

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

CONSOLIDATED FINANCIAL STATEMENTS
AND SUPPLEMENTAL SCHEDULES

As of and for the Years Ended December 31, 2019 and 2018

And Report of Independent Auditor

GENERAL BOARD OF DISCIPLESHIP OF THE UNITED METHODIST CHURCH

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Report of Independent Auditor

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

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

We have audited the accompanying consolidated financial statements of the General Board of Discipleship of The United Methodist Church d/b/a Discipleship Ministries (the "Board"), which comprise the consolidated statements of financial position as of December 31, 2019 and 2018, the related consolidated statements of activities, functional expenses, and cash flows for the years then ended, 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 consolidated financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of the General Board of Discipleship of The United Methodist Church d/b/a Discipleship Ministries as of December 31, 2019 and 2018, and the changes in their consolidated net assets and their cash flows for the years then ended, in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Other Information

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements taken as a whole. The other information included in Schedules 1 through 3, on pages 28 through 30 is presented for purposes of additional analysis and is not a required part of the consolidated financial statements.

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

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

Cherry Bekaert LLP

Charlotte, North Carolina
July 21, 2020

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

DECEMBER 31, 2019 AND 2018

	2019			2018		
	Consolidating Information			Consolidating Information		
	Discipleship Ministries	The Upper Room	Consolidated Total	Discipleship Ministries	The Upper Room	Consolidated Total
ASSETS						
Cash and cash equivalents	\$ 107,163	\$ 108,820	\$ 215,983	\$ 42,711	\$ 243,725	\$ 286,436
Due from GCFA short-term pooled investment fund	2,567,642	2,217,845	4,785,487	1,893,057	2,166,316	4,059,373
Accrued World Service Income	2,236,823	-	2,236,823	2,296,586	-	2,296,586
Accrued World Service Income - Strengthening the Black Church	125,618	-	125,618	129,476	-	129,476
Accrued World Service Income - Native American Comprehensive Plan	68,218	-	68,218	70,313	-	70,313
Investments	6,127,696	19,578,756	25,706,452	5,045,887	17,877,977	22,923,864
Funds held by outside trustees for the benefit of the Board	5,553	4,590	10,143	697,619	4,403	702,022
Accounts receivable, net	367,654	495,029	862,683	232,149	650,848	882,997
Accrued income receivable	116,347	72,155	188,502	95,725	5,064	100,789
Inventories	-	794,863	794,863	-	983,251	983,251
Prepaid expenses and other assets	140,328	270,713	411,041	171,148	287,119	458,267
Property, buildings, and equipment, net	564,973	2,479,716	3,044,689	808,617	3,016,713	3,825,330
Total Assets	\$ 12,428,015	\$ 26,022,487	\$ 38,450,502	\$ 11,483,288	\$ 25,235,416	\$ 36,718,704
LIABILITIES AND NET ASSETS						
Liabilities:						
Accounts payable and accrued expenses	\$ 649,612	\$ 957,327	\$ 1,606,939	\$ 820,250	\$ 786,152	\$ 1,606,402
Custodial funds payable	214,498	-	214,498	290,952	-	290,952
Accrued royalties	-	94,639	94,639	-	98,295	98,295
Deferred income	69,299	2,641,829	2,711,128	104,687	2,928,469	3,033,156
Total Liabilities	933,409	3,693,795	4,627,204	1,215,889	3,812,916	5,028,805
Net Assets:						
Without Donor Restrictions:						
Invested in property, buildings, and equipment	564,973	2,479,716	3,044,689	808,617	3,016,713	3,825,330
Board-designated	206,292	2,118,410	2,324,702	189,862	1,607,415	1,797,277
Undesignated	7,984,556	16,629,811	24,614,367	5,418,553	16,003,421	21,421,974
Total Without Donor Restrictions	8,755,821	21,227,937	29,983,758	6,417,032	20,627,549	27,044,581
With Donor Restrictions:						
Subject to purpose restrictions	859,336	190,787	1,050,123	1,210,716	104,788	1,315,504
Subject to passage of time	-	-	-	37,793	-	37,793
Endowments	1,879,449	909,968	2,789,417	2,601,858	690,163	3,292,021
Total With Donor Restrictions	2,738,785	1,100,755	3,839,540	3,850,367	794,951	4,645,318
Total Net Assets	11,494,606	22,328,692	33,823,298	10,267,399	21,422,500	31,689,899
Total Liabilities and Net Assets	\$ 12,428,015	\$ 26,022,487	\$ 38,450,502	\$ 11,483,288	\$ 25,235,416	\$ 36,718,704

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

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

YEAR ENDED DECEMBER 31, 2019

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

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

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

YEAR ENDED DECEMBER 31, 2018

	Discipleship Ministries			Consolidating Information The Upper Room			Eliminations	2018 Consolidated Total
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total		
Revenues:								
Sales of literature	\$ 24,305	\$ -	\$ 24,305	\$ 12,098,511	\$ -	\$ 12,098,511	\$ -	\$ 12,122,816
Cost of goods sold	(193,286)	-	(193,286)	(2,387,235)	-	(2,387,235)	-	(2,580,521)
Net Sales	(168,981)	-	(168,981)	9,711,276	-	9,711,276	-	9,542,295
Allocations through the GCFA:								
World Service	8,049,961	-	8,049,961	-	-	-	-	8,049,961
Native American Comprehensive Plan (NACP)	-	247,199	247,199	-	-	-	-	247,199
Strengthening the Black Church (SBC21)	-	455,199	455,199	-	-	-	-	455,199
Youth Service Fund	30,603	-	30,603	-	-	-	-	30,603
Registration fees/special projects	573,046	240,327	813,373	718,399	-	718,399	-	1,531,772
Grants and contributions	16,316	119,243	135,559	655,828	62,817	718,645	-	854,204
Reimbursements from related organizations	320,857	3,000	323,857	89,508	-	89,508	-	413,365
Rental income	170,504	-	170,504	136,226	-	136,226	-	306,730
Other income	2,058,374	21,593	2,079,967	285,549	50	285,599	(2,334,151)	31,415
Benefit Trust distribution	1,157,766	-	1,157,766	788,060	-	788,060	-	1,945,826
Services received from GCFA	24,479	-	24,479	-	-	-	-	24,479
Investment return from GCFA short-term pooled investment fund	18,558	-	18,558	20,847	-	20,847	-	39,405
Investment return, net	(250,513)	(79,414)	(329,927)	(1,174,458)	(16,587)	(1,191,045)	-	(1,520,972)
Net assets with donor restrictions released from restrictions	1,781,291	(1,781,291)	-	167,152	(167,152)	-	-	-
Total Revenues	13,782,261	(774,144)	13,008,117	11,398,387	(120,872)	11,277,515	(2,334,151)	21,951,481
Expenses:								
Program Services:								
Annual/General Conference Relations	2,594,659	-	2,594,659	-	-	-	-	2,594,659
Existing Churches	2,580,377	-	2,580,377	-	-	-	-	2,580,377
Young People's Ministries	1,995,887	-	1,995,887	-	-	-	-	1,995,887
New Church Starts	1,365,921	-	1,365,921	-	-	-	-	1,365,921
Discipleship Resources International	300,306	-	300,306	-	-	-	-	300,306
Strengthening the Black Church (SBC21)	741,554	-	741,554	-	-	-	-	741,554
Native American Comprehensive Plan (NACP)	318,153	-	318,153	-	-	-	-	318,153
Discipleship Resources	33,768	-	33,768	-	-	-	-	33,768
The Upper Room	-	-	-	12,250,156	-	12,250,156	-	12,250,156
Total Program Services	9,930,625	-	9,930,625	12,250,156	-	12,250,156	-	22,180,781
Supporting Services:								
Management and General Fundraising	3,642,463	-	3,642,463	2,190,564	-	2,190,564	(2,334,151)	3,498,876
	-	-	-	362,380	-	362,380	-	362,380
Total Supporting Services	3,642,463	-	3,642,463	2,552,944	-	2,552,944	(2,334,151)	3,861,256
Total Expenses	13,573,088	-	13,573,088	14,803,100	-	14,803,100	(2,334,151)	26,042,037
Changes in net assets	209,173	(774,144)	(564,971)	(3,404,713)	(120,872)	(3,525,585)	-	(4,090,556)
Net assets, beginning of year	6,207,859	4,624,511	10,832,370	24,032,262	915,823	24,948,085	-	35,780,455
Net assets, end of year	\$ 6,417,032	\$ 3,850,367	\$ 10,267,399	\$ 20,627,549	\$ 794,951	\$ 21,422,500	\$ -	\$ 31,689,899

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

GENERAL BOARD OF DISCIPLESHIP OF THE UNITED METHODIST CHURCH
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED DECEMBER 31, 2019

	Program Services							Supporting Services							Total Supporting Services	2019 Consolidated Total
	Discipleship Ministries				Upper Room			Discipleship Ministries				Upper Room				
	General Secretary	Stakeholder Relations	Strategic Programming	Communications	Strengthening the Black Church - 21st Century	Native American Comprehensive Plan	Upper Room Program	Total Program Services	Management and General	Fundraising	Management and General	Fundraising	Eliminations			
Expenses:																
Grant distribution	\$ -	\$ 37,229	\$ 296,695	\$ -	\$ -	\$ -	\$ 234,378	\$ 568,302	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 568,302	
Programs and projects	-	67,691	2,185,911	101,881	338,251	422	853,067	3,547,223	1,537	-	-	-	-	1,537	3,548,760	
Personnel expenses	345,528	611,763	2,211,325	551,058	328,736	171,655	6,403,522	10,623,587	1,564,026	6,000	1,004,865	235,685	(1,077,676)	1,732,900	12,356,487	
Staff travel and expense	44,773	45,649	403,721	43,707	35,357	18,038	172,037	763,282	5,681	-	29,276	-	(29,276)	5,681	768,963	
Contractual services	100,743	132,612	147,342	559,866	-	11,857	1,550,015	2,502,435	873,708	-	518,475	-	(518,475)	873,708	3,376,143	
Office expenses	64,621	10,735	31,851	33,475	8,643	20,036	447,048	616,409	361,307	-	244,352	-	(244,352)	361,307	977,716	
Fulfillment postage	2,352	688	7,469	39,078	1,005	823	1,400,320	1,451,735	2,594	-	3,002	-	(3,002)	2,594	1,454,329	
Depreciation expense	60,642	-	-	-	-	-	434,513	495,155	479,697	-	256,882	-	(436,750)	299,829	794,984	
Meetings	133,218	28	66,179	-	-	199	-	199,624	-	-	77,302	-	(77,302)	-	199,624	
Promotional	12,680	-	-	179,950	-	-	601,518	794,148	-	-	7,358	201,330	(7,358)	201,330	995,478	
Insurance and taxes	-	-	-	-	-	-	18,576	18,576	138,372	-	86,471	-	(86,471)	138,372	156,948	
Miscellaneous	1,131	2,262	9,518	10,457	372	52,828	135,222	211,790	8,029	-	19,729	-	(19,729)	8,029	219,819	
Administration provided by GCFA	-	-	-	-	-	-	-	-	22,166	-	-	-	-	22,166	22,166	
Total Expenses	\$ 765,688	\$ 908,657	\$ 5,360,011	\$ 1,519,472	\$ 712,364	\$ 275,858	\$ 12,250,216	\$ 21,792,266	\$ 3,457,117	\$ 6,000	\$ 2,247,712	\$ 437,015	\$ (2,500,391)	\$ 3,647,453	\$ 25,439,719	

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

GENERAL BOARD OF DISCIPLESHIP OF THE UNITED METHODIST CHURCH
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED DECEMBER 31, 2018

	Program Services										Supporting Services					Total Supporting Services	2018 Consolidated Total
	Discipleship Ministries									Upper Room	Discipleship Ministries		Upper Room				
	Annual/ General Conference Relations	Existing Churches	Young People's Ministries	New Church Starts	Discipleship Resources International	Strengthening the Black Church - 21st Century	Native American Comprehensive Plan	Discipleship Resources	Upper Room Program	Total Program Services	Management and General	Fundraising	Management and General	Fundraising	Eliminations		
Expenses:																	
Grant distribution	\$ 68,260	\$ 93,459	\$ 155,454	\$ 37,980	\$ -	\$ -	\$ -	\$ -	\$ 284,577	\$ 639,730	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 639,730
Programs and projects	218,926	454,248	543,130	78,007	219,326	448,872	23,327	-	899,999	2,885,835	-	-	-	-	-	-	2,885,835
Personnel expenses	1,041,067	1,869,568	1,033,794	1,042,784	18,191	264,296	195,188	31,989	6,216,038	11,712,915	1,507,043	-	914,016	202,019	(852,324)	1,770,754	13,483,669
Staff travel and expense	132,133	108,752	59,578	135,370	25,616	20,285	15,838	-	239,104	736,676	20,003	-	34,479	-	(34,479)	20,003	756,679
Contractual services	764,215	7,590	84,073	25,593	24,997	-	-	-	1,551,111	2,457,579	1,008,434	-	590,029	-	(590,029)	1,008,434	3,466,013
Office expenses	79,914	31,247	13,702	13,822	2,888	6,052	17,538	331	430,012	595,506	413,925	-	251,349	-	(251,349)	413,925	1,009,431
Fulfillment postage	21,010	6,007	698	4,103	7,819	1,618	1,193	19	1,422,280	1,464,747	197	-	1,420	-	(1,420)	197	1,464,944
Depreciation expense	61,360	-	-	-	-	-	-	779	556,095	618,234	393,543	-	260,374	-	(447,766)	206,151	824,385
Meetings	739	-	103,451	6,646	-	-	29,152	-	-	139,988	78,102	-	44,842	-	(44,842)	78,102	218,090
Promotional	166,090	-	30	15,358	-	-	2,001	650	489,194	673,323	-	-	-	160,361	-	160,361	833,684
Insurance and taxes	-	-	-	-	-	-	-	-	18,576	18,576	165,784	-	74,598	-	(74,598)	165,784	184,360
Miscellaneous	40,945	9,506	1,977	6,258	1,469	431	33,916	-	143,170	237,672	30,953	-	19,457	-	(37,344)	13,066	250,738
Administration provided by GCFA	-	-	-	-	-	-	-	-	-	-	24,479	-	-	-	-	24,479	24,479
Total Expenses	\$ 2,594,659	\$ 2,580,377	\$ 1,995,887	\$ 1,365,921	\$ 300,306	\$ 741,554	\$ 318,153	\$ 33,768	\$ 12,250,156	\$ 22,180,781	\$ 3,642,463	\$ -	\$ 2,190,564	\$ 362,380	\$ (2,334,151)	\$ 3,861,256	\$ 26,042,037

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

GENERAL BOARD OF DISCIPLESHIP OF THE UNITED METHODIST CHURCH
CONSOLIDATED STATEMENTS OF CASH FLOWS

YEARS ENDED DECEMBER 31, 2019 AND 2018

	<u>2019</u>	<u>2018</u>
Cash flows from operating activities:		
Change in net assets	\$ 2,133,399	\$ (4,090,556)
Adjustments to reconcile change in net assets to net cash from operating activities:		
Depreciation	794,984	824,385
Net realized gains on investments	(3,921,039)	(570,687)
Net unrealized (gains) losses on investments	(861,549)	2,091,659
Loss on disposal of equipment	10,306	-
Changes in assets and liabilities:		
Due from GCFA short-term pooled investment fund	(726,114)	(2,589,553)
Accrued World Service Fund allocation	59,763	(19,908)
Accrued World Service Fund allocation - SBC21	3,858	(1,263)
Accrued World Service Fund allocation - NACP	2,095	(686)
Funds held by outside trustees for the benefit of the Board	691,879	92,874
Accounts receivable, net	20,314	311,533
Accrued income receivable	(87,713)	32,279
Inventories	188,388	239,999
Prepaid expenses and other assets	47,226	185,400
Accounts payable and accrued expenses	537	174,916
Custodial funds payable	(76,454)	99,158
Accrued royalties	(3,656)	9,016
Deferred income	(322,028)	115,377
Net cash flows from operating activities	<u>(2,045,804)</u>	<u>(3,096,057)</u>
Cash flows from investing activities:		
Purchases of property, buildings, and equipment	(24,649)	(24,878)
Proceeds from sale of investments	<u>2,000,000</u>	<u>3,000,000</u>
Net cash flows from investing activities	<u>1,975,351</u>	<u>2,975,122</u>
Net change in cash and cash equivalents	(70,453)	(120,935)
Cash and cash equivalents, beginning of year	<u>286,436</u>	<u>407,371</u>
Cash and cash equivalents, end of year	<u>\$ 215,983</u>	<u>\$ 286,436</u>

GENERAL BOARD OF DISCIPLESHIP OF THE UNITED METHODIST CHURCH

NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2019 AND 2018

Note 1—Organization and nature of operations

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

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

The accompanying consolidated financial statements present the consolidated accounts of Discipleship Ministries, The Upper Room, and the administratively assigned special initiatives for SBC21 and NACP. All material interdivisional accounts and transactions have been eliminated in consolidation.

Note 2—Summary of significant accounting policies

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

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

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

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

Invested in Property, Building, and Equipment – Represents net assets invested in property, building, and equipment, net of accumulated depreciation.

Board-Designated – Represents resources set aside by the board of directors to be used for specific activities within guidelines established by the board.

Undesignated – Represents the cumulative net assets without donor restrictions excluding those net assets invested in property, building, and equipment and designated for specific activities.

GENERAL BOARD OF DISCIPLESHIP OF THE UNITED METHODIST CHURCH

NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2019 AND 2018

Note 2—Summary of significant accounting policies (continued)

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

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

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

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

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

The Board places its cash and cash equivalents on deposit with financial institutions in the United States. The Federal Deposit Insurance Corporation covers \$250,000 for substantially all depository accounts. The Board from time to time may have amounts on deposit in excess of the insured limits. As of December 31, 2019, the Board had no amounts in excess of these insured amounts.

Due from GCFA Short-Term Pooled Investment Fund – The amounts presented as due from the General Council on Finance and Administration (“GCFA”) short-term pooled investment fund in the accompanying consolidated financial statements represent the Board’s portion of the short-term investment portfolio managed by GCFA on behalf of certain agencies and related organizations of The United Methodist Church. The amount due from this fund effectively represents the amount of cash deposits that are available to the Board to be disbursed out of GCFA’s centralized cash management system. Since these deposits are legally invested in GCFA’s name and not in a separate demand account in the Board’s name, they are not classified as cash and cash equivalents, but rather are considered an amount due from GCFA. The short-term investment portfolio includes funds invested in demand deposits, corporate bonds, taxable municipal bonds, mutual funds, and notes from other United Methodist organizations. GCFA allocates interest earned on the portfolio to the participating entities. For the years ended December 31, 2019 and 2018, GCFA allocated \$198,309 and \$39,405 of interest income, respectively, to the Board. While interest income can be earned based on the performance of the pooled investment funds, the Board believes there is little to no risk exposure to losses due to the relationship with GCFA and policy under which the pooled funds are invested. The operating cash requirements of the general agencies are centrally managed by GCFA.

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

DECEMBER 31, 2019 AND 2018

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, 2019 and 2018 was 4.17% and 1.14%, 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, 2019 and 2018 were as follows:

	<u>2019</u>	<u>2018</u>
Texas Methodist Foundation loan fund	18.4%	19.5%
Mutual funds	2.4%	2.0%
Short-term collateralized loan fund	0.4%	0.4%
Fixed income	15.1%	20.9%
Corporate bonds	46.1%	47.1%
Cash	17.6%	10.1%
	<u>100%</u>	<u>100%</u>

World Service Allocation – Funding for the Board’s operations is principally provided by allocations of the World Service Fund received from the General Funds of The United Methodist Church (“Church”), of which \$2,430,659 and \$2,496,375 as of December 31, 2019 and 2018, respectively, was accrued and unpaid. The General Funds of the Church are allocated to the Board based on a four-year budget developed from projections of expected program costs. The Board’s continued existence is dependent upon the Church’s future support. The Church’s future support is dependent upon contributions from its congregations.

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

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

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

Inventories – Inventories of printed literature are valued at the lower of cost (first-in, first-out) or net realizable cost. Cost is determined based on purchase price or production cost.

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

GENERAL BOARD OF DISCIPLESHIP OF THE UNITED METHODIST CHURCH

NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2019 AND 2018

Note 2—Summary of significant accounting policies (continued)

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

The expenses that are allocated include the following:

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

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

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

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

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

Revenue Concentration – Funding for the Board's operations is significantly provided by apportionments received from the General Funds of The United Methodist Church that are allocated to the Board based on a four-year budget developed from projections of expected program costs. The apportionment accounted for approximately 39% and 41% of the Board's total revenue in 2019 and 2018, respectively. The Board is dependent upon the Church's future support as well as sales of literature. The Church's future support is dependent upon contributions from its congregations (i.e., congregational participation in the apportionment covenant) as well as sales of literature to those congregations.

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

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

GENERAL BOARD OF DISCIPLESHIP OF THE UNITED METHODIST CHURCH

NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2019 AND 2018

Note 2—Summary of significant accounting policies (continued)

Services Received from Personnel of an Affiliate – Services received from personnel of an affiliate for which the affiliate does not charge the Board has been measured at the cost recognized by the affiliate in providing those services. The revenue and expense relating to those services received are presented in the related party Note 9 and totaled \$22,166 and \$24,479 for the years ended December 31, 2019 and 2018, respectively.

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

Level 1 – Values are unadjusted quoted prices for identical assets in active markets accessible at the measurement date.

Level 2 – Inputs include quoted prices for similar assets in active markets, quoted prices from those willing to trade in markets that are not active, or other inputs that are observable or can be corroborated by market data for the term of the instrument. Such inputs include market interest rates and volatilities, spreads, and yield curves.

Level 3 – Certain inputs are unobservable (supported by little or no market activity) and significant to the fair value measurement. Unobservable inputs reflect the best estimate of what hypothetical market participants would use to determine a transaction price for the asset or liability at the reporting date.

New Accounting Pronouncements – In May 2014, FASB issued Accounting Standards Update (“ASU”) 2014-09. This standard, along with all subsequent amendments to the ASU (collectively, ASC 606), creates a single framework for recognizing revenue from contracts with customers that fall within its scope of exchange transactions. There was no material impact to the financial statements and underlying accounting as a result of this implementation.

FASB issued ASU 2018-08, *Not-for-Profit Entities (Topic 958) – Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. This ASU clarifies and improves the scope and the accounting guidance for contributions received and contributions made. The Board adopted this standard during the year ended December 31, 2019 and has adjusted the presentation of the statements accordingly. The update had no impact on prior year net assets.

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

DECEMBER 31, 2019 AND 2018

Note 3—Liquidity and availability of resources

The tables below represent financial assets available for general expenditures within one year at December 31, 2019 and 2018:

	2019		
	Discipleship Ministries	The Upper Room	Consolidated
Financial assets at year end:			
Cash and cash equivalents	\$ 107,163	\$ 108,820	\$ 215,983
Due from GCFA short-term pooled investment fund	2,567,642	2,217,845	4,785,487
Accrued World Service	2,236,823	-	2,236,823
Accrued World Service - Strengthening the Black Church	125,618	-	125,618
Accrued World Service - Native American Comprehensive Plan	68,218	-	68,218
Investments	6,127,696	19,578,756	25,706,452
Funds held by outside trustees for the benefit of the Board	5,553	4,590	10,143
Accounts receivable	367,654	495,029	862,683
Accrued income receivable	116,347	72,155	188,502
Total financial assets	<u>11,722,714</u>	<u>22,477,195</u>	<u>34,199,909</u>
Less amounts not available to be used for general expenditures within one year:			
Custodial funds payable	214,498	-	214,498
Board designated	206,292	2,118,410	2,324,702
Purpose restrictions including earnings on endowments	2,355,845	391,915	2,747,760
Amounts held in perpetuity	382,940	708,840	1,091,780
Financial assets not available to be used within one year	<u>3,159,575</u>	<u>3,219,165</u>	<u>6,378,740</u>
Financial assets available to meet general expenditures within one year	<u>\$ 8,563,139</u>	<u>\$ 19,258,030</u>	<u>\$ 27,821,169</u>

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

DECEMBER 31, 2019 AND 2018

Note 3—Liquidity and availability of resources (continued)

	2018		
	Discipleship Ministries	The Upper Room	Consolidated
Financial assets at year end:			
Cash and cash equivalents	\$ 42,711	\$ 243,725	\$ 286,436
Due from GCFA short-term pooled investment fund	1,893,057	2,166,316	4,059,373
Accrued World Service	2,296,586	-	2,296,586
Accrued World Service - Strengthening the Black Church	129,476	-	129,476
Accrued World Service - Native American Comprehensive Plan	70,313	-	70,313
Investments	5,045,887	17,877,977	22,923,864
Funds held by outside trustees for the benefit of the Board	697,619	4,403	702,022
Accounts receivable	232,149	650,848	882,997
Accrued income receivable	95,725	5,064	100,789
Total financial assets	<u>10,503,523</u>	<u>20,948,333</u>	<u>31,451,856</u>
Less amounts not available to be used for general expenditures within one year:			
Custodial funds payable	290,952	-	290,952
Board designated	189,862	1,607,415	1,797,277
Purpose restrictions including earnings on endowments	2,710,437	105,891	2,816,328
Time restrictions	37,793	-	37,793
Amounts held in perpetuity	1,102,137	689,060	1,791,197
Financial assets not available to be used within one year	<u>4,331,181</u>	<u>2,402,366</u>	<u>6,733,547</u>
Financial assets available to meet general expenditures within one year	<u>\$ 6,172,342</u>	<u>\$ 18,545,967</u>	<u>\$ 24,718,309</u>

The Board has certain assets limited to use for donor-restricted purposes, as well as other Board-designated assets that are designated for future capital expenditure, programs, and plant facilities. These assets limited to use, which are more fully described in Notes 10 and 11 are not available for general expenditure within the next year. However, the Board-designated amounts could be made available, if necessary. As part of Board's liquidity management plan, cash in excess of daily requirements are invested in GCFA's short-term pooled investment fund.

Note 4—Investments

The investments at December 31, 2019 and 2018 consist of the following:

	2019		2018	
	Fair Value	Cost	Fair Value	Cost
Multiple Asset Fund (Wespath)	\$ -	\$ -	\$ 22,923,864	\$ 19,247,008
Multiple Asset Fund - I Series (Wespath)	25,706,452	22,923,864	-	-
	<u>\$ 25,706,452</u>	<u>\$ 22,923,864</u>	<u>\$ 22,923,864</u>	<u>\$ 19,247,008</u>

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

DECEMBER 31, 2019 AND 2018

Note 4—Investments (continued)

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

Net investment return for the years ended December 31, 2019 and 2018 was as follows:

	<u>2019</u>	<u>2018</u>
Return on investments:		
Realized gains on sale of investments	\$ 3,921,039	\$ 570,687
Unrealized gains (losses) on investments	861,549	(2,091,659)
Net investment return	<u>\$ 4,782,588</u>	<u>\$ (1,520,972)</u>

Note 5—Fair value measurement

Required disclosures concerning the estimated fair value of financial instruments are presented below. The estimated fair value amounts have been determined based on the Board’s assessment of available market information and appropriate valuation methodologies. The following table summarizes required fair value disclosures and measurements at December 31, 2019 and 2018 for assets and liabilities measured at fair value on a recurring basis under ASC 820, *Fair Value Measurements and Disclosures*:

	<u>Fair Value Measurements at Reporting Date Using</u>			
	<u>Amounts Measured at at Fair Value</u>	<u>Quoted Prices in Active Markets for Identical Instruments (Level 1)</u>	<u>Significant Other Observable Inputs (Level 2)</u>	<u>Significant Unobservable Inputs (Level 3)</u>
December 31, 2019				
Funds held by outside trustees for the benefit of the Board:	\$ 10,143	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 10,143</u>
Investments reported at net asset value:				
Multiple Asset Fund (I Series) - Wespath*	<u>25,706,452</u>			
Total Investments	<u>\$ 25,706,452</u>			

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

DECEMBER 31, 2019 AND 2018

Note 5—Fair value measurement (continued)

	Fair Value Measurements at Reporting Date Using			
	Amounts Measured at at Fair Value	Quoted Prices in Active Markets for Identical Instruments (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
December 31, 2018				
Funds held by outside trustees for the benefit of the Board:	\$ 702,022	\$ -	\$ -	\$ 702,022
Investments reported at net asset value:				
Multiple Asset Fund - Wespath*	22,923,864			
Total Investments	<u>\$ 22,923,864</u>			

* In accordance with ASC Subtopic 820-10, certain investments that are measured at fair value using the net asset value (“NAV”) per share (or its equivalent) practical expedient have not been classified in the fair value hierarchy. The fair value amounts presented in this table are intended to permit reconciliation of the fair value hierarchy to the amounts presented in the consolidated statements of financial position.

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

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

The following is a reconciliation of activity for 2019 and 2018 for assets measured at fair value based on significant unobservable information:

	2019	2018
Balance, beginning of year	\$ 702,022	\$ 794,896
Change in fair value	412	(62,582)
Sales and redemptions	(692,291)	(30,292)
Balance, end of year	<u>\$ 10,143</u>	<u>\$ 702,022</u>

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

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

DECEMBER 31, 2019 AND 2018

Note 6—Accounts receivable

Accounts receivable at December 31 consist of the following:

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

	2018		
	Discipleship Ministries	The Upper Room	Total
Trade accounts	\$ -	\$ 772,011	\$ 772,011
Due from other agencies	180,929	-	180,929
Other	51,220	-	51,220
	<u>232,149</u>	<u>772,011</u>	<u>1,004,160</u>
Less allowance for doubtful accounts	-	(121,163)	(121,163)
	<u>\$ 232,149</u>	<u>\$ 650,848</u>	<u>\$ 882,997</u>

Note 7—Property, buildings, and equipment

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

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

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

DECEMBER 31, 2019 AND 2018

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

	2018		
	Discipleship Ministries	The Upper Room	Total
Land and land improvements	\$ 257,318	\$ 223,836	\$ 481,154
Buildings and improvements	1,689,404	8,064,330	9,753,734
Furniture, fixtures, and equipment	1,524,187	754,202	2,278,389
	<u>3,470,909</u>	<u>9,042,368</u>	<u>12,513,277</u>
Less accumulated depreciation	(2,662,292)	(6,025,655)	(8,687,947)
	<u>\$ 808,617</u>	<u>\$ 3,016,713</u>	<u>\$ 3,825,330</u>

Depreciation expense was \$794,984 and \$824,385 for 2019 and 2018, respectively. Included in buildings and improvements is the Board's portion of a building jointly owned with the General Board of Higher Education and Ministry ("GBHEM").

Property owned by the Board is presented in Schedule 3.

Note 8—Employee benefits

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

The Board makes semi-monthly contributions to each eligible employee's account held by Wespath based on 8% of annual employee compensation. Additionally, the Board matches up to 2% of each employee's compensation to their United Methodist Personal Investment Plan (UMPIP). Total contributions made by the Board for both components during 2019 and 2018 were \$922,417 and \$935,066, respectively.

Health, Life, and Other Employee Benefits – The General Agencies of The United Methodist Church Benefit Plan (the "Plan"), which qualifies for treatment as a multiemployer plan under Accounting Standards Codification (ASC) 715, *Compensation - Retirement Benefits*, provides medical, dental, life, and long- and short-term disability defined benefits to participants of the 11 general agencies, all Bishops covered by the Episcopal Fund, and employees of other United Methodist related organizations. Effective January 1, 2004, Plan amendments were made to change the retiree benefits offered and increase the related premiums paid by retirees.

The Board provides health, dental, life, and other employee benefits for its active employees and health, dental, and life benefits to non-Medicare eligible retirees through the Plan. Retirees who are Medicare eligible, and who elect to enroll, are eligible for a Health Reimbursement Account ("HRA") up to \$2,100 annually and \$2,000 annually for their spouse, if applicable. Unused reimbursement funds continue to roll-over to subsequent years until death of the retiree or their spouse, whichever is later.

The cost of the benefits is recognized as an expense as premiums are paid. The total cost of benefits for active employees was \$1,380,367 and \$1,551,780 in 2019 and 2018, respectively, and the cost of retired employees was \$375,614 and \$548,725, respectively, exclusive of reimbursement from the General Agency Benefit Trust ("Benefit Trust").

The Plan's unfunded accumulated postretirement benefit obligation ("APBO") was approximately \$76,725,000 and \$94,500,000 as of December 31, 2019 and 2018, respectively, and the Plan's unfunded expected postretirement benefit obligation ("EPBO") was approximately \$106,750,000 and \$131,500,000 as of December 31, 2019 and 2018, respectively.

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

DECEMBER 31, 2019 AND 2018

Note 8—Employee benefits (continued)

Wespath has transferred certain excess pension assets to the Benefit Trust established by the 1996 General Conference. Annually, the Benefit Trust allows a stated percentage payout, 6% for 2019 and 6% for 2018, of the fair market value of Benefit Trust assets at year-end to be available for distribution in the subsequent year in order to reimburse the participating agencies, through GCFA, for their funding of active and retiree employee benefits. The fair value of the Benefit Trust's assets (not plan assets) was approximately \$167,449,000 and \$146,625,000 as of December 31, 2019 and 2018, respectively. The total amount available for reimbursement in 2019 and 2018 was \$8,797,702 and \$9,948,300, respectively, of which the Board's share, net of retiree health benefits was \$1,767,974 and \$1,945,825, respectively.

Note 9—Related party transactions

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

	<u>2019</u>	<u>2018</u>
Statements of Financial Position:		
Due from GCFA short-term pooled investment fund	\$ 4,785,487	\$ 4,059,373
Accrued World Service Fund allocation	2,236,823	2,296,586
Accrued World Service Fund allocation - SBC21	125,618	129,476
Accrued World Service Fund allocation - NACP	68,218	70,313
Accounts receivable from related organizations	378,790	180,929
Funds held by outside trustees for the benefit of the Board	10,143	702,022
Statements of Activities:		
Revenue:		
Net sales - United Methodist Publishing House	347,238	449,240
Allocations through GCFA - World Service	7,348,179	8,049,961
Allocations through GCFA - Youth Service Fund	37,039	30,603
Allocations through GCFA - NACP	225,649	247,199
Allocations through GCFA - SBC21	415,516	455,199
Benefit Trust distribution	1,767,974	1,945,826
Reimbursements from related organizations	229,428	413,365
Services received from GCFA	22,166	24,479
Investment return from GCFA short-term pooled investment fund	198,309	39,405
Expenses:		
Personnel expenses - Group insurance expense	1,755,981	2,100,505
Administration provided by GCFA	22,166	24,479

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

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

DECEMBER 31, 2019 AND 2018

Note 10—Board-designated net assets

Certain net assets without donor restrictions at December 31, 2019 and 2018 have been designated by the Board of directors for the following purposes:

	<u>2019</u>	<u>2018</u>
Discipleship Ministries:		
Board-Designated:		
Older Adult Ministries Plan	\$ 46,301	\$ 48,317
Division on Ministries with Young People International Scholarship Fund	139,423	115,977
Division on Ministries with Young People Racial Justice Contingency Grant	20,568	25,568
Total Board-Designated Net Assets	<u>\$ 206,292</u>	<u>\$ 189,862</u>
 The Upper Room:		
Board-Designated:		
Capital Expenditures	\$ 1,761,725	\$ 1,224,728
Emmaus Funding Plan	25,000	25,000
Academy Leader Program	50,000	50,000
CTR Program	169,101	195,103
Chaplains Fund	50,000	50,000
International Editions Fund	62,584	62,584
Total Board-Designated Net Assets	<u>\$ 2,118,410</u>	<u>\$ 1,607,415</u>

GENERAL BOARD OF DISCIPLESHIP OF THE UNITED METHODIST CHURCH

NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2019 AND 2018

Note 10—Board-designated net assets (continued)

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

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

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

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

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

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

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

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

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

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

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

DECEMBER 31, 2019 AND 2018

Note 11—Net assets with donor restrictions

Net assets with donor restrictions at December 31, 2019 and 2018 have been restricted by the donors for the following purpose restrictions:

	<u>2019</u>	<u>2018</u>
Discipleship Ministries:		
Subject to purpose restriction:		
New Church Starts Foundation for Evangelism	\$ 62,357	\$ 56,009
Legacy of Leadership	-	99,557
National Hispanic Plan	262,040	400,352
Native American Comprehensive Plan	144,684	168,053
Strengthening the Black Church for the 21st Century	3,423	326
E-Reader Project	202,845	310,331
Korean Partner in Mission	183,987	176,088
Total subject to purpose restriction	<u>859,336</u>	<u>1,210,716</u>
Subject to passage of time:		
Pledges receivable:		
Legacy of Leadership	-	11,293
E-Reader Project	-	26,500
Total subject to the passage of time	<u>-</u>	<u>37,793</u>
Endowments:		
Accumulated earnings on the Board endowment fund	1,496,509	1,499,721
The Board endowment fund held in perpetuity	382,940	1,102,137
Total endowments	<u>1,879,449</u>	<u>2,601,858</u>
Total net assets with donor restrictions	<u>\$ 2,738,785</u>	<u>\$ 3,850,367</u>
The Upper Room:		
Subject to purpose restriction:		
Emmaus Funding Plan	\$ 48,727	\$ 54,287
Crisis Literature Programs	2,309	2,309
Spiritual Academies Fund	70,531	48,192
Chaplain Donations	69,220	-
Total subject to purpose restriction	<u>190,787</u>	<u>104,788</u>
Endowments:		
Accumulated earnings on the Upper Room endowment fund	201,128	1,103
Upper Room endowment fund held in perpetuity	708,840	689,060
Total endowments	<u>909,968</u>	<u>690,163</u>
Total net assets with donor restrictions	<u>\$ 1,100,755</u>	<u>\$ 794,951</u>

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

DECEMBER 31, 2019 AND 2018

Note 11—Net assets with donor restrictions (continued)

Net assets with donor restrictions for the years ended December 31, 2019 and 2018 were released from donor restrictions by incurring expenses satisfying the restricted purposes or by occurrence of other events specified by donors.

	<u>2019</u>	<u>2018</u>
Discipleship Ministries:		
New Church Starts Foundation for Evangelism	\$ 339	\$ 5,754
Legacy of Leadership Camp Annual Fund	126,452	1,500
National Hispanic Plan	186,111	102,426
Native American Comprehensive Plan	275,858	318,153
Strengthening the Black Church for the 21st Century	562,364	741,554
E-Reader Project	167,038	133,805
Korean Partner in Mission	52,328	15,310
Wesley Pilgrimage	-	273,491
Sam Taylor	120,587	64,910
O'Neal Memorial Fund	1,227	6,214
Stewardship Literature	-	87,474
Solomon Cramer	756,300	30,700
Board of Discipleship Total	<u>2,248,604</u>	<u>1,781,291</u>
The Upper Room:		
Emmaus Gift Fund	39,331	77,929
Spiritual Academies Fund	10,195	89,223
Chaplain Donations	153,657	-
The Upper Room Total	<u>203,183</u>	<u>167,152</u>
Total Releases from Restriction	<u>\$ 2,451,787</u>	<u>\$ 1,948,443</u>

Note 12—Endowment

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

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

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

DECEMBER 31, 2019 AND 2018

Note 12—Endowment (continued)

In accordance with applicable state laws, the Board considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- The duration and preservation of the fund
- The purposes of the Board and the donor-restricted endowment fund
- General economic conditions
- The possible effect of inflation and deflation
- The expected total return from income and the appreciation of investments
- Other resources of the Board
- The investment policies of the Board

As of December 31, 2019 and 2018, the Board had the following endowment net asset composition by type of fund:

	December 31, 2019		
	Without Donor Restrictions	With Donor Restrictions	Total
Donor-restricted endowment funds:			
Original donor-restricted gift amount and amounts required to be maintained in perpetuity by donor	\$ -	\$ 1,091,780	\$ 1,091,780
Accumulated investment gains	-	1,697,637	1,697,637
Endowment net assets, December 31, 2019	<u>\$ -</u>	<u>\$ 2,789,417</u>	<u>\$ 2,789,417</u>
	December 31, 2018		
	Without Donor Restrictions	With Donor Restrictions	Total
Donor-restricted endowment funds:			
Original donor-restricted gift amount and amounts required to be maintained in perpetuity by donor	\$ -	\$ 1,791,197	\$ 1,791,197
Accumulated investment gains	-	1,500,824	1,500,824
Endowment net assets, December 31, 2018	<u>\$ -</u>	<u>\$ 3,292,021</u>	<u>\$ 3,292,021</u>

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor or the applicable state law requires the Board to retain as a fund of perpetual duration. The Board has interpreted UPMIFA to permit spending from underwater endowments in accordance with prudent measures required under law. At December 31, 2019 and 2018, the Board had no underwater endowments.

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

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

DECEMBER 31, 2019 AND 2018

Note 12—Endowment (continued)

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

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

Changes in endowment net assets for the years ended December 31, 2019 and 2018 are as follows:

	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets, December 31, 2017	\$ -	\$ 3,476,424	\$ 3,476,424
Investment return, net	-	(2,969)	(2,969)
Contributions	-	7,865	7,865
Appropriation of endowment assets for expenditure pursuant to spending-rate policy	-	(189,299)	(189,299)
Endowment net assets, December 31, 2018	-	3,292,021	3,292,021
Investment return, net	-	382,636	382,636
Contributions	-	19,165	19,165
Release of funds held in perpetuity	-	(719,196)	(719,196)
Appropriation of endowment assets for expenditure pursuant to spending-rate policy	-	(185,209)	(185,209)
Endowment net assets, December 31, 2019	<u>\$ -</u>	<u>\$ 2,789,417</u>	<u>\$ 2,789,417</u>

GENERAL BOARD OF DISCIPLESHIP OF THE UNITED METHODIST CHURCH

NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2019 AND 2018

Note 13—Subsequent events

Management has evaluated subsequent events through July 21, 2020, the date the financial statements were available for issuance. Management has determined that there are no subsequent events requiring disclosure other than those included below.

The Protocol of Reconciliation and Grace Through Separation was introduced as legislation in early 2020 for the upcoming General Conference. This joins other legislative proposals that if adopted by the General Conference would provide an alternative way for churches to separate from The United Methodist Church. These proposals include a provision for new denominations to receive financial payments from The United Methodist Church and retain their real estate. The scheduled General Conference has been delayed until 2021, and the financial impact resulting from these potential separations on the Board is unknown at this time.

As a result of the spread of COVID-19 in early 2020, economic uncertainties have arisen, which are likely to negatively impact operating results of the Board. Other financial impacts could occur though such potential impact is unknown at this time.

In accordance with Section 1102 of the Coronavirus Aid, Relief, and Economic Security Act (the “CARES Act”), signed March 27, 2020, the Board applied for and received a Paycheck Protection Program loan on April 18, 2020, totaling \$1,142,800. Section 1106 of the CARES Act provides for forgiveness of up to the full principal amount of qualifying loans including accrued interest to the extent the Board incurs certain qualifying expenses and maintains a certain level of average full-time equivalent employees during the measurement period following closing of the loan. Any portion of the loan that is not forgiven has a term of five years with an interest rate of 1%.

SUPPLEMENTAL SCHEDULES

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

SCHEDULE 1

DECEMBER 31, 2019 AND 2018

Statements of Financial Position Information

	<u>2019</u>	<u>2018</u>
Assets		
Accrued World Service allocation	\$ 125,618	\$ 129,476
Total Assets	<u>\$ 125,618</u>	<u>\$ 129,476</u>
Liabilities		
Deferred income	\$ 50,000	\$ -
Due to GBOD	222,195	129,150
Total liabilities	<u>272,195</u>	<u>129,150</u>
Net Assets		
Without Donor Restrictions	(150,000)	-
With Donor Restrictions	3,423	326
Total Liabilities and Net Assets	<u>\$ 125,618</u>	<u>\$ 129,476</u>

Statements of Activities and Changes in Net Assets Information

	<u>2019</u>			<u>2018</u>		
	<u>Without Donor Restrictions</u>	<u>With Donor Restricted</u>	<u>Total</u>	<u>Without Donor Restrictions</u>	<u>With Donor Restricted</u>	<u>Total</u>
Revenue:						
Allocations through the GCFA:						
World Service	\$ -	\$ 415,516	\$ 415,516	\$ -	\$ 455,199	\$ 455,199
Registration and Project Income	-	149,945	149,945	-	184,684	184,684
Advance Special Contributions	-	-	-	-	19,277	19,277
Investment return, net	-	-	-	-	(2,877)	(2,877)
Release of temporary restrictions	562,364	(562,364)	-	741,554	(741,554)	-
Total Revenue	<u>562,364</u>	<u>3,097</u>	<u>565,461</u>	<u>741,554</u>	<u>(85,271)</u>	<u>656,283</u>
Expenses:						
Program services	338,251	-	338,251	448,872	-	448,872
Personnel expenses	294,986	-	294,986	239,921	-	239,921
Staff travel	35,357	-	35,357	20,285	-	20,285
Other general and administrative expense	43,770	-	43,770	32,476	-	32,476
Total Expenses	<u>712,364</u>	<u>-</u>	<u>712,364</u>	<u>741,554</u>	<u>-</u>	<u>741,554</u>
Change in net assets	(150,000)	3,097	(146,903)	-	(85,271)	(85,271)
Net asset (deficit), beginning of year	-	326	326	-	85,597	85,597
Net assets, end of year	<u>\$ (150,000)</u>	<u>\$ 3,423</u>	<u>\$ (146,577)</u>	<u>\$ -</u>	<u>\$ 326</u>	<u>\$ 326</u>

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

SCHEDULE 2

DECEMBER 31, 2019 AND 2018

Statements of Financial Position Information

	<u>2019</u>	<u>2018</u>
Assets		
Accrued World Service allocation	\$ 68,218	\$ 70,313
Due from GBOD	76,466	97,740
Total Assets	<u>\$ 144,684</u>	<u>\$ 168,053</u>
Net Assets		
With Donor Restrictions	<u>\$ 144,684</u>	<u>\$ 168,053</u>
Total Liabilities and Net Assets	<u>\$ 144,684</u>	<u>\$ 168,053</u>

Statements of Activities and Changes in Net Assets Information

	<u>2019</u>			<u>2018</u>		
	<u>Without Donor Restrictions</u>	<u>With Donor Restricted</u>	<u>Total</u>	<u>Without Donor Restrictions</u>	<u>With Donor Restricted</u>	<u>Total</u>
Revenue:						
Allocations through the GCFA:						
World Service	\$ -	\$ 225,649	\$ 225,649	\$ -	\$ 247,199	\$ 247,199
Registration and Project Income	-	6,376	6,376	-	9,145	9,145
Grants and contributions	-	400	400	-	-	-
Fees from other agencies	-	-	-	-	3,000	3,000
Investment return, net	-	20,064	20,064	-	(7,891)	(7,891)
Release of temporary restrictions	275,858	(275,858)	-	318,153	(318,153)	-
Total Revenue	<u>275,858</u>	<u>(23,369)</u>	<u>252,489</u>	<u>318,153</u>	<u>(66,700)</u>	<u>251,453</u>
Expenses:						
Program services	422	-	422	23,327	-	23,327
Personnel expenses	152,655	-	152,655	174,605	-	174,605
Staff travel	18,038	-	18,038	15,838	-	15,838
Meeting Expense	199	-	199	29,152	-	29,152
Promotional materials	-	-	-	2,001	-	2,001
Other general and administrative expense	104,544	-	104,544	73,230	-	73,230
Total Expenses	<u>275,858</u>	<u>-</u>	<u>275,858</u>	<u>318,153</u>	<u>-</u>	<u>318,153</u>
Change in net assets	-	(23,369)	(23,369)	-	(66,700)	(66,700)
Net asset (deficit), beginning of year	-	168,053	168,053	-	234,753	234,753
Net assets, end of year	<u>\$ -</u>	<u>\$ 144,684</u>	<u>\$ 144,684</u>	<u>\$ -</u>	<u>\$ 168,053</u>	<u>\$ 168,053</u>

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

SCHEDULE 3

DECEMBER 31, 2019

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

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

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