



**THE GENERAL FUNDS OF
THE UNITED METHODIST CHURCH**

FINANCIAL STATEMENTS AND
SUPPLEMENTAL INFORMATION

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

And Report of Independent Auditor

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THE UNITED METHODIST CHURCH
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Report of Independent Auditor

The Board of Directors
The General Council on Finance and Administration of
The United Methodist Church

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

We have audited the accompanying financial statements of The General Funds of the United Methodist Church, which comprise the statements of financial position as of December 31, 2017 and 2016, and the related statements of activities and cash flows for the years 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 that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of The General Funds 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 Funds 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 period 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.

Other Information

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The schedules on pages 23 - 27 are presented for purposes of additional analysis and are not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audits of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the 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 financial statements as a whole.

Cherry Bekaert LLP

Charlotte, North Carolina
June 28, 2018

**THE GENERAL FUNDS OF
THE UNITED METHODIST CHURCH
STATEMENTS OF FINANCIAL POSITION**

DECEMBER 31, 2017 AND 2016

	<u>2017</u>	<u>2016</u>
ASSETS		
Due from General Council on Finance and Administration	\$ 60,809,359	\$ 55,395,649
Accounts receivable	13,526	20,493
Prepaid expenses	27,547	30,767
Investments	2,630,078	3,806,303
Investments held at Wespath Benefits and Investments	26,704,038	23,889,141
Property and equipment, net	-	20,295
Total Assets	<u>\$ 90,184,548</u>	<u>\$ 83,162,648</u>
LIABILITIES AND NET ASSETS		
Liabilities:		
Accounts payable and accrued expenses	\$ 231,792	\$ 252,705
Grants payable to and amounts held for affiliated organizations	34,476,033	31,400,075
Accrued pension costs	23,243,847	22,169,940
Total Liabilities	<u>57,951,672</u>	<u>53,822,720</u>
Net Assets:		
Without Donor Restrictions:		
Invested in property and equipment	-	20,295
Board-designated	13,659,777	11,633,060
Undesignated	18,392,522	17,518,009
Total without donor restrictions	<u>32,052,299</u>	<u>29,171,364</u>
With Donor Restrictions:		
Subject to purpose restrictions	93,369	93,970
Endowment	87,208	74,594
Total with donor restrictions	<u>180,577</u>	<u>168,564</u>
Total Net Assets	<u>32,232,876</u>	<u>29,339,928</u>
Total Liabilities and Net Assets	<u>\$ 90,184,548</u>	<u>\$ 83,162,648</u>

**THE GENERAL FUNDS 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
Revenue and Support:						
Contributions	\$ 142,033,600	\$ 1,365,488	\$ 143,399,088	\$ 139,105,347	\$ 2,134,174	\$ 141,239,521
Special gifts	-	70,779,135	70,779,135	-	39,283,660	39,283,660
Total Contributions	142,033,600	72,144,623	214,178,223	139,105,347	41,417,834	180,523,181
Gain on investments held at Wespeth Benefits and Investments	4,183,869	-	4,183,869	1,891,543	-	1,891,543
Investment return	378,608	12,614	391,222	76,184	321	76,505
Other income	337,994	-	337,994	1,028,083	-	1,028,083
Net assets released from restrictions	72,144,273	(72,144,273)	-	41,493,184	(41,493,184)	-
Total Revenue and Support	219,078,344	12,964	219,091,308	183,594,341	(75,029)	183,519,312
Expenses:						
Management and General:						
Fixed Charges:						
The Connectional Table	535,092	-	535,092	528,768	-	528,768
General Council on Finance and Administration	2,849,952	-	2,849,952	2,839,681	-	2,839,681
United Methodist Communications Division of Program and Benevolence Interpretation	769,308	-	769,308	1,062,096	-	1,062,096
Total Management and General	4,154,352	-	4,154,352	4,430,545	-	4,430,545
Program Services:						
Distributions:						
On-ratio allocations	113,115,071	-	113,115,071	109,910,994	-	109,910,994
Grants	1,577,996	-	1,577,996	725,119	-	725,119
General conference support	554,022	-	554,022	9,839,411	-	9,839,411
Special gifts distributed	72,144,273	-	72,144,273	41,120,676	-	41,120,676
Pension benefit obligation	9,035	-	9,035	-	-	-
Other expenses	131,552	-	131,552	152,678	-	152,678
Total Distributions	187,531,949	-	187,531,949	161,748,878	-	161,748,878
Episcopal expenses, excluding administrative charges	24,512,059	-	24,512,059	22,540,530	-	22,540,530
Total Program Expenses	212,044,008	-	212,044,008	184,289,408	-	184,289,408
Total Expenses	216,198,360	-	216,198,360	188,719,953	-	188,719,953
Change in net assets	2,879,984	12,964	2,892,948	(5,125,612)	(75,029)	(5,200,641)
Fund transfers	951	(951)	-	(2,053)	2,053	-
Net assets, beginning of year	29,171,364	168,564	29,339,928	34,299,029	241,540	34,540,569
Net assets, end of year	\$ 32,052,299	\$ 180,577	\$ 32,232,876	\$ 29,171,364	\$ 168,564	\$ 29,339,928

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

**THE GENERAL FUNDS OF
THE UNITED METHODIST CHURCH
STATEMENT OF FUNCTIONAL EXPENSES**

YEAR ENDED DECEMBER 31, 2017

	Program Services	Management and General	Total
Fixed charges	\$ -	\$ 4,154,352	\$ 4,154,352
On-ratio allocations	113,115,071	-	113,115,071
Grants	1,577,996	-	1,577,996
General conference support	554,022	-	554,022
Special gifts distributed	72,144,273	-	72,144,273
Pension benefit obligation	9,035	-	9,035
Other expenses	131,552	-	131,552
Episcopal expenses:			
Salaries	10,534,568	-	10,534,568
Employee benefits	2,952,495	-	2,952,495
Change in PBO	2,332,931	-	2,332,931
Office allowance	5,563,563	-	5,563,563
Travel	1,930,368	-	1,930,368
Other expenses	1,198,134	-	1,198,134
Total Expenses	<u>\$ 212,044,008</u>	<u>\$ 4,154,352</u>	<u>\$ 216,198,360</u>

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

**THE GENERAL FUNDS OF
THE UNITED METHODIST CHURCH
STATEMENTS OF CASH FLOWS**

YEARS ENDED DECEMBER 31, 2017 AND 2016

	<u>2017</u>	<u>2016</u>
Cash flows from operating activities:		
Change in net assets	\$ 2,892,948	\$ (5,200,641)
Adjustments to reconcile change in net assets to net cash flows from operating activities:		
Depreciation	20,295	27,920
Realized and unrealized gain on investments	(301,212)	(53,940)
Gain on investments held by Wespath Benefits and Investments	(4,183,869)	(1,891,543)
Changes in operating assets and liabilities:		
Due from General Council on Finance and Administration	(5,413,710)	9,667,245
Accounts receivable	6,967	(7,194)
Prepaid expenses	3,220	5,804
Accounts payable and accrued expenses	(20,913)	(274,860)
Grants payable to and amounts held for affiliated organizations	3,075,958	(3,064,301)
Accrued pension costs	1,073,907	(918,832)
Net cash flows from operating activities	<u>(2,846,409)</u>	<u>(1,710,342)</u>
Cash flows from investing activities:		
Net sales of investments	<u>2,846,409</u>	<u>1,710,342</u>
Net cash flows from investing activities	<u>2,846,409</u>	<u>1,710,342</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 GENERAL FUNDS OF THE UNITED METHODIST CHURCH

NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2017 AND 2016

Note 1—Nature of the General Funds

The General Funds of the United Methodist Church (the “General Funds”) have been established by the General Conference, the central legislative body of the United Methodist Church, to make possible the programmatic and administrative work of the United Methodist Church’s ministry and mission on a national and international level and have been specifically authorized to be raised on a church-wide basis. The General Conference convenes every quadrennium (four years) to determine the denomination’s future direction. It is the only body that can speak officially for the denomination. General church funds are granted by the General Funds only for the purpose or purposes set forth in the budgets or similar directives adopted for the respective funds by the General Conference and do not include funds held by local churches, annual or jurisdictional conferences, or other units of the denomination.

The General Funds allocates programmatic funding for the operations of the various agencies of the United Methodist Church based on four-year budgets developed from projections of expected program costs. The General Funds’ continued existence is dependent upon contributions from the congregations of the United Methodist Church (i.e., congregational participation in the apportionment covenant).

The General Council on Finance and Administration (“GCFA”) serves as a conduit for distribution of certain monies voluntarily given by church members through their local churches for general church benevolences and programs of the general agencies. These monies are transmitted to GCFA by annual conference treasurers and are distributed directly to the General Funds as specified by the General Conference.

GCFA provides certain administrative services to the General Funds and GCFA is reimbursed by the General Funds through an allocation from the General Administration Fund, earnings on invested funds, and fixed charges to certain General Funds.

The General Funds include the following:

World Service – World Service is segregated into two programmatic categories: (1) four general program boards and four general commissions – provides basic financial operating resources and (2) World Service Contingency – provides funding for emerging needs in the World Service Fund that occur during a quadrennium. The Connectional Table administers a portion of the contingency funds for new programs to address unanticipated needs.

Episcopal – Episcopal funds are available to provide for the salaries and expenses of active bishops, and for the support of retired bishops, as well as surviving spouses and minor children of deceased bishops. Beginning January 1, 2013, the Episcopal fund also includes the Office of Christian Unity and Interreligious Relationships (“OCUIR”) (formerly the General Commission on Christian Unity and Interreligious Concerns).

General Administration – General Administration funds are segregated into five categories: (1) Designated Contingency net assets provide funding to those general church activities which are specifically administrative, as contrasted with programmatic, missional, or ecumenical; (2) General Conference net assets are specifically designated to finance the various administrative expenses incurred in coordinating the quadrennial General Conference session; (3) Pacific Homes Corpus (a board-designated fund), whose income distribution supports the JUSTPEACE Center for Mediation and Conflict Transformation and the Litigation Reserve Fund; (4) Net Assets of Benefit Programs represent the excess of benefit plan assets on deposit with Wespath Benefits and Investments (“Wespath”) over the related accrued benefit obligations; and (5) Special Unfunded Pension Aid – provides pensions for certain persons in a variety of fields where pensions were not previously funded.

THE GENERAL FUNDS OF THE UNITED METHODIST CHURCH

NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2017 AND 2016

Note 1—Nature of the General Funds (continued)

Interdenominational Cooperation – Interdenominational Cooperation provides basic support for ecumenical agencies through which the United Methodist Church participates in various activities with other Christian communions. The Interdenominational Cooperation Contingency provides for unforeseen or emergency situations which fall within its scope.

Black College Fund – The Black College Fund has supported the programs and ministries of 11 historically black colleges and universities. These funds are granted directly to the General Board of Higher Education and Ministry simultaneously upon the recognition of revenue and support by the General Funds.

Africa University – Africa University, the only United Methodist degree-granting university in Africa, has served and graduated hundreds of men and women from 20 countries. This apportioned fund supports ongoing operations, including building maintenance, utilities, classroom equipment and supplies, faculty and staff salaries, and other operational expenses. These funds are granted directly to Africa University, Inc., Tennessee, a supporting organization to oversee funding and other activities of Africa University, simultaneously upon the recognition of revenue and support by the General Funds.

Ministerial Education – The Ministerial Education Fund apportionment has helped thousands of men and women become pastoral leaders in the United Methodist Church. These funds are granted directly to the General Board of Higher Education and Ministry simultaneously upon the recognition of revenue and support by the General Funds.

Special Sundays – The Special Sundays approved by the General Conference are to be the only Sundays of church-wide emphasis, including six times throughout the year where United Methodist congregations celebrate with offerings to raise funds for particular ministries. These contributions are considered restricted by the donors for specific programs of the United Methodist Church.

Note 2—Summary of significant accounting policies

The financial statements of the General Funds have been prepared on the accrual basis of accounting. The General Funds' significant accounting policies followed are described below.

Basis of Presentation – The General Funds' financial statements have been prepared to focus on the organization as a whole and to classify balances and transactions into two net asset categories based on the existence or absence of donor-imposed restrictions. Descriptions of the two net asset categories and the types of transactions affecting each category are 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 General Funds. These net assets may be used at the discretion of General Funds' management and the board of directors. The General Funds 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.

**THE GENERAL FUNDS OF
THE UNITED METHODIST CHURCH
NOTES TO THE FINANCIAL STATEMENTS**

DECEMBER 31, 2017 AND 2016

Note 2—Summary of significant accounting policies (continued)

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 General Funds 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 statements of activities.

Revenue and Support – Revenue and support without externally-imposed restrictions are reported as increases in net assets without donor 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 stipulation or law. Grants and contributions received with externally-imposed restrictions are reported as revenue of the net assets with donor restrictions class. Expirations of temporary restrictions on net assets (i.e., the externally-stipulated purpose has been fulfilled and/or the stipulated time period has elapsed) are reported as net assets released from restriction.

Contributions and Gifts – Contributions, including unconditional promises to give cash and other assets to the General Funds, are recognized as revenue in the period the unconditional promises are made. Conditional promises to give are recognized when the conditions on which they depend are substantially met.

Fixed Charges – Fixed charges represent amounts made available to (1) GCFA for administrative functions performed by GCFA on behalf of the General Funds; (2) United Methodist Communications for the costs of promoting and interpreting the causes of each of the General Funds; and (3) Connectional Table for the discernment and articulation of the vision for the church and the stewardship of the mission, ministries, and resources of the United Methodist Church. These funds represent the administrative cost to operate the General Funds. All other General Funds costs represent programmatic operations.

On-Ratio Allocation – All programmatic allocations from the General Funds are calculated and paid on a ratio of budgeted net receipts after the payment of fixed charges. The General Conference has granted the on-ratio allocations contingent upon collection of revenue and support by the General Funds. Amounts granted under the on-ratio allocation but unpaid at year end are reported as grants payable to affiliated organizations.

General Advance – The Advance for Christ and His Church (the “Advance”) is an official program within the United Methodist Church through which donors can make gifts for specific ministries approved by the Advance Committee of the General Board of Global Ministries. Contributions received under the Advance are distributed to the agencies that carry out the particular programs of the Advance and the activity is shown as part of the special gifts revenue and special gifts distributed on the statement of activities.

Due from General Council on Finance and Administration – The amount due from GCFA represents conference remittances received by GCFA on behalf of the General Funds, but not yet remitted at December 31. Such remittances, when received by the General Funds from GCFA in January, will be distributed to certain agencies and other parties who receive funds from the General Funds as designated by the General Conference. In addition, the amount due from GCFA includes amounts which are held by GCFA on behalf of the General Funds related to the Episcopal Fund and certain other funds.

**THE GENERAL FUNDS OF
THE UNITED METHODIST CHURCH
NOTES TO THE FINANCIAL STATEMENTS**

DECEMBER 31, 2017 AND 2016

Note 2—Summary of significant accounting policies (continued)

Property and Equipment – Property and equipment are comprised primarily of capitalized software and miscellaneous office equipment. Property and equipment are reported at cost at date of acquisition, or fair value at date of donation in the case of gifts. Depreciation is provided over the estimated useful lives (three to nine 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.

Use of Estimates – The preparation of financial statements in conformity with accounting principles generally accepted 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 period. Actual results could differ from these estimates.

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

Level 1 – Quoted prices in active markets that are accessible at the measurement date for identical securities.

Level 2 – Quoted prices in markets that are not considered to be active or financial instruments for which all significant inputs are observable, either directly or indirectly. Inputs include quoted prices for similar assets and liabilities in active markets, inputs that are derived from investment manager reporting or corroborated by an independent advisor, and inputs obtained with benchmarks for similar assets for substantially the full term on the financial investments. If market quotations are not readily available for valuations, assets may be valued by a method the investment manager of the fund believes accurately reflects fair value.

Level 3 – Prices or valuations that require using significant unobservable inputs in determining fair value. The inputs into the determination of fair value require significant judgment or estimation by the investment manager. The investment manager uses either the market approach, which generally consists of using comparable market transactions, or the income approach which generally consists of the net present value of estimated future cash flows, adjusted as appropriate for liquidity, credit, market, and/or other risk factors.

Income Taxes – The General Funds represent amounts which are held, administered, and maintained by the General Council on Finance and Administration of the United Methodist Church for the specific purposes of the respective funds. GCFA operates as a nonprofit corporation and is, except for taxes pertaining to unrelated business income, exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code. The General Funds 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.

Reclassifications – Certain reclassifications of amounts previously reported have been made to the accompanying financial statements to maintain consistency between periods presented. The reclassifications had no impact on previously reported net assets.

**THE GENERAL FUNDS OF
THE UNITED METHODIST CHURCH
NOTES TO THE FINANCIAL STATEMENTS**

DECEMBER 31, 2017 AND 2016

Note 2—Summary of significant accounting policies (continued)

New Accounting Pronouncement – On August 18, 2016, FASB issued Accounting Standards Update (“ASU”) 2016-14, *Not-for-Profit Entities (Topic 958) – Presentation of Financial Statements of Not-for-Profit Entities*. The update addresses the complexity and understandability of net asset classification, deficiencies in information about liquidity and availability of resources, and the lack of consistency in the type of information provided about expenses and investment return. The General Funds 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 expenses and the disclosure of liquidity and availability of resources, which have been implemented prospectively as allowed under the provisions of ASU 2016-14.

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 General Council on Finance and Administration	\$ 60,809,359
Accounts receivable	13,526
Investments	<u>29,334,116</u>
Total financial assets	<u>90,157,001</u>
Less amounts not available to be used for general expenditures within one year:	
Net assets in endowments subject to donor restriction	87,208
Net assets subject to purpose restriction	93,369
Board-designated net assets limited to use	13,659,777
Pension assets expected to be used after one year	<u>25,328,423</u>
Financial assets not available to be used within one year	<u>39,168,777</u>
Financial assets available to meet general expenditures within one year	<u>\$ 50,988,224</u>

The General Funds has certain board-designated and donor-restricted assets limited to use, which are not 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 not available to meet general expenditures within one year. These assets limited to use, which are more fully described in Notes 8 and 9 are not available for general expenditure within the next year; however, the designated amounts as disclosed in Note 8 could be made available for general expenditures, if necessary.

The General Funds also holds assets related to various pension plans described in Note 4. The fair value of the pension assets of \$26,601,649, less expected 2018 benefit payments of \$1,273,226, have been included in amounts not available to be used for general expenditures within one year. Additional pension assets could be used if 2018 benefit payments exceed estimated amounts.

**THE GENERAL FUNDS OF
THE UNITED METHODIST CHURCH
NOTES TO THE FINANCIAL STATEMENTS**

DECEMBER 31, 2017 AND 2016

Note 4—Employee benefits

Wespath, an affiliated Methodist organization, administers a variety of retirement plans and programs, including managing the related investments for various church employees and organizations within the United Methodist Church. Each Methodist organization is financially responsible for its respective plan obligations.

The General Funds maintain assets on deposit with and under the management of Wespath related to the Plan's obligations set forth below. These assets are not Plan assets held in trusts and, accordingly, the fair value of the assets and the benefit obligations are shown separately on the statements of financial position.

The assets and obligations associated with these retirement programs are more fully described and summarized in the table below:

	<u>2017</u>	<u>2016</u>
Accrued pension costs:		
Bishop Retirement, Pension, and Welfare Benefits programs	\$ 21,937,125	\$ 20,872,253
Special Unfunded Pension Aid	1,306,722	1,297,687
Total pension benefit obligations	<u>\$ 23,243,847</u>	<u>\$ 22,169,940</u>
Fair value of assets:		
Bishop Retirement, Pension, and Welfare Benefits programs	\$ 26,017,285	\$ 23,207,751
Special Unfunded Pension Aid	584,364	586,414
Total assets (not plan assets)	<u>\$ 26,601,649</u>	<u>\$ 23,794,165</u>

Pension Designated Investments – The investments under Wespath management are invested in the Multiple Asset Fund (“MAF”) at Wespath (see Note 6). The assets of these programs had a gain of \$4,077,593 and \$1,842,933 in 2017 and 2016, respectively. The Special Unfunded Pension Aid assets had a gain of approximately \$97,973 and \$48,610 in 2017 and 2016, respectively.

Bishop Retirement, Pension, and Welfare Benefits – The General Funds provide support to two retirement, pension, and welfare benefits programs that are available to certain groups of United Methodist bishops. They are commonly referred to as (1) the Global Episcopal Pension Program and (2) the Central Conference Bishops’ Welfare Program. These plans are described below and summarized together in the following table.

The Global Episcopal Pension Program provides pension benefits for the Jurisdictional Conference bishops for service prior to 1982 and the Central Conference bishops. Prior to 1982, all United Methodist bishops in the United States participated in the United States Bishops Pension Plan (the “Pre ’82 Plan”), a single-employer, defined benefit plan. The plan was frozen in 1982 and therefore no additional service cost is incurred related to active service.

A welfare benefit program established in 2008 for Central Conference bishops provides certain benefits in the event of the death or disability of a bishop or a surviving spouse of a deceased bishop.

**THE GENERAL FUNDS OF
THE UNITED METHODIST CHURCH
NOTES TO THE FINANCIAL STATEMENTS**

DECEMBER 31, 2017 AND 2016

Note 4—Employee benefits (continued)

The following tables summarize further information about these two plans together. The amounts are reflected in the Episcopal Fund of the General Funds for the periods presented.

	<u>2017</u>	<u>2016</u>
Benefit Obligation:		
Benefit obligation, beginning of year	\$ (20,872,253)	\$ (21,526,284)
Service costs	(269,690)	(256,268)
Interest costs	(793,657)	(841,312)
Actuarial gain (loss)	(1,269,584)	463,504
Benefits paid	<u>1,268,059</u>	<u>1,288,107</u>
Benefit obligation, end of year	<u>(21,937,125)</u>	<u>(20,872,253)</u>
Fair Value of Assets:		
Fair value of assets, beginning of year	23,207,751	22,657,244
Actual return on assets	4,077,593	1,838,614
Benefits paid	<u>(1,268,059)</u>	<u>(1,288,107)</u>
Fair value of assets, end of year	<u>26,017,285</u>	<u>23,207,751</u>
Net funded status	<u>\$ 4,080,160</u>	<u>\$ 2,335,498</u>
Key Assumptions:		
Discount rate, end of prior year	3.87%	3.98%
Discount rate, end of current year	3.43%	3.87%
Salary scale	3.00%	3.00%
Annual benefit increases	3.00%	3.00%

Effective January 1, 1982, all jurisdictional United Methodist Church bishops were able to participate in the Ministerial Pension Plan (“MPP”), a multi-employer, defined contribution plan covering all church clergy in the United States. This is now a component of Clergy Retirement Security Program, a 403(b) retirement program available to eligible clergy of the United Methodist Church, which is administered by Wespath.

The General Funds expects to make no contributions to these plans in 2018.

The following projected benefit payments are expected to be paid:

<u>Years Ending December 31,</u>	<u>Bishops'</u> <u>Welfare</u>	<u>Jurisdictional</u> <u>Conference</u>	<u>Central</u> <u>Conference</u>	<u>Total</u>
2018	\$ 13,295	\$ 385,976	\$ 873,955	\$ 1,273,226
2019	24,879	335,799	875,246	1,235,924
2020	33,279	288,945	885,532	1,207,756
2021	45,848	245,994	913,472	1,205,314
2022-2026	264,347	736,409	5,064,264	6,065,020

**THE GENERAL FUNDS OF
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Note 4—Employee benefits (continued)

Special Unfunded Pension Aid – The General Conference has made certain commitments to several beneficiary groups for special unfunded pension aid and retirement benefits. The amounts represent payments for certain persons in various fields whose pensions were not previously funded and include the following programs:

- The General Church Retirement Allowance is for former Evangelical United Brethren general church officers who were participants in an unfunded pension plan.
- The European Service funds the pensions of displaced persons who were clergy in Europe and were brought to the United States after World War II.
- Pensions of retired clergy members of missionary conferences (\$1506.16 payments).
- Cuba Service I provides pensions for Cuban clergy who came to the United States after autonomy.
- Cuba Service II provides funding for pensions for clergy who stayed in Cuba after autonomy for service in the annual conference prior to autonomy.

The following tables summarize further information about the Special Unfunded Pension Aid plans. The amounts are reflected in the World Service Fund of the General Funds for the periods presented.

	<u>2017</u>	<u>2016</u>
Benefit Obligation:		
Benefit obligation, beginning of year	\$ (1,297,687)	\$ (1,562,488)
Interest costs	(46,836)	(58,929)
Actuarial gain (loss)	(137,093)	160,007
Benefits paid	174,894	163,723
Benefit obligation, end of year	<u>(1,306,722)</u>	<u>(1,297,687)</u>
Fair Value of Assets:		
Fair value of assets, beginning of year	586,414	639,102
Actual return on assets	97,973	48,610
Contributions	73,812	62,058
Benefits paid	(174,894)	(163,723)
Transfers	1,059	367
Fair value of assets, end of year	<u>584,364</u>	<u>586,414</u>
Net unfunded status	<u>\$ (722,358)</u>	<u>\$ (711,273)</u>
Key Assumptions:		
Discount rate, end of prior year	3.87%	3.98%
Discount rate, end of current year	3.43%	3.87%
Annual benefit increases	2.00%	2.00%

The General Funds expects to make no contributions to these special programs in 2018.

**THE GENERAL FUNDS OF
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Note 4—Employee benefits (continued)

The following forecast of projected benefit payments are expected to be paid. Because the Special Unfunded Pension Aid programs involve a small number of lives, actual experience can vary dramatically from mortality assumption. Therefore, the following table includes forecasts without anticipating mortality, as well as those that do anticipate mortality.

<u>Years Ending December 31,</u>	<u>No Mortality Assumptions</u>	<u>With Mortality Assumptions</u>
2018	\$ 168,155	\$ 160,785
2019	171,859	148,581
2020	175,098	136,706
2021	178,971	126,137
2022-2026	947,018	489,270

Health Care Benefits – The Episcopal Fund (a fund of the General Funds) provides health, life, and other employee benefits for its active bishops and health, dental, and life benefits to retirees through a group plan which qualifies for treatment as a multi-employer plan under ASC 715, *Compensation-Retirement Benefits*. Substantially all retired bishops are eligible to participate in The General Agencies of the United Methodist Church Benefit Plan (the “Plan”) if they have attained retirement status.

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.

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

All active and retired bishops are covered by the Plan. The cost of the benefits is recognized as expense as premiums are paid. The total costs of benefits for active and retired bishops was approximately \$1,657,000 and \$1,554,200 in 2017 and 2016, respectively, and are included in Episcopal expenses on the statements of activities.

Note 5—Investments

The Pacific Homes Corpus (“PHC”) was transferred to the General Funds in 1998 following the resolution of a legal dispute. The Executive Committee of GCFA has designated these funds to be held intact indefinitely. Consistent with Executive Committee resolutions, certain amounts are distributed from the earnings on these investments to support JUSTPEACE Center for Mediation and Conflict Transformation (“JUSTPEACE”) and a litigation reserve fund. In order to protect the PHC and continue the distribution to JUSTPEACE, in 2009, GCFA assumed the financial responsibility of funding the JUSTPEACE distribution that was previously funded by the PHC. The Bridges of Unity Endowment Fund (“BoU”) is part of OCUIR. BoU is an endowment fund invested through the United Methodist Church Foundation. BoU exists to support ecumenical and interreligious ministries of the United Methodist Church.

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DECEMBER 31, 2017 AND 2016

Note 5—Investments (continued)

The following table illustrates the composition of the investments related to the PHC and BoU:

	<u>2017</u>	<u>2016</u>
Investments held at United Methodist Church Foundation	\$ 2,542,870	\$ 2,224,571
Texas Methodist Foundation	-	1,507,138
Total Pacific Homes Corpus investments	2,542,870	3,731,709
Investments held at United Methodist Church Foundation - BoU Endowment	87,208	74,594
Total investments	<u>\$ 2,630,078</u>	<u>\$ 3,806,303</u>

A portion of the PHC had been invested in the Texas Methodist Foundation's ("TMF") Methodist Loan Fund ("MLF"). The MLF is designed for United Methodist churches and other nonprofit organizations interested in supporting the TMF's mission while earning a steady rate of return. Most of the MLF's assets are placed in loans. When amounts invested in the MLF exceed amounts placed in loans, the TMF may invest in assets appropriate to the short term portfolio in accordance with their investment policy. A Fixed Rate Investment in the MLF is designed for investments at a fixed rate and for a designated period of time in accordance with the terms offered by TMF at the time the investment is made. Principal may not be withdrawn from the account before the maturity date without the consent of TMF, and a penalty will be charged for such early withdrawal. The penalty for early withdrawal is four month's interest on the amount withdrawn up to the amount of interest earned. The penalty will be charged first against any interest then in the account and then from principal.

Upon maturity, a fixed rate investment account is automatically converted to a variable rate investment account unless the account assets are withdrawn or another fixed rate investment opportunity is offered by TMF and specifically chosen by the participant. The General Funds fixed rate investment matured on April 30, 2016 and was converted to a variable rate investment account. The General Funds liquidated its position in the variable rate investment account during the year ended December 31, 2017. This investment is measured using Level 3 inputs in the fair value hierarchy.

Amounts at the United Methodist Church Foundation are carried at fair value and invested in its Balanced Fund (see Note 6).

The following table presents investment return for the years ended December 31, 2017 and 2016:

	<u>2017</u>	<u>2016</u>
Investment return - Pacific Homes Corpus		
Dividends and interest income	\$ 89,078	\$ 21,926
Realized gains	146,473	-
Unrealized gains	143,057	54,258
Total investment return - Pacific Homes Corpus	<u>378,608</u>	<u>76,184</u>
Investment return - Bridges of Unity		
Dividends and interest income	932	639
Realized gains	1,626	1,455
Unrealized gains (losses)	10,056	(1,773)
Total investment return - Bridges of Unity	<u>12,614</u>	<u>321</u>
Total investment return	<u>\$ 391,222</u>	<u>\$ 76,505</u>

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Note 6—Fair value measurements

Required disclosures concerning the estimated fair value of financial instruments are presented below. The estimated fair value amounts have been determined based on the General Funds' assessment of available market information and appropriate valuation methodologies. The following table summarizes required fair value disclosures and measurements at December 31, 2017 and 2016 for assets measured at fair value on a recurring basis under ASC 820, *Fair Value Measurements and Disclosures*. The assets measured at fair value in the table below use one of three levels for defining their fair value:

	Fair Value Measurements at Reporting Date			
	Total Assets Measured at Fair Value	Quoted Prices in Active Markets for Identical Assets Level 1	Significant Other Observable Inputs Level 2	Significant Unobservable at Fair Value Level 3
December 31, 2017				
Investments:				
Investments held at NAV:				
Investments held at Wespath *	\$ 26,704,038			
Investment held at UMC Foundation *	2,630,078			
Total Investments	<u>\$ 29,334,116</u>			
	Total Assets Measured at Fair Value	Quoted Prices in Active Markets for Identical Assets Level 1	Significant Other Observable Inputs Level 2	Significant Unobservable at Fair Value Level 3
December 31, 2016				
Investments:				
Texas Methodist Foundation	\$ 1,507,138	\$ -	\$ -	\$ 1,507,138
Investments held at NAV:				
Investments held at Wespath *	23,889,141			
Investment held at UMC Foundation *	2,299,165			
Total Investments	<u>\$ 27,695,444</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 statements of financial position.

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Note 6—Fair value measurements (continued)

For entities that calculate 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>
Investments held at Wespath ^(a)	\$ 26,704,038	none	-	-
Investments held at UMC Foundation ^(b)	<u>2,630,078</u>	none	daily	3 days
Total	<u>\$ 29,334,116</u>			

- (a) Investments held at Wespath consist of investments in its Multiple Asset Fund. The Multiple Asset Fund seeks to maximize long-term investment returns, including current income and capital appreciation, while reducing short-term risk by investing in a broad mix of investments. The fund holds a pre-specified allocation of units of the following Wespath funds: Fixed Income Fund (“FIF”), Inflation Protection Fund (“IPF”), International Equity Fund (“IEF”), and U.S. Equity Fund (“USEF”). The Multiple Asset Fund, through its investment in the four other Wespath funds, participates in the management styles of more than 40 different investment management firms. These managers provide the fund with broad diversification of holdings in a variety of U.S. and non-U.S. securities. These include stocks, traditional bonds, inflation-linked bonds, real estate investment trusts, securities, commodities, and interests in private equity and private real estate partnerships. In addition, through FIF, Multiple Asset Fund holds participation interests in loans originated through Wespath’s Positive Social Purpose Lending Program.
- (b) The General Funds is invested in the United Methodist Church Foundation’s Balanced Investment 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.

The following is a reconciliation of activity for 2017 and 2016 for assets measured at fair value based on Level 3 significant unobservable information:

	<u>Texas Methodist Foundation Loan Fund</u>
Balance, December 31, 2015	\$ 1,827,636
Interest income	17,002
Withdrawals	<u>(337,500)</u>
Balance, December 31, 2016	1,507,138
Interest income	6,673
Withdrawals	<u>(1,513,811)</u>
Balance, December 31, 2017	<u>\$ -</u>

**THE GENERAL FUNDS OF
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Note 7—Related party transactions

The activities of The General Funds for all related party transactions are administered by GCFA which provides various services to The General Funds, such as general ledger processing and maintenance, cash management, and group insurance plan administration. GCFA, United Methodist Communication, and Connectional Table each receive an allocation of income, known as Fixed Charges, from certain Funds included in The General Funds for the support it provides. The General Funds had the following transactions with related parties:

	<u>2017</u>	<u>2016</u>
Statements of Financial Position:		
Investments:		
Investments held at UMC Foundation	\$ 2,630,078	\$ 2,299,165
Due from GCFA	60,809,359	55,395,649
Grants payable and amounts held for affiliated organizations	34,476,033	31,400,075
Statements of Activities:		
Fixed charges	4,154,352	4,430,545
On-ratio allocations	113,115,071	109,910,994
Investment return on investments held at UMC Foundation	391,222	76,505
Insurance costs	1,554,200	1,554,200

Note 8—Description of designated net assets

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

	<u>2017</u>	<u>2016</u>
Contingency funds for particular administrative purposes	\$ 5,049,842	\$ 5,638,428
Litigation reserve	248,865	300,265
Pacific Homes Corpus (see Note 5)	4,757,791	3,772,075
Pension and retirement support	3,603,279	1,922,292
Total board designated net assets	<u>\$ 13,659,777</u>	<u>\$ 11,633,060</u>

The contingency funds for particular administrative purposes includes World Service contingency (“WS”), General Administration contingency (“GA”) and Inter-denominational Cooperation contingency (“ICF”) funds. The WS provides funding for emerging needs in the World Service Fund areas that occur during a quadrennium. These funds are allocated to program agencies for new programs to address unanticipated needs. Contingency fund allocations must be approved by the Connectional Table and GCFA. The GA provides funding for unforeseen or emergency situations that fall within the scope of general administration. The ICF provides for unseen or emerging issues that fall within the scope of the Inter-denominational Cooperation Fund, allocations are distributed by GCFA in concurrence with recommendations received from the Council of Bishops. The General Conference fund provides funding for General Conference delegate expenses, meeting operation costs, language services, expenses of the office of the secretary, business manager, and treasurer and other costs in support of the event.

The litigation reserve provides funding for unforeseen and emerging litigious issues.

Pension and retirement support provides for funding of various pension and retirement benefits.

Amounts designated for the Pacific Homes Corpus are more fully described in Note 5.

**THE GENERAL FUNDS OF
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NOTES TO THE FINANCIAL STATEMENTS**

DECEMBER 31, 2017 AND 2016

Note 9—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:		
Episcopal Fund	\$ 93,369	\$ 94,320
Special Gifts	-	(350)
Total subject to purpose restriction	<u>93,369</u>	<u>93,970</u>
Endowments:		
Accumulated earnings on BoU endowment	32,004	19,390
BoU endowment fund held in perpetuity	<u>55,204</u>	<u>55,204</u>
Total endowments	<u>87,208</u>	<u>74,594</u>
Total net assets with donor restrictions	<u>\$ 180,577</u>	<u>\$ 168,564</u>

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

	<u>2017</u>	<u>2016</u>
Satisfaction of purpose restriction	<u>\$ 72,144,273</u>	<u>\$ 41,493,184</u>

Note 10—Endowment

As discussed in Note 5, BoU is an endowment fund invested through the United Methodist Church Foundation and exists to support ecumenical and interreligious ministries of the United Methodist Church.

The Board of Directors of the General Funds 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 General Funds 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 General Funds in a manner consistent with the standard of prudence prescribed by UPMIFA.

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

**THE GENERAL FUNDS OF
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DECEMBER 31, 2017 AND 2016

Note 10—Endowment (continued)

As of December 31, 2017 and 2016, the General Funds 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	\$ -	\$ 55,204	\$ 55,204
Accumulated investment gains	-	32,004	32,004
Endowment net assets, December 31, 2017	<u>\$ -</u>	<u>\$ 87,208</u>	<u>\$ 87,208</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	\$ -	\$ 55,204	\$ 55,204
Accumulated investment gains	-	19,390	19,390
Endowment net assets, December 31, 2016	<u>\$ -</u>	<u>\$ 74,594</u>	<u>\$ 74,594</u>

Investment and Spending Policies – The General Funds may choose to make distributions of the income to any proper recipient including the General Funds itself. Distributions may only be made after the corpus of the endowment has reached \$50,000. Pursuant to the endowment resolution, distributions from the endowment will follow the distribution policy of the UMC Foundation which is based on a policy of total long-term return of 6.5%. The following percentages may be used to guide the UMC Foundation’s distributions policy: 3.5% for distributions; 2.0% for inflation; and 1.0% for fees and expenses. To smooth the allowable annual distributions based on valuation of the underlying assets; the UMC Foundation 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 General Funds 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 General Funds 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 General Funds expects its endowment funds, over time, to produce current income within the total return strategy. Actual returns may vary.

**THE GENERAL FUNDS OF
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DECEMBER 31, 2017 AND 2016

Note 10—Endowment (continued)

Strategies Employed for Achieving Objectives – To satisfy its long-term rate-of-return objectives, the General Funds 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 General Funds 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.

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

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Endowment net assets, December 31, 2015	\$ -	\$ 74,273	\$ 74,273
Investment return, net	-	321	321
Endowment net assets, December 31, 2016	-	74,594	74,594
Investment return, net	-	12,614	12,614
Endowment net assets, December 31, 2017	<u>\$ -</u>	<u>\$ 87,208</u>	<u>\$ 87,208</u>

Note 11—Subsequent events

Management has evaluated subsequent events through June 28, 2018, the date the financial statements were available for issuance, and has determined that there are no subsequent events requiring disclosure.

SUPPLEMENTAL INFORMATION

**THE GENERAL FUNDS OF
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SCHEDULE OF FINANCIAL POSITION INFORMATION BY FUND**

DECEMBER 31, 2017

	General Administration							Subtotal	
	World Services	Episcopal	General Conference	General Admin. Other	Inter-denominational Cooperation	Ministerial Education	Black College		Africa University
ASSETS									
Due from General Council on Finance and Administration	\$ 22,175,517	\$ 18,620,037	\$ 336,436	\$ 4,571,169	\$ 5,521,880	\$ 5,096,007	\$ 2,644,762	\$ 586,627	\$ 59,552,435
Accounts receivable	-	13,526	-	-	-	-	-	-	13,526
Prepaid expenses	-	21,805	5,742	-	-	-	-	-	27,547
Investments	-	87,208	-	2,542,870	-	-	-	-	2,630,078
Investments held at Wespeth Benefits and Investments	686,753	26,017,285	-	-	-	-	-	-	26,704,038
Total Assets	\$ 22,862,270	\$ 44,759,861	\$ 342,178	\$ 7,114,039	\$ 5,521,880	\$ 5,096,007	\$ 2,644,762	\$ 586,627	\$ 88,927,624
LIABILITIES AND NET ASSETS									
Liabilities:									
Accounts payable and accrued expenses	\$ -	\$ 142,875	\$ 88,917	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 231,792
Grants payable to and amounts held for affiliated organizations	19,494,171	-	-	312,200	5,085,355	5,096,007	2,644,762	586,627	33,219,122
Accrued pension costs	1,306,722	21,937,125	-	-	-	-	-	-	23,243,847
Total Liabilities	20,800,893	22,080,000	88,917	312,200	5,085,355	5,096,007	2,644,762	586,627	56,694,761
Net Assets:									
Without Donor Restrictions:									
Board-designated	2,061,377	4,106,762	253,261	6,801,839	436,525	-	-	-	13,659,764
Undesignated	-	18,392,522	-	-	-	-	-	-	18,392,522
Total without Donor Restrictions	2,061,377	22,499,284	253,261	6,801,839	436,525	-	-	-	32,052,286
With Donor Restrictions:									
Subject to purpose restrictions	-	93,369	-	-	-	-	-	-	93,369
Endowment	-	87,208	-	-	-	-	-	-	87,208
Total with donor restrictions	-	180,577	-	-	-	-	-	-	180,577
Total Net Assets	2,061,377	22,679,861	253,261	6,801,839	436,525	-	-	-	32,232,863
Total Liabilities and Net Assets	\$ 22,862,270	\$ 44,759,861	\$ 342,178	\$ 7,114,039	\$ 5,521,880	\$ 5,096,007	\$ 2,644,762	\$ 586,627	\$ 88,927,624

**THE GENERAL FUNDS OF
THE UNITED METHODIST CHURCH
SCHEDULE OF FINANCIAL POSITION INFORMATION BY FUND (CONTINUED)**

DECEMBER 31, 2017

	<u>Special Gifts</u>		<u>One Great</u>	<u>World</u>		<u>Human</u>	<u>United</u>		<u>Peace</u>		<u>Grand</u>
	<u>World</u>	<u>Bishops</u>	<u>Hour of</u>	<u>Communion</u>	<u>Youth</u>	<u>Relations</u>	<u>Methodist</u>	<u>Native</u>	<u>with</u>		<u>Total</u>
	<u>Service</u>	<u>Special</u>	<u>Sharing</u>	<u>Day</u>	<u>Services</u>	<u>Day</u>	<u>Student</u>	<u>American</u>	<u>Justice</u>		<u>General and</u>
	<u>Specials</u>	<u>Appeals</u>					<u>Day</u>	<u>Day</u>	<u>Sunday</u>	<u>Total</u>	<u>Special Days</u>
ASSETS											
Due from General Council on Finance and Administration	\$ 231,961	\$ 13	\$ 250,067	\$ 384,775	\$ 9,294	\$ 37,392	\$ 285,204	\$ 23,215	\$ 35,003	\$ 1,256,924	\$ 60,809,359
Accounts receivable	-	-	-	-	-	-	-	-	-	-	13,526
Prepaid expenses	-	-	-	-	-	-	-	-	-	-	27,547
Investments	-	-	-	-	-	-	-	-	-	-	2,630,078
Investments held at Wespath Benefits and Investments	-	-	-	-	-	-	-	-	-	-	26,704,038
Total Assets	\$ 231,961	\$ 13	\$ 250,067	\$ 384,775	\$ 9,294	\$ 37,392	\$ 285,204	\$ 23,215	\$ 35,003	\$ 1,256,924	\$ 90,184,548
LIABILITIES AND NET ASSETS											
Liabilities:											
Accounts payable and accrued expenses	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 231,792
Grants payable to and amounts held for affiliated organizations	231,961	-	250,067	384,775	9,294	37,392	285,204	23,215	35,003	1,256,911	34,476,033
Accrued pension costs	-	-	-	-	-	-	-	-	-	-	23,243,847
Total Liabilities	231,961	-	250,067	384,775	9,294	37,392	285,204	23,215	35,003	1,256,911	57,951,672
Net Assets:											
Without Donor Restrictions:											
Board-designated	-	13	-	-	-	-	-	-	-	13	13,659,777
Undesignated	-	-	-	-	-	-	-	-	-	-	18,392,522
Total without donor restrictions	-	13	-	-	-	-	-	-	-	13	32,052,299
With Donor Restrictions:											
Subject to purpose restrictions	-	-	-	-	-	-	-	-	-	-	93,369
Endowment	-	-	-	-	-	-	-	-	-	-	87,208
Total with donor restrictions	-	-	-	-	-	-	-	-	-	-	-
Total Net Assets	-	13	-	-	-	-	-	-	-	13	32,232,876
Total Liabilities and Net Assets	\$ 231,961	\$ 13	\$ 250,067	\$ 384,775	\$ 9,294	\$ 37,392	\$ 285,204	\$ 23,215	\$ 35,003	\$ 1,256,924	\$ 90,184,548

**THE GENERAL FUNDS OF
THE UNITED METHODIST CHURCH
SCHEDULE OF ACTIVITIES INFORMATION BY FUND**

YEAR ENDED DECEMBER 31, 2017

										Special Gifts		
	World Service	Episcopal		General Administration		Inter-denominational Cooperation	Ministerial Education	Black College	Africa University	Subtotal	World Service Specials	
		Without Donor Restrictions	With Donor Restrictions	General Conference	GA Other						Without Donor Restrictions	With Donor Restrictions
Revenue and Support:												
Contributions	\$ 71,480,557	\$ 22,153,272	\$ -	\$ -	\$ 11,787,515	\$ 1,878,623	\$ 18,119,062	\$ 9,680,611	\$ 2,266,498	\$ 137,366,138	\$ -	\$ 1,365,488
Special gifts	-	-	-	-	-	-	-	-	-	-	-	-
Total Contributions	71,480,557	22,153,272	-	-	11,787,515	1,878,623	18,119,062	9,680,611	2,266,498	137,366,138	-	1,365,488
Gain on investments held at Wespath Benefits and Investments	106,276	4,077,593	-	-	-	-	-	-	-	4,183,869	-	-
Investment income	-	-	12,614	-	378,608	-	-	-	-	391,222	-	-
Other income	544	50,807	-	25,001	261,642	-	-	-	-	337,994	-	-
Transfer between General Administration and General Conference	-	-	-	529,021	(529,021)	-	-	-	-	-	-	-
Net assets released from restrictions	-	-	-	-	-	-	-	-	-	-	1,365,138	(1,365,138)
Total Revenue and Support	71,587,377	26,281,672	12,614	554,022	11,898,744	1,878,623	18,119,062	9,680,611	2,266,498	142,279,223	1,365,138	350
Expenses:												
Management and General:												
Fixed Charges:												
The Connectional Table	535,092	-	-	-	-	-	-	-	-	535,092	-	-
General Council on Finance and Administration	1,929,366	744,900	-	-	-	50,707	-	-	-	2,724,973	-	-
United Methodist Communications Division of Program and Benevolence Interpretation	358,044	-	-	-	-	-	-	-	-	358,044	-	-
Total Management and General	2,822,502	744,900	-	-	-	50,707	-	-	-	3,618,109	-	-
Program Services:												
Distributions:												
On-ratio allocations	68,658,054	-	-	-	8,454,409	1,805,231	18,119,062	9,680,611	2,266,498	108,983,865	-	-
Grants	728,818	-	-	-	849,178	-	-	-	-	1,577,996	-	-
General conference	-	-	-	554,022	-	-	-	-	-	554,022	-	-
Pension benefit obligation	9,035	-	-	-	-	-	-	-	-	9,035	-	-
Special gifts distributed	-	-	-	-	-	-	-	-	-	-	1,365,138	-
Other expenses	901	-	-	-	130,651	-	-	-	-	131,552	-	-
Total Distributions	69,396,808	-	-	554,022	9,434,238	1,805,231	18,119,062	9,680,611	2,266,498	111,256,470	1,365,138	-
Episcopal expenses	-	24,512,059	-	-	-	-	-	-	-	24,512,059	-	-
Total Program Services	69,396,808	24,512,059	-	554,022	9,434,238	1,805,231	18,119,062	9,680,611	2,266,498	135,768,529	1,365,138	-
Total Expenses	72,219,310	25,256,959	-	554,022	9,434,238	1,855,938	18,119,062	9,680,611	2,266,498	139,386,638	1,365,138	-
Change in net assets	(631,933)	1,024,713	12,614	-	2,464,506	22,685	-	-	-	2,892,585	-	350
Fund transfers	-	951	(951)	-	-	-	-	-	-	-	-	-
Net assets, beginning of year	2,693,310	21,473,620	168,914	-	4,590,594	413,840	-	-	-	29,340,278	-	(350)
Net assets, end of year	\$ 2,061,377	\$ 22,499,284	\$ 180,577	\$ -	\$ 7,055,100	\$ 436,525	\$ -	\$ -	\$ -	\$ 32,232,863	\$ -	\$ -

**THE GENERAL FUNDS OF
THE UNITED METHODIST CHURCH
SCHEDULE OF ACTIVITIES INFORMATION BY FUND (CONTINUED)**

YEAR ENDED DECEMBER 31, 2017

	Special Gifts			One Great Hour of Sharing	World Communion Day	Youth Services	Human Relations Day	United Methodist Student Day	Native American Ministries	Peace with Justice Sunday	Total Special Gifts and Special Sundays	Grand Total
	General Advance Specials		Bishops' Appeals									
	Without Donor Restrictions	With Donor Restrictions	Without Donor Restrictions									
Revenue and Support:												
Contributions	\$ -	\$ -	\$ 13	\$ 2,348,825	\$ 777,600	\$ 41,359	\$ 544,329	\$ 431,753	\$ 301,847	\$ 221,736	\$ 6,032,950	\$ 143,399,088
Special gifts	-	70,779,135	-	-	-	-	-	-	-	-	70,779,135	70,779,135
Total Contributions	-	70,779,135	13	2,348,825	777,600	41,359	544,329	431,753	301,847	221,736	76,812,085	214,178,223
Gain on investments held at Wespath Benefits and Investments	-	-	-	-	-	-	-	-	-	-	-	4,183,869
Investment income	-	-	-	-	-	-	-	-	-	-	-	391,222
Other income	-	-	-	-	-	-	-	-	-	-	-	337,994
Transfer between General Administration and General Conference	-	-	-	-	-	-	-	-	-	-	-	-
Net assets released from restrictions	70,779,135	(70,779,135)	-	-	-	-	-	-	-	-	-	-
Total Revenue and Support	70,779,135	-	13	2,348,825	777,600	41,359	544,329	431,753	301,847	221,736	76,812,085	219,091,308
Expenses:												
Management and General:												
Fixed Charges:												
The Connectional Table	-	-	-	-	-	-	-	-	-	-	-	535,092
General Council on Finance and Administration	-	-	-	63,467	21,011	-	14,702	11,665	8,153	5,981	124,979	2,849,952
United Methodist Communications Division of Program and Benevolence Interpretation	-	-	-	99,996	65,004	-	63,756	60,000	72,504	50,004	411,264	769,308
Total Management and General	-	-	-	163,463	86,015	-	78,458	71,665	80,657	55,985	536,243	4,154,352
Program Services:												
Distributions:												
On-ratio allocations	-	-	-	2,185,362	691,585	41,359	465,871	360,088	221,190	165,751	4,131,206	113,115,071
Grants	-	-	-	-	-	-	-	-	-	-	-	1,577,996
General conference	-	-	-	-	-	-	-	-	-	-	-	554,022
Special gifts distributed	70,779,135	-	-	-	-	-	-	-	-	-	72,144,273	72,144,273
Pension benefit obligation	-	-	-	-	-	-	-	-	-	-	9,035	-
Other expenses	-	-	-	-	-	-	-	-	-	-	-	131,552
Total Distributions	70,779,135	-	-	2,185,362	691,585	41,359	465,871	360,088	221,190	165,751	76,275,479	187,531,949
Episcopal expenses	-	-	-	-	-	-	-	-	-	-	-	24,512,059
Total Program Services	70,779,135	-	-	2,185,362	691,585	41,359	465,871	360,088	221,190	165,751	76,275,479	212,044,008
Total Expenses	70,779,135	-	-	2,348,825	777,600	41,359	544,329	431,753	301,847	221,736	76,811,722	216,198,360
Change in net assets	-	-	13	-	-	-	-	-	-	-	363	2,892,948
Fund transfers	-	-	-	-	-	-	-	-	-	-	-	-
Net assets, beginning of year	-	-	-	-	-	-	-	-	-	-	(350)	29,339,928
Net assets, end of year	\$ -	\$ -	\$ 13	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 13	\$ 32,232,876

**THE GENERAL FUNDS OF
THE UNITED METHODIST CHURCH
EPISCOPAL FUND CONSOLIDATING STATEMENT OF FUNCTIONAL EXPENSES BY NATURAL ACCOUNT**

YEAR ENDED DECEMBER 31, 2017

	Management and Administration	Council of Bishops	Interpreters	Eccumenical	Jurisdictional Conferences	Central Conferences	Retired Bishops	Total
Expenses:								
Salaries	\$ 629,548	\$ -	\$ -	\$ -	\$ 8,033,150	\$ 1,871,870	\$ -	\$ 10,534,568
Employee benefits	136,385	-	-	-	1,893,743	234,140	688,227	2,952,495
Continuing education	2,134	-	-	-	25,979	4,160	-	32,273
Moving expenses	-	-	-	-	1,841	14,418	-	16,259
Change in PBO	2,332,931	-	-	-	-	-	-	2,332,931
Office allowance	-	-	-	-	3,889,760	1,673,803	-	5,563,563
Grants	-	-	-	9,331	-	-	-	9,331
Rent	116,664	-	-	-	-	-	-	116,664
Telephone	20,494	-	-	-	-	-	-	20,494
Postage and freight	2,137	-	-	-	-	-	-	2,137
Printing	10,551	408	-	-	-	-	-	10,959
Office supplies	17,139	-	-	-	-	-	-	17,139
Subscriptions/memberships	2,066	-	-	-	-	-	-	2,066
Equipment replacement/maintenance	9,583	-	-	-	59,695	54,782	-	124,060
Equipment lease	7,065	-	-	-	-	-	-	7,065
Software support and maintenance	6,660	-	-	-	-	-	-	6,660
Building repair and maintenance	-	11,200	-	-	-	-	-	11,200
Promotional materials/other office expense	7,200	-	-	-	-	-	-	7,200
Professional fees	1,668	106,481	77,912	-	-	-	-	186,061
Legal fees	-	37,817	-	-	-	11,600	-	49,417
Meeting expense	4,141	408,880	-	7,445	-	11	-	420,477
Travel	103,271	61,178	-	28,016	897,794	570,395	269,714	1,930,368
Honorarium/speakers	29,725	-	-	-	-	-	-	29,725
Insurance	5,634	-	-	-	99,165	-	-	104,799
Bank/financing charges	-	-	-	-	-	3,478	-	3,478
Administrative charges (GCFA/UMCOM)	-	744,900	-	-	-	-	-	744,900
Other	882	1,262	-	-	17,475	1,051	-	20,670
Total Expenses	\$ 3,445,878	\$ 1,372,126	\$ 77,912	\$ 44,792	\$ 14,918,602	\$ 4,439,708	\$ 957,941	\$ 25,256,959