair value of financial instruments are presented below. The estimated fair value amounts have been determined based on the Commission's assessment of available market information and appropriate valuation methodologies.

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*	<u>\$ 130,670</u>	none	-	-

- * The UMC Foundation investment is within the Balanced 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, 30% in a domestic large capitalization equity portfolio, 10% in a domestic small/mid-capitalization equity portfolio, and 25% in an international equity 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.

**GENERAL COMMISSION ON THE STATUS AND ROLE OF WOMEN OF
THE UNITED METHODIST CHURCH
NOTES TO THE FINANCIAL STATEMENTS**

DECEMBER 31, 2017 AND 2016

Note 7—Related party transactions

The Commission receives World Service allocations from the General Funds of The United Methodist 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 Commission.

The Commission had the following transactions with or through GCFA:

	<u>2017</u>	<u>2016</u>
Statements of Financial Position:		
Due from GCFA short-term pooled investment fund	\$ 633,602	\$ 524,350
Investment in United Methodist Church Foundation	130,670	115,804
Accrued World Service Fund allocation	262,728	241,405
Statements of Activities:		
Revenue:		
Allocation from World Service Fund	905,355	891,929
World Service Contingency Fund Grant	150,000	-
Distribution from Benefit Trust	74,773	70,583
Services received from GCFA	26,649	36,630
Interest income from GCFA short-term pooled investment fund	27,719	24,353
Investment return (UMC Foundation)	14,666	686
Expenses:		
Administration provided by GCFA	26,649	36,630
Group insurance expense	86,225	86,241

Note 8—Employee benefits

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

The Commission makes semi-monthly contributions to each eligible employee’s account held by Wespath based on 8% of annual employee compensation. Additionally, the Commission matches up to 2% of each employee’s contribution to their United Methodist Personal Investment Plan. Total contributions made by the Commission for both components during 2017 and 2016 were \$54,988 and \$56,202, respectively.

Health, Life, and Other Employee Benefits – The Commission provides health, dental, life, and other employee benefits for its active employees and health, dental, and life benefits to retirees through a group plan which qualifies for treatment as a multi-employer plan under FASB Accounting Standards Codification (ASC) 715, *Compensation-Retirement Benefits*. Substantially all retired employees are eligible to participate in the group plan if they have attained normal retirement age while in the employment of the Commission.

The General Agencies of The United Methodist Church Benefit Plan (the “Plan”) provides medical, dental, life, and long and short-term disability defined benefits to participants of 11 general agencies, all Bishops covered by the Episcopal Fund, and employees of other United Methodist related organizations. Effective January 1, 2004, Plan amendments were made to change the retiree benefits offered and increase the related premiums paid by retirees.

**GENERAL COMMISSION ON THE STATUS AND ROLE OF WOMEN OF
THE UNITED METHODIST CHURCH
NOTES TO THE FINANCIAL STATEMENTS**

DECEMBER 31, 2017 AND 2016

Note 8—Employee benefits (continued)

The Plan's unfunded accumulated postretirement benefit obligation was approximately \$98,600,000 and \$92,000,000 and the Plan's unfunded expected postretirement benefit obligation was approximately \$148,700,000 and \$128,000,000 as of December 31, 2017 and 2016, respectively.

The cost of benefits is recognized as an expense as premiums are paid. The total cost of benefits for active employees was \$72,858 and \$73,358 in 2017 and 2016, respectively, and the total cost of benefits for retired employees was \$13,367 and \$12,883 in 2017 and 2016, respectively, exclusive of reimbursement from the General Agency Benefit Trust (the "Benefit Trust").

Wespath has transferred certain excess pension assets to the Benefit Trust established by the 1996 General Conference as of December 31, 1996. Annually, the Benefit Trust allows a stated percentage, 6% for 2017 and 2016, of the fair market value of Benefit Trust assets at year-end to be available for distribution in the subsequent year in order to reimburse the participating agencies, through GCFA, for their funding of active and retiree employee benefits. The fair value of the Benefit Trust's assets (not plan assets) was approximately \$165,800,000 and \$149,300,000 as of December 31, 2017 and 2016, respectively. The total amount available for reimbursement in 2017 and 2016 is \$8,957,614 and \$8,822,895, respectively, of which the Commission's share, including retiree health benefits, is \$74,773 and \$70,583 for 2017 and 2016, respectively.

Note 9—Leases

In June 2012, the Commission entered into a long-term operating lease for facilities that expires in December 2016. On December 12, 2013, the Commission signed an amendment to its existing lease agreement to extend the lease term by five years. Future minimum lease payments under the amended lease are as follows:

Years Ending December 31,

2018	\$ 63,942
2019	66,500
2020	69,160
	<u>\$ 199,602</u>

Total lease expense amounted to \$61,865 for both the years ended December 31, 2017 and 2016.

**GENERAL COMMISSION ON THE STATUS AND ROLE OF WOMEN OF
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NOTES TO THE FINANCIAL STATEMENTS**

DECEMBER 31, 2017 AND 2016

Note 10—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:		
Empowering Women	\$ 21,103	\$ 21,103
Inclusion for Women	83,426	49,652
Sexual Ethics Training	81,155	20,587
Research and monitoring	25,000	25,000
Women's Summit	16,151	25,000
Total subject to purpose restrictions	<u>226,835</u>	<u>141,342</u>
Endowments:		
Accumulated earnings on the Commission endowment fund	37,221	22,555
Commission endowment fund held in perpetuity	93,449	93,249
Total endowments	<u>130,670</u>	<u>115,804</u>
Total net assets with donor restrictions	<u>\$ 357,505</u>	<u>\$ 257,146</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.

Note 11—Endowment

The Commission has certain external donor designated endowments for women's advocacy programs.

The board of directors of the Commission 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 Commission 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 the Commission in a manner consistent with the standard of prudence prescribed by UPMIFA.

**GENERAL COMMISSION ON THE STATUS AND ROLE OF WOMEN OF
THE UNITED METHODIST CHURCH
NOTES TO THE FINANCIAL STATEMENTS**

DECEMBER 31, 2017 AND 2016

Note 11—Endowment (continued)

In accordance with applicable state laws, the Commission 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 Commission
- The investment policies of the Commission

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

	December 31, 2017		
	Without Donor Restrictions	With Donor Restrictions	Total
Donor-restricted endowment funds			
Original donor-restricted gift amount and amounts required to be maintained in perpetuity by donor	\$ -	\$ 93,449	\$ 93,449
Accumulated investment gains	-	37,221	37,221
Endowment net assets, December 31, 2017	<u>\$ -</u>	<u>\$ 130,670</u>	<u>\$ 130,670</u>
	December 31, 2016		
	Without Donor Restrictions	With Donor Restrictions	Total
Donor-restricted endowment funds			
Original donor-restricted gift amount and amounts required to be maintained in perpetuity by donor	\$ -	\$ 93,249	\$ 93,249
Accumulated investment gains	-	22,555	22,555
Endowment net assets, December 31, 2016	<u>\$ -</u>	<u>\$ 115,804</u>	<u>\$ 115,804</u>

From time to time, certain donor-restricted endowment funds may have fair values less than the amount required to be maintained by donors or by law (underwater endowments). The Commission has interpreted UPMIFA to permit spending from underwater endowments in accordance with prudent measures required under law. At December 31, 2017 and 2016, the Commission had no underwater endowments.

**GENERAL COMMISSION ON THE STATUS AND ROLE OF WOMEN OF
THE UNITED METHODIST CHURCH
NOTES TO THE FINANCIAL STATEMENTS**

DECEMBER 31, 2017 AND 2016

Note 11—Endowment (continued)

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

	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets, December 31, 2015	\$ -	\$ 126,613	\$ 126,613
Investment return, net	-	686	686
Contributions	-	310	310
Appropriation of endowment assets for expenditure and reclassifications	-	(11,805)	(11,805)
Endowment net assets, December 31, 2016	-	115,804	115,804
Investment return, net	-	14,666	14,666
Contributions	-	200	200
Appropriation of endowment assets for expenditure and reclassifications	-	-	-
Endowment net assets, December 31, 2017	<u>\$ -</u>	<u>\$ 130,670</u>	<u>\$ 130,670</u>

Investment and Spending Policies – The Commission may choose to make distributions of the income to any proper recipient. Distributions from the endowment will follow the distribution policy of the Church which is based on a policy of total long-term return of 6.5%. The following percentages may be used to guide the Commission’s distribution policy: 3.5% for Ministry distributions; 2.0% for inflation; and 1% for fees and expenses. To smooth the allowable annual distributions based on valuation of the underlying assets, the Commission uses a five-year moving average of quarterly portfolio values. The moving average is determined for the five-year period immediately preceding the fiscal year in which the funds are to be spent.

Return Objectives and Risk Parameters – The Commission 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 Commission 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 provide for the preservation of capital and income for support of programs while assuming a moderate level of investment risk. The Commission expects its endowment funds over time, to produce current income with the total return strategy. Actual returns may vary.

Strategies Employed for Achieving Objectives – To satisfy its long-term rate-of-return objectives, the Commission 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 Commission targets a diversified asset allocation that places a greater emphasis on corporate bonds and equity-based investments to achieve its long-term return objectives within prudent risk constraints.

Note 12—Subsequent events

Management has evaluated subsequent events through May 11, 2018, the date the financial statements were available for issuance, and has determined that there are no subsequent events requiring disclosure.