



**CONNECTIONAL TABLE OF  
THE UNITED METHODIST CHURCH**

**FINANCIAL STATEMENTS**

*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  
Connectional Table of the United Methodist Church  
Chicago, Illinois

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

We have audited the accompanying financial statements of the Connectional Table of the United Methodist Church (a non-profit 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 Connectional Table 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 Connectional Table 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 expense 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.

*Cherry Bekaert LLP*

Charlotte, North Carolina  
May 11, 2018

**CONNECTIONAL TABLE OF  
THE UNITED METHODIST CHURCH  
STATEMENTS OF FINANCIAL POSITION**

*DECEMBER 31, 2017 AND 2016*

	<u>2017</u>	<u>2016</u>
<b>ASSETS</b>		
Due from GCFA short-term pooled investment fund	\$ 428,901	\$ 434,235
Accounts receivable	-	870
Prepaid expenses	3,339	1,414
<b>Total Assets</b>	<u>\$ 432,240</u>	<u>\$ 436,519</u>
<b>LIABILITIES AND NET ASSETS</b>		
Liabilities:		
Accounts payable	\$ 13,978	\$ 8,456
Accrued liabilities	9,718	11,816
<b>Total Liabilities</b>	<u>23,696</u>	<u>20,272</u>
Net Assets:		
Without Donor Restrictions:		
Undesignated	<u>408,544</u>	<u>416,247</u>
<b>Total Net Assets</b>	<u>408,544</u>	<u>416,247</u>
<b>Total Liabilities and Net Assets</b>	<u>\$ 432,240</u>	<u>\$ 436,519</u>

**CONNECTIONAL TABLE OF  
THE UNITED METHODIST CHURCH  
STATEMENTS OF ACTIVITIES**

*YEARS ENDED DECEMBER 31, 2017 AND 2016*

	<u>2017</u>	<u>2016</u>
Revenue without Donor Restrictions:		
Allocation from World Service Fund	\$ 535,092	\$ 528,768
Services received from GCFA	28,127	43,053
Benefit Trust distribution	31,115	37,938
Interest income from GCFA short-term pooled investment fund	18,641	26,203
Total Revenue without Donor Restrictions	<u>612,975</u>	<u>635,962</u>
Expenses:		
Operating:		
Grants	-	300,000
Services for meetings	182,889	175,994
Management and general	437,789	470,622
Total Operating Expenses	<u>620,678</u>	<u>946,616</u>
Change in net assets without donor restrictions	(7,703)	(310,654)
Net assets without donor restrictions, beginning of year	416,247	726,901
Net assets without donor restrictions, end of year	<u>\$ 408,544</u>	<u>\$ 416,247</u>

**CONNECTIONAL TABLE OF  
THE UNITED METHODIST CHURCH  
STATEMENT OF FUNCTIONAL EXPENSES**

*YEAR ENDED DECEMBER 31, 2017*

	<u>Programs</u> <u>Services for</u> <u>Meetings</u>	<u>Supporting Services</u> <u>Management</u> <u>and General</u>	<u>Total</u>
Salaries and wages	\$ -	\$ 248,256	\$ 248,256
Employee benefits	-	74,096	74,096
Administration provided by GCFA	-	28,127	28,127
Equipment	-	333	333
Rent and occupancy	-	18,923	18,923
Building management expense	-	10,324	10,324
Travel and meetings	145,667	19,363	165,030
Staff travel	8,697	-	8,697
Professional fees	24,944	7,346	32,290
Interpretation services	3,258	-	3,258
Supplies	-	2,677	2,677
Telephone and web service	323	6,283	6,606
Postage, shipping, and freight	-	14	14
Utilities	-	1,072	1,072
Repairs and maintenance	-	2,218	2,218
Insurance	-	17,288	17,288
Promotional and information material	-	73	73
Other expense	-	1,396	1,396
Total Expenses	<u>\$ 182,889</u>	<u>\$ 437,789</u>	<u>\$ 620,678</u>

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

**CONNECTIONAL TABLE OF  
THE UNITED METHODIST CHURCH  
STATEMENTS OF CASH FLOWS**

*YEARS ENDED DECEMBER 31, 2017 AND 2016*

	<u>2017</u>	<u>2016</u>
<b>Cash flows from operating activities:</b>		
Change in net assets	\$ (7,703)	\$ (310,654)
Change in assets and liabilities:		
Due from GCFA short-term pooled investment fund	5,334	308,526
Accounts receivable	870	(870)
Prepaid expenses	(1,925)	2,368
Accounts payable	5,522	(2,309)
Accrued liabilities	(2,098)	2,939
Net cash flows from operating activities	<u>-</u>	<u>-</u>
Net change in cash and cash equivalents	-	-
Cash and cash equivalents, beginning of year	<u>-</u>	<u>-</u>
Cash and cash equivalents, end of year	<u>\$ -</u>	<u>\$ -</u>

# CONNECTIONAL TABLE OF THE UNITED METHODIST CHURCH NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2017 AND 2016

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## Note 1—Nature of the organization

As stated in *The Book of Discipline of The United Methodist Church*, “the purpose of Connectional Table (“CT”) is 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 (the “Church”) as determined by the actions of the General Conference and in consultation with the Council of Bishops. As part of the total mission of the Church, CT is to serve as a steward of the vision and resources for mission and ministry, provide fiscal responsibility, and establish policies and procedures to carry out the mission of the Church.”

Funding for CT’s operations is significantly provided by allocations received from the General Funds of The United Methodist Church based on a four-year budget developed from projections of expected program costs and from specified grants to be administered by CT. For the years ended December 31, 2017 and 2016, these allocations accounted for 87% and 83%, respectively, of CT’s total revenue. CT’s continued existence is partially dependent upon the Church’s future support. The Church’s future support 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 have been prepared on the accrual basis of accounting. CT’s significant accounting policies are described below:

*Basis of Presentation* – To ensure the observance of limitations and restrictions placed on the use of resources, CT maintains its accounts in accordance with the principles and practices of fund accounting. Fund accounting is the procedure by which resources for various purposes are classified into funds that are in accordance with activities or objectives of CT. Separate accounts are maintained for each fund.

For reporting purposes, however, CT’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 CT 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 CT. These net assets may be used at the discretion of CT’s management and the board of directors. CT 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:

*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. CT had no net assets that were board designated as of December 31, 2017 and 2016.

*Undesignated* – Represents the cumulative net assets without donor restrictions excluding those net assets 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 CT 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. CT had no net assets with donor restrictions at December 31, 2017 and 2016.

**CONNECTIONAL TABLE OF  
THE UNITED METHODIST CHURCH  
NOTES TO THE FINANCIAL STATEMENTS**

*DECEMBER 31, 2017 AND 2016*

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**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.

*Services Received from Personnel of an Affiliate* – Services received from personnel of the General Council on Finance and Administration (“GCFA”) for which GCFA does not charge CT have been measured at the cost recognized by GCFA in providing those services. The revenue and expense relating to those services received are presented in the related party Note 4 and totaled \$28,127 and \$43,053 for the years ended December 31, 2017 and 2016, respectively.

*Grants* – CT approved an expenditure of \$300,000 from CT reserves for the 2013-2016 quadrennial period to help cover costs for the central conference pre-General Conference orientations held in central conferences in 2016. This was funded to the Commission on General Conference, the entity that coordinates the orientations.

*Use of Estimates* – Management of CT has made estimates and assumptions relating to the reporting of 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.

*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 CT’s portion of the short-term investment portfolio managed by GCFA on behalf of certain agencies and related organizations of The United Methodist Church. The amount due from this fund effectively represents the amount of cash deposits that are available to CT 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 CT’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 \$18,641 and \$26,203 of interest income, respectively, to CT. While interest income can be earned based on the performance of the pooled investment funds, CT 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.

**CONNECTIONAL TABLE OF  
THE UNITED METHODIST CHURCH  
NOTES TO THE FINANCIAL STATEMENTS**

DECEMBER 31, 2017 AND 2016

**Note 2—Summary of significant accounting policies (continued)**

When an agency has surplus funds, they are invested by GCFA in the short-term pooled investment fund. GCFA allocates interest earned to the agencies invested in the pool based upon their pro-rata share of the pool on a monthly basis. The overall return for the short-term pooled investment fund for the years ended December 31, 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>

*Equipment* – Equipment is recorded at cost, less accumulated depreciation. Depreciation is computed using the straight-line method with a modified half-year convention over estimated useful lives of three years for computer equipment and five years for furniture and office equipment. 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. CT capitalizes assets with a cost greater than \$1,000.

*Functional Expenses* – The costs of providing program and other activities have been summarized on a functional basis in the statements of activities.

*Income Taxes* – CT 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"). CT 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.

CT 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 CT include, but are not limited to, the tax-exempt status and determination of whether income is subject to unrelated business income tax.

*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 statement of financial position for all leases with terms longer than 12 months. Leases will be classified as either finance or operating, with classifications affecting the pattern of expense recognition in the statement 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 CT's financial statements.

**CONNECTIONAL TABLE 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	\$ 428,901
Total financial assets	428,901
Less amounts not available to be used for general expenditures within one year:	
Financial assets not available to be used within one year	-
Financial assets available to meet general expenditures within one year	<u>\$ 428,901</u>

As part of CT's liquidity management plan, cash in excess of daily requirements are invested in GCFA's short-term pooled investment fund. This fund established by the board of directors may be drawn upon, if necessary, to meet unexpected liquidity needs.

**Note 4—Related party transactions**

CT receives World Service Fund allocations from the General Funds of The United Methodist Church, which are administered by GCFA to support the activities of CT. In addition, GCFA provides various services to CT, such as general ledger processing and maintenance, cash management, and group insurance plan administration.

CT had the following transactions with GCFA:

	<u>2017</u>	<u>2016</u>
Statement of Financial Position:		
Due from GCFA short-term pooled investment fund	\$ 428,901	\$ 434,235
Statement of Activities:		
Revenue:		
Allocation from World Service Fund	535,092	528,768
Services received from GCFA	28,127	43,053
Benefit Trust distribution	31,115	37,938
Interest income from GCFA short-term pooled investment fund	18,641	26,203
Expenses:		
Grants - The Commission on General Conference	-	300,000
Administration provided by GCFA	28,127	43,053
Group insurance expense	38,558	39,047

# CONNECTIONAL TABLE OF THE UNITED METHODIST CHURCH NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2017 AND 2016

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## Note 5—Employee benefits

*Retirement Benefits* – CT sponsors the United Methodist Personal Investment Plan (“UMPIP”), a Section 403(b) defined contribution church plan. UMPIP allows each plan sponsor to elect the employer contribution formula. CT makes semi-monthly contributions to each eligible employee’s account held by Wespath Benefits and Investments (“Wespath”) based on 9% of annual employee compensation. Total contributions made by CT during 2017 and 2016 were \$26,812 and \$20,966, respectively.

*Health, Life, and Other Employee Benefits* – CT 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 multiemployer plan under Accounting Standards Codification (ASC) 715, *Compensation – Retirement Benefits*. Substantially all retired employees are eligible to participate in the plan if they have attained normal retirement age while in the employ of CT.

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

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

All of CT’s active employees are covered by the Plan. The cost of the benefits is recognized as group insurance expense as premiums are paid. The total cost of benefits for active employees was \$38,558 and \$39,047 for the years ended December 31, 2017 and 2016, respectively.

Wespath has transferred certain excess pension assets to the General Agency Benefit Trust (“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 value of the Benefit Trust’s 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 was \$8,957,614 and \$8,822,895, respectively, of which CT’s share, excluding retiree health benefits, was \$31,115 and \$37,938 received in 2017 and 2016, respectively.

## Note 6—Leases

CT leases office space under an operating lease agreement, which expires in December 2018. Rent expense for the operating lease, which began on February 1, 2013, totaled \$18,923 and \$18,868 for the years ended December 31, 2017 and 2016, respectively. Future minimum rental commitments for December 31, 2018 is \$19,575.

## Note 7—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.