

UNITED METHODIST WOMEN
FINANCIAL STATEMENTS
DECEMBER 31, 2012 AND 2011

UNITED METHODIST WOMEN

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Independent Auditor's Report

The Board of Directors of
United Methodist Women

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

We have audited the accompanying financial statements of United Methodist Women ("UMW"), which comprise the statements of financial position as of December 31, 2012 and 2011, and the related statements of activities 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 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 audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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



Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of United Methodist Women as of December 31, 2012 and 2011, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Crosslin & Associates, P.C.

Nashville, Tennessee
May 30, 2013

UNITED METHODIST WOMEN

Statements of Financial Position

December 31, 2012 and 2011

Assets	<u>2012</u>	<u>2011</u>
Cash and cash equivalents	\$ 4,868,649	\$ 5,156,867
Cash and cash equivalents - State of North Carolina operating reserve requirement for Brooks Howell Home	1,156,768	1,146,011
Receivables:		
Due from conferences	5,152,228	5,499,329
Investment income	9,425	112,110
Staff and other mortgages	19,636	23,636
Property sales	232,410	101,551
Other	1,063,796	920,359
Inventories and other assets	1,237,338	2,066,955
Prepaid expenses	71,356	71,586
Investments in debt securities of The United Methodist Development Fund	5,500	5,500
Investments	75,876,520	74,709,644
Land, buildings, and equipment, net	6,001,756	6,166,857
Perpetual trusts held by others	<u>886,684</u>	<u>857,429</u>
 Total assets	 <u>\$96,582,066</u>	 <u>\$96,837,834</u>
Liabilities and Net Assets		
Liabilities:		
Accounts payable and accrued expenses	\$ 2,069,251	\$ 2,390,064
Due to the General Board of Global Ministries and related entities	414,935	309,508
Grants payable	122,539	122,539
Deferred revenue	20,158	256,596
Annuities payable	368,499	442,509
Assets held for others	3,387,526	3,108,638
Accrued postretirement and pension benefit costs	<u>29,979,542</u>	<u>30,471,146</u>
 Total liabilities	 <u>36,362,450</u>	 <u>37,101,000</u>
Net assets:		
Unrestricted:		
Undesignated	11,875,475	13,166,627
Board designated for programs	3,892,437	5,157,717
Designated for retirement benefits of missionaries and deaconesses	2,947,723	1,441,549
Designated funds functioning as endowment	<u>436,174</u>	<u>389,795</u>
 Total unrestricted	 19,151,809	 20,155,688
Temporarily restricted	26,087,701	24,536,541
Permanently restricted	<u>14,980,106</u>	<u>15,044,605</u>
 Total net assets	 <u>60,219,616</u>	 <u>59,736,834</u>
 Total liabilities and net assets	 <u>\$96,582,066</u>	 <u>\$96,837,834</u>

See accompanying notes to financial statements.

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Statement of Activities

Year Ended December 31, 2012

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Operating revenues:				
From United Methodist Women conferences:				
Pledge to Mission	\$ 10,774,839	\$ -	\$ -	\$ 10,774,839
Special Mission Recognition	760,292	-	-	760,292
Gift to Mission	885,426	-	-	885,426
Gift in Memory	355,284	-	-	355,284
World Thanks Offering	1,317,969	-	-	1,317,969
Other mission giving	6,308	-	-	6,308
Supplementary gifts	83,404	23,850	-	107,254
Call to Prayer	-	809,460	-	809,460
Assembly offering	-	9,093	-	9,093
Benefits Trust reimbursement	426,353	-	-	426,353
Agency Group Insurance Fund distribution	177,855	-	-	177,855
Bequests and other contributions	655,919	204,088	-	860,007
Interest income from cash equivalents and mortgage loans	14,794	-	-	14,794
Investment income, net of fees	1,633,290	-	-	1,633,290
Resident service fees from Brooks Howell Home	3,071,580	-	-	3,071,580
Publication sales, rental income and other program revenue	<u>6,001,892</u>	<u>-</u>	<u>-</u>	<u>6,001,892</u>
	26,165,205	1,046,491	-	27,211,696
Net assets released from restrictions	<u>3,262,358</u>	<u>(3,242,358)</u>	<u>(20,000)</u>	<u>-</u>
Total operating revenues	<u>29,427,563</u>	<u>(2,195,867)</u>	<u>(20,000)</u>	<u>27,211,696</u>
Operating expenses:				
Program services:				
Programs administered by other organizations	6,185,434	-	-	6,185,434
Programs administered by UMW:				
Mission programs	10,864,400	-	-	10,864,400
Mission personnel:				
Brooks Howell Home	3,650,659	-	-	3,650,659
Pension and other postretirement expenses	3,336,821	-	-	3,336,821
Property repairs and maintenance	1,842,418	-	-	1,842,418
Mission Resources, Church Center for the United Nations, and <i>Response</i> operating expenses	4,860,069	-	-	4,860,069
Scarritt-Bennett Center	<u>100,000</u>	<u>-</u>	<u>-</u>	<u>100,000</u>
Total program services	<u>30,839,801</u>	<u>-</u>	<u>-</u>	<u>30,839,801</u>
Supporting services:				
Management and general	2,564,446	-	-	2,564,446
Fund-raising	<u>181,574</u>	<u>-</u>	<u>-</u>	<u>181,574</u>
Total supporting services	<u>2,746,020</u>	<u>-</u>	<u>-</u>	<u>2,746,020</u>
Total operating expenses	<u>33,585,821</u>	<u>-</u>	<u>-</u>	<u>33,585,821</u>
Decrease in net assets from operations	<u>(4,158,258)</u>	<u>(2,195,867)</u>	<u>(20,000)</u>	<u>(6,374,125)</u>
Nonoperating activities:				
Net appreciation in fair value of investments	3,162,526	3,727,628	-	6,890,154
Net appreciation (depreciation) in assets held by others	(8,147)	-	29,255	21,108
Gain on sale of properties	-	-	-	-
Endowment contributions and reclassifications, including perpetual trusts	<u>-</u>	<u>19,399</u>	<u>(73,754)</u>	<u>(54,355)</u>
Total non-operating activities	<u>3,154,379</u>	<u>3,747,027</u>	<u>(44,499)</u>	<u>6,856,907</u>
Increase (decrease) in net assets	<u>(1,003,879)</u>	<u>1,551,160</u>	<u>(64,499)</u>	<u>482,782</u>
Net assets at beginning of year	<u>20,155,688</u>	<u>24,536,541</u>	<u>15,044,605</u>	<u>59,736,834</u>
Net assets at end of year	<u>\$ 19,151,809</u>	<u>\$ 26,087,701</u>	<u>\$ 14,980,106</u>	<u>\$ 60,219,616</u>

See accompanying notes to financial statements.

UNITED METHODIST WOMEN

Statement of Activities

Year Ended December 31, 2011

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Operating revenues:				
From United Methodist Women conferences:				
Pledge to Mission	\$ 11,155,205	\$ -	\$ -	\$ 11,155,205
Special Mission Recognition	726,278	-	-	726,278
Gift to Mission	596,426	-	-	596,426
Gift in Memory	381,055	-	-	381,055
World Thanks Offering	1,327,278	-	-	1,327,278
Other mission giving	7,196	-	-	7,196
Supplementary gifts	183,200	60,467	-	243,667
Call to Prayer	-	865,516	-	865,516
Assembly offering	-	8,139	-	8,139
Benefits Trust reimbursement	189,519	-	-	189,519
Agency Group Insurance Fund distribution	177,855	-	-	177,855
Bequests and other contributions	263,026	421,827	-	684,853
Interest income from cash equivalents and mortgage loans	32,134	-	-	32,134
Investment income, net of fees	720,154	-	-	720,154
Resident service fees from Brooks Howell Home	3,090,630	-	-	3,090,630
Publication sales, rental income and other program revenue	5,538,817	-	-	5,538,817
	<u>24,388,773</u>	<u>1,355,949</u>	<u>-</u>	<u>25,744,722</u>
Net assets released from restrictions	<u>1,463,056</u>	<u>(1,419,894)</u>	<u>(43,162)</u>	<u>-</u>
Total operating revenues	<u>25,851,829</u>	<u>(63,945)</u>	<u>(43,162)</u>	<u>25,744,722</u>
Operating expenses:				
Program services:				
Programs administered by other organizations	6,106,018	-	-	6,106,018
Programs administered by UMW:				
Mission programs	9,715,702	-	-	9,715,702
Mission personnel:				
Brooks Howell Home	3,443,070	-	-	3,443,070
Pension and other postretirement expenses	5,340,945	-	-	5,340,945
Property repairs and maintenance	2,096,744	-	-	2,096,744
Mission Resources, Church Center for the United Nations, and <i>Response</i> operating expenses	5,332,896	-	-	5,332,896
Scarritt-Bennett Center	48,000	-	-	48,000
Total program services	<u>32,083,375</u>	<u>-</u>	<u>-</u>	<u>32,083,375</u>
Supporting services:				
Management and general	1,735,462	-	-	1,735,462
Fund-raising	144,962	-	-	144,962
Total supporting services	<u>1,880,424</u>	<u>-</u>	<u>-</u>	<u>1,880,424</u>
Total operating expenses	<u>33,963,799</u>	<u>-</u>	<u>-</u>	<u>33,963,799</u>
Decrease in net assets from operations	<u>(8,111,970)</u>	<u>(63,945)</u>	<u>(43,162)</u>	<u>(8,219,077)</u>
Nonoperating activities:				
Net appreciation (depreciation) in fair value of investments	280,123	(706,513)	-	(426,390)
Net depreciation in assets held by others	-	(510)	(26,648)	(27,158)
Gain on sale of properties	1,599,062	-	-	1,599,062
Endowment contributions and reclassifications, including perpetual trusts	-	-	(4,052)	(4,052)
Total non-operating activities	<u>1,879,185</u>	<u>(707,023)</u>	<u>(30,700)</u>	<u>1,141,462</u>
Decrease in net assets	<u>(6,232,785)</u>	<u>(770,968)</u>	<u>(73,862)</u>	<u>(7,077,615)</u>
Net assets at beginning of year	<u>26,388,473</u>	<u>25,307,509</u>	<u>15,118,467</u>	<u>66,814,449</u>
Net assets at end of year	<u>\$ 20,155,688</u>	<u>\$ 24,536,541</u>	<u>\$ 15,044,605</u>	<u>\$ 59,736,834</u>

See accompanying notes to financial statements.

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Statements of Cash Flows

Years Ended December 31, 2012 and 2011

	2012	2011
Cash flows from operating activities:		
Increase (decrease) in net assets	\$ 482,782	\$(7,077,615)
Adjustments to reconcile increase (decrease) in net assets to net cash used in operating activities:		
Depreciation	894,170	730,875
Net (appreciation) depreciation in fair value of investments	(6,890,154)	426,390
Net (appreciation) depreciation in fair value of assets held for others	(193,649)	45,999
Net (appreciation) depreciation in perpetual trusts held by others	(29,255)	26,648
Gain on sale of properties	-	(1,599,062)
Contributions and investment return restricted for long-term investment	73,754	4,052
Actuarial loss on annuity obligations	16,230	8,322
Matured annuity agreements	(38,618)	(14,696)
Decrease (increase) in receivables	175,490	(59,502)
Decrease (increase) in inventories and other assets	829,617	(158,638)
Decrease (increase) in prepaid expenses	230	(48,411)
Decrease in accounts payable and accrued expenses	(320,813)	(1,415,951)
Increase (decrease) in due to/from the General Board of Global Ministries and related entities, net	105,427	(685,012)
(Decrease) increase in deferred revenue	(236,438)	156
Increase (decrease) in assets held for others	278,888	(81,846)
(Decrease) increase in accrued postretirement and pension benefit costs	(491,604)	1,353,478
Net cash used in operating activities	(5,343,943)	(8,544,813)
Cash flows from investing activities:		
Proceeds from sale of properties	-	1,599,062
Purchases of land, buildings, and equipment	(729,069)	(373,573)
Proceeds from sales of investments	106,644,922	42,523,158
Purchases of investments	(100,727,995)	(37,446,502)
Principal collections on mortgages	4,000	1,750
Net cash provided by investing activities	5,191,858	6,303,895
Cash flows from financing activities:		
Contributions and investment return restricted for long-term investment	(73,754)	(4,052)
Payments of annuity obligations	(51,622)	(63,776)
Net cash used in financing activities	(125,376)	(67,828)
Net decrease in cash and cash equivalents	(277,461)	(2,308,746)
Cash and cash equivalents at beginning of year	6,302,878	8,611,624
Cash and cash equivalents at end of year	\$ 6,025,417	\$ 6,302,878

See accompanying notes to financial statements.

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Notes to Financial Statements

December 31, 2012 and 2011

(1) Nature of Organization

United Methodist Women (“UMW”), a tax-exempt, not-for-profit organization, operates under the *Book of Discipline* of The United Methodist Church, as it is from time to time promulgated by the General Conference of The United Methodist Church (the “Church”), which is the ultimate governing body of The United Methodist Church.

UMW previously operated as the Women’s Division of the General Board of Global Ministries of The United Methodist Church. Action of the 2012 General Conference established the United Methodist Women as an independent Church organization.

UMW relates to United Methodist women jurisdictions, conferences, districts, and local units in interpreting the purpose of the United Methodist Women by advocating for the oppressed and dispossessed, especially women, children, and youth. It works to build a supportive community among women and engages in activities, which foster growth in the Christian faith, mission education, and Christian social involvement throughout the Church.

Funding for UMW’s operations is principally pledged by United Methodist women in local churches through undesignated and designated gifts, and channeled to UMW via the districts and conferences. UMW’s continued existence is dependent upon the future financial support of its United Methodist women members. Contributions received from United Methodist women conferences accounted for 55% and 59% of total operating revenue of UMW in 2012 and 2011, respectively. In addition to appropriating the funds of United Methodist women, UMW operates the following program areas: Alma Matthews, a small housing and meeting facility in New York City; Church Center for the United Nations (“CCUN”) building, a non-profit providing office space for religious and charitable groups working on issues related to the United Nations; UMW Mission Resources (“MR”), a handling and distribution program for the distribution of UMW’s media resources and *Response* magazine, the official publication of United Methodist Women; and Brooks Howell Home (“BHH”), a retirement facility in Asheville, North Carolina, for UMW’s retired missionaries and deaconesses.

(2) Summary of Significant Accounting Policies

(a) Basis of Accounting

The financial statements of UMW are prepared on the accrual basis of accounting. UMW considers the net appreciation or depreciation in fair value of investments, endowment contributions, perpetual trust contributions and change in value, property sale gains, and nonrecurring transactions to be nonoperating activities.

(b) Principles of Presentation

The financial statements present the financial position, changes in net assets, and cash flows of UMW and its controlled affiliates and operating divisions: Alma Matthews, CCUN, MR, and BHH. All significant intercompany accounts and transactions have been eliminated.

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Notes to Financial Statements

December 31, 2012 and 2011

(c) *Cash and Cash Equivalents*

Cash and cash equivalents include cash on hand, demand deposits, and short-term investments with original maturity dates of 90 days or less that are readily convertible to known amounts of cash, except for short-term investments held by UMW's investment manager as part of a long-term investment strategy.

(d) *Investments*

Securities purchased for investments and those received as gifts are carried at fair value. Except for investments in United Methodist Foundation of Western North Carolina, Inc. (the "Foundation") and the Multiple Asset Fund of the General Board of Pension and Health Benefits of The United Methodist Church ("GBOPHB"), fair value is based upon quoted market prices. Investments in funds of the Foundation are stated at fair value, as determined by management of the Foundation, based on unitized market value of the fund portfolio. Investments in GBOPHB's Multiple Asset Fund are a composite of U.S. equity funds (44%), fixed income funds (25%), international equity funds (20%), inflation protection funds (10%), and multiple asset fund cash (1%), which are stated at fair value based on unitized market value of the fund portfolio.

(e) *Inventories*

Inventories consist primarily of publications and are valued at the lower of cost or market, with cost determined principally on the first-in, first-out basis.

(f) *Land, Buildings and Equipment*

Land, buildings, and equipment are recorded at the cost of acquisition, if purchased or at fair value at the date of gift. It is UMW's policy to capitalize expenditures for equipment in excess of \$2,500; purchases, which do not exceed this amount, are expensed as incurred. Buildings, building improvements, and equipment are depreciated on a straight-line basis over their estimated useful lives of 30, 20, and 5 years, respectively.

UMW has granted use of certain properties (land and buildings) to related church organizations under leasing or other arrangements and, accordingly, these properties are not reflected in the accompanying financial statements. These arrangements may call for nominal payments and are typically renewed so long as the grantee continues to carry out the stated programs. The carrying value of such properties was reflected as program expenditure at the time the arrangements for indefinite use of the properties were made.

Renovation, repair and maintenance and insurance costs incurred by UMW for such properties are recorded as program expenses in the accompanying financial statements. Such costs amounted to approximately \$1,842,000 and \$2,097,000 in 2012 and 2011, respectively.

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Notes to Financial Statements

December 31, 2012 and 2011

(g) *Bequests, Contributions and Other*

Contributions, which include unconditional promises to give, are recognized as revenue when received. Bequest income is recorded when the will is declared valid. Contributions received on behalf of a specified beneficiary are recorded as a liability to the specified beneficiary concurrent with recognition of the assets received from the donor.

In its operation of Brooks Howell Home, UMW may collect certain entrance fees upon admittance of a resident. When material, such entrance fees are included in liabilities when received and amortized over the expected life of the resident. No significant entrance fees were collected in 2012 or 2011.

(h) *Net Assets*

Unrestricted net assets represent resources over which the Board of Directors has full discretion with respect to use. Temporarily restricted net assets represent expendable resources which have been time or purpose restricted by the donor.

Permanently restricted net assets represent contributions and other gifts, which require that the corpus be maintained intact and that only the income be used as specified by the donor.

Revenues are reported as increases in unrestricted net assets unless their use is limited by donor-imposed restrictions. Expenses are reported as decreases in unrestricted net assets. New York State law (substantially in conformity with The Uniform Prudent Management of Institutional Funds Act) authorizes expenditures of appreciation (both realized and unrealized) in the value of endowment funds subject to a standard of business care and prudence. Gains and losses on investments are reported as increases or decreases in unrestricted net assets unless their use is restricted by donors or state law. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the accompanying statements of activities as net assets released from restrictions.

(i) *Federal Income Tax Exemption*

UMW is covered under the General Council on Finance and Administration's ("GCFA") 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. UMW believes it had no unrelated business income during the years ended December 31, 2012 and 2011.

UMW accounts for the effect of any uncertain tax positions based on a more likely than not threshold to the recognition of the tax position 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 UMW include, but are not limited to, the tax-exempt status and determination of whether income is subject to unrelated business income tax; however, UMW has determined that such tax positions do not result in an uncertainty requiring recognition.

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Notes to Financial Statements

December 31, 2012 and 2011

(j) Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and judgments that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

(k) 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 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 UMW’s best estimate of what hypothetical market participants would use to determine a transaction price for the asset or liability at the reporting date.

(l) Reclassifications

Certain reclassification have been made to the 2011 amounts in the financial statements to conform to the presentation adopted for 2012.

(3) Related Parties

UMW reimburses the financial services division of the General Board of Global Ministries of The United Methodist Church (“GBGM”) for providing certain administrative services. In addition, undesignated funds received by UMW are allocated, in part, for the work of several sections of UMW for the fulfillment of the responsibilities of the UMW. The total amount appropriated to GBGM (excluding the United Methodist Committee on Relief and the United Methodist Development Fund) in 2012 and 2011 (included in program and supporting services expenses) was \$677,772 and \$752,354, respectively. In addition, UMW granted \$116,603 and \$170,882, respectively, in 2012 and 2011 to United Methodist Committee on Relief, a functional area of GBGM.

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Notes to Financial Statements

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Cash and cash equivalents at December 31, 2011 included UMW's participation in a pooled cash management program, which is administered by GBGM for certain divisions, departments, and agencies. The pooled funds were invested principally in interest-bearing demand notes and short-term time deposits. Interest income was allocated based upon the weighted average percentage that each participant's balance bears to the total of the entire pool. At December 31, 2011, UMW had \$3,070,935 in the pooled cash management program. In November 2012, the pooled cash management program was discontinued and UMW transferred their funds to other cash and investment accounts.

UMW is affiliated with the Scarritt-Bennett Center (the "Center"), a conference, retreat, and educational center in Nashville, Tennessee. UMW appoints certain of the Center's Board members and the Center operates on property, title to which is held by UMW. UMW retains sole ownership of the property, including the rights to sell and shares interest in the proceeds from the sale of property with GCFA. In 2012 and 2011, UMW provided the Center with financial support of \$100,000 and \$48,000, respectively, in addition to the rent-free use of the facilities.

(4) Land, Buildings, and Equipment

Land, buildings, and equipment consist of the following at December 31, 2012 and 2011:

	<u>2012</u>	<u>2011</u>
Land and buildings	\$ 13,057,863	\$ 13,013,662
Equipment	<u>2,653,079</u>	<u>2,037,035</u>
	15,710,942	15,050,697
Accumulated depreciation	<u>(9,709,186)</u>	<u>(8,883,840)</u>
Land, buildings, and equipment, net	<u>\$ 6,001,756</u>	<u>\$ 6,166,857</u>

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Notes to Financial Statements

December 31, 2012 and 2011

(5) Investments

At December 31, 2012 and 2011, the cost and fair value of investments are as follows:

	<u>2012</u>		<u>2011</u>	
	<u>Cost</u>	<u>Fair Value</u>	<u>Cost</u>	<u>Fair Value</u>
Short-term securities	\$ 490,390	\$ 490,390	\$ 1,779,989	\$ 1,779,422
Marketable equity securities	153,242	169,452	46,569	57,586
Corporate bonds	-	-	7,485,417	7,881,747
International common stocks	391,791	773,470	4,872,446	4,361,134
Domestic Stock Fund (GBOPHB)	4,219,577	7,697,530	26,247,388	31,772,673
Domestic Bond Fund (GBOPHB)	9,645,646	12,130,641	4,460,771	6,422,875
Multiple Asset Fund (GBOPHB)	45,654,098	54,089,263	16,436,073	21,918,999
Pooled investment funds	<u>519,957</u>	<u>525,774</u>	<u>505,420</u>	<u>515,208</u>
 Total investments	 <u>\$61,074,701</u>	 <u>\$75,876,520</u>	 <u>\$61,834,073</u>	 <u>\$74,709,644</u>

Investments in international common stocks represent investments in stocks of international companies located primarily in Japan, United Kingdom, France, the Netherlands, and Germany. Such investments are subject to foreign currency risk as well as market risk.

Investments, at fair value, include \$29,402,647 and \$28,062,600 at December 31, 2012 and 2011, respectively, designated for UMW's retirement fund (See Notes 6 and 7).

Investment return for the years ended December 31, 2012 and 2011 consisted of the following:

	<u>2012</u>	<u>2011</u>
Interest and dividends	<u>\$ 1,833,416</u>	<u>\$ 1,099,089</u>
Net appreciation (depreciation) in fair value of investments:		
Realized gains on investments	5,802,374	4,176,077
Increase (decrease) in accumulated unrealized gains (losses) on investments	<u>1,281,429</u>	<u>(4,648,466)</u>
Net appreciation (depreciation) in fair value of investments	<u>7,083,803</u>	<u>(472,389)</u>
Total return on investments	8,917,219	626,700
 Investment management expenses	 <u>(200,126)</u>	 <u>(378,935)</u>
 Return on investments, net	 <u>\$ 8,717,093</u>	 <u>\$ 247,765</u>

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(6) Retirement Benefits

(a) Retirement Benefits Fund

UMW administers all pension plans (the "Plans") for retired deaconesses and missionaries of UMW and its predecessor organizations. These Plans are closed to new participants. With respect to pension funds in existence prior to unification of UMW (for which all participants are currently retired and receiving a pension), UMW maintains a separate retirement fund. The assets designated for retirement benefits are included in UMW's statements of financial position, principally in investments (See Note 5). The benefit obligation is included in accrued postretirement and pension benefit costs in statements of financial position. The difference of the assets designated for retirement benefits and the accrued postretirement and pension benefit costs is reported as unrestricted net assets designated for retirement benefits of missionaries and deaconesses (see below and Note 7). Mission personnel expense in the accompanying statements of activities includes benefits paid under the pension plan plus the increase (decrease) in the actuarially calculated benefit obligation of the pension plan.

The annual benefit level (per year of pension credit service) was \$495 in both 2012 and 2011. The calculation of the obligation assumes a 3% increase per year in the benefit level.

The following table sets forth financial information about the plan as of December 31, 2012 and 2011:

	<u>2012</u>	<u>2011</u>
Missionary and deaconess pension		
Benefit obligation at December 31	<u>\$12,773,288</u>	<u>\$14,003,193</u>
Discount rate assumption as of December 31	4.05%	4.40%
Benefits paid	<u>\$ 1,761,441</u>	<u>\$ 1,891,051</u>

(b) Employee Benefits

Full-time laypersons and clergy employed by UMW participate in the Retirement Plan for General Agencies ("RPGA"). This defined contribution plan is administered by the General Board of Pension and Health Benefits of The United Methodist Church ("GBOPHB").

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UMW makes semi-monthly contributions to each eligible employee's account held by GBOPHB based on 8% of annual employee compensation. Additionally, UMW matches up to 2% of each employee's contribution to their United Methodist Personal Investment Plan ("UMPIP"). Total contributions made by UMW for both components during 2012 and 2011 were \$483,677 and \$423,467, respectively.

UMW, through Brooks Howell Home, also participates in the Cumulative Pension and Benefit Fund, which is administered by GBOPHB. All eligible employees of Brooks Howell Home with more than two years of service participate in the plan. UMW pays 9% of eligible compensation into the plan. No employee contributions are required; however, voluntary employee contributions may be made. During the year ended December 31, 2012 and 2011, UMW made contributions of approximately \$178,000 and \$177,000, respectively.

(7) Health, Life and Other Employee Benefits

UMW provides health, 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 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 UMW.

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 General Agencies. The Plan's unfunded accumulated postretirement benefit obligation was \$148,000,000 and \$144,000,000 and the Plan's unfunded expected postretirement benefit obligation was \$195,000,000 and \$188,000,000 as of December 31, 2012 and 2011, respectively.

UMW's active employees are covered by the Plan. The total cost of benefits for active employees was \$589,582 and \$543,306 in 2012 and 2011, respectively, exclusive of reimbursement from the General Agency Benefit Trust (the "Benefit Trust").

GBOPHB has transferred certain excess pension assets to the Benefit Trust established by the 1996 General Conference as of December 31, 1996. Annually, the Benefit Trust allows a stated percentage, of 6% and 4% for 2012 and 2011, respectively, 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 the GCFA, for their funding of active and retiree employee benefits. The fair value of the Benefit Trust's assets (not plan assets) was approximately \$148,945,000 and \$138,884,000 as of December 31, 2012 and 2011, respectively. The total amount available for reimbursement in 2012 and 2011 was \$8,333,065 and \$5,842,051, respectively, of which UMW's share, net of retiree benefits, was \$426,353 and \$189,519, respectively.

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UMW also sponsors an unfunded noncontributory postretirement welfare plan that covers all retired missionaries and deaconesses, with a minimum service requirement of five years, for their respective lifetime. This Plan is closed to new participants. Plan benefits include the following:

- Reimbursements for medical and dental care, medically related travel, Medicare premiums, and expenses for special medical care assistance. The level of benefits is based on the employee's years of service: 25% reimbursement for retirees with five years of service, increasing proportionately to a level of 100% for retirees with 20 years of service and over.
- Medical and retirement home care provided through Brooks Howell Home for retirees with a minimum of 15 years of service. Benefits provided are based on a shared-cost formula.

The following table sets forth financial information about the unfunded plan as of December 31, 2012 and 2011:

	<u>Medical Plan</u>	<u>Retirement Home</u>	<u>Total</u>
2012:			
Benefit obligation at December 31	<u>\$5,347,520</u>	<u>\$11,858,734</u>	<u>\$17,206,254</u>
Accrued benefit cost recognized in the statement of financial position	<u>\$5,347,520</u>	<u>\$11,858,734</u>	<u>\$17,206,254</u>
Discount rate assumptions:			
Benefit obligation	3.25%	3.25%	
Healthcare cost trend rate	7.00%	3.00%	
Benefit cost included in mission personnel expense	<u>\$224,319</u>	<u>\$456,169</u>	<u>\$680,488</u>
Employer contributions	<u>\$563,892</u>	<u>\$1,511,208</u>	<u>\$2,075,100</u>
Benefits paid	<u>\$563,892</u>	<u>\$1,511,208</u>	<u>\$2,075,100</u>

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	<u>Medical Plan</u>	<u>Retirement Home</u>	<u>Total</u>
2011:			
Benefit obligation at December 31	<u>\$5,382,184</u>	<u>\$11,085,769</u>	<u>\$16,467,953</u>
Accrued benefit cost recognized in the statement of financial position	<u>\$5,382,184</u>	<u>\$11,085,769</u>	<u>\$16,467,953</u>
Discount rate assumptions:			
Benefit obligation	5.50%	5.50%	
Healthcare cost trend rate	7.00%	3.00%	
Benefit cost included in mission personnel expense	<u>\$279,430</u>	<u>\$462,421</u>	<u>\$741,851</u>
Employer contributions	<u>\$584,465</u>	<u>\$1,511,208</u>	<u>\$2,095,673</u>
Benefits paid	<u>\$584,465</u>	<u>\$1,511,208</u>	<u>\$2,095,673</u>

Future Benefit Payments

Estimated future benefit payments reflecting expected future service for the next five fiscal years and thereafter are as follows:

	<u>Medical Plan</u>	<u>Retirement Home</u>	<u>Total</u>
December 31, 2013	\$ 538,111	\$1,432,048	\$1,970,159
December 31, 2014	519,930	1,336,092	1,856,022
December 31, 2015	496,768	1,241,930	1,738,698
December 31, 2016	471,325	1,149,945	1,621,270
December 31, 2017	445,693	1,060,469	1,506,162
Thereafter	1,849,857	4,093,555	5,943,412

(8) Distributions from Agency Group Insurance Plan

Beginning in 2006, UMW received a distribution of funds from the Agency Group Insurance Plan (“AGI”) to offset a portion of the costs of its employee health insurance plan. AGI is a self-insured medical benefits plan, which is funded by participating organizations. This distribution was \$177,855 in both 2012 and 2011. All of the organizations participating in the AGI health insurance plan received distributions during 2012 and 2011. The final year of this distribution is 2012. The amount of each participating organization’s distribution is based upon the organization’s proportionate share of the base year health insurance premium cost.

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(9) Description of Net Assets

Unrestricted net assets include amounts that are United Methodist Women Board designated for the following purposes at December 31, 2012 and 2011:

	<u>2012</u>	<u>2011</u>
Board designated for programs:		
Annuities	\$ 41,741	\$ 90,489
Other programs	<u>3,850,696</u>	<u>5,067,228</u>
Total board designated for programs	<u>\$3,892,437</u>	<u>\$5,157,717</u>

Temporarily restricted net assets at December 31, 2012 and 2011 were available for the following purposes:

	<u>2012</u>	<u>2011</u>
Projects and program activities to support Women, children, and youth; missionaries and deaconesses pension and medical support; scholarships; and educational institutions	<u>\$26,087,701</u>	<u>\$24,536,541</u>

Permanently restricted net assets at December 31, 2012 and 2011 represent contributions restricted to investment in perpetuity. Income from these funds is expendable to support the following purposes:

	<u>2012</u>	<u>2011</u>
Projects and program activities to support Women, children, and youth; missionaries and deaconesses pension and medical support; scholarships; and educational institutions	<u>\$14,980,106</u>	<u>\$15,044,605</u>

Net assets of \$3,262,358 and \$1,463,056, for 2012 and 2011, respectively, were released from donor restrictions by incurring costs and expenses satisfying the restricted purposes or by the occurrence of other events specified by donors. The purpose restrictions accomplished were for program services.

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Notes to Financial Statements

December 31, 2012 and 2011

(10) Endowment

UMW's endowment consists of approximately 650 individual funds established for a variety of purposes. Its endowment includes both donor-restricted endowment funds and funds designated by the Board of Directors to function as endowments. Net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

Interpretation of Relevant Law

The Board of Directors of UMW has interpreted the applicable state law as requiring the preservation of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, UMW classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund.

2012

Endowment Net Asset Composition by Type of Fund as of December 31, 2012

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Donor-restricted endowment funds	\$ -	\$20,156,813	\$14,980,106	\$35,136,919
Board-restricted endowment funds	<u>436,174</u>	<u>-</u>	<u>-</u>	<u>436,174</u>
Total funds	<u>\$436,174</u>	<u>\$20,156,813</u>	<u>\$14,980,106</u>	<u>\$35,573,093</u>

Changes in Endowment Net Assets for the Year Ended December 31, 2012

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Endowment net assets, beginning of year	<u>\$ 389,795</u>	<u>\$ 17,234,715</u>	<u>\$ 15,044,605</u>	<u>\$ 33,669,115</u>
Investment return:				
Investment income	9,496	732,461	-	741,957
Net appreciation (realized and unrealized)	<u>47,356</u>	<u>3,727,628</u>	<u>29,255</u>	<u>3,804,239</u>
Total investment return	<u>56,852</u>	<u>4,460,089</u>	<u>29,255</u>	<u>4,546,196</u>
Contributions	<u>-</u>	<u>-</u>	<u>53,079</u>	<u>53,079</u>
Appropriation of endowment assets for expenditure and reclassifications	<u>(10,473)</u>	<u>(1,537,991)</u>	<u>(146,833)</u>	<u>(1,695,297)</u>
Endowment net assets, end of year	<u>\$ 436,174</u>	<u>\$ 20,156,813</u>	<u>\$ 14,980,106</u>	<u>\$ 35,573,093</u>

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2011

Endowment Net Asset Composition by Type of Fund as of December 31, 2011

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Donor-restricted endowment funds	\$ -	\$17,234,715	\$15,044,605	\$32,279,320
Board-restricted endowment funds	<u>389,795</u>	<u>-</u>	<u>-</u>	<u>389,795</u>
 Total funds	 <u>\$389,795</u>	 <u>\$17,234,715</u>	 <u>\$15,044,605</u>	 <u>\$32,669,115</u>

Changes in Endowment Net Assets for the Year Ended December 31, 2011

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Endowment net assets, beginning of year	<u>\$ 391,288</u>	<u>\$ 18,090,245</u>	<u>\$ 15,118,467</u>	<u>\$ 33,600,000</u>
Investment return:				
Investment income	7,206	581,739	-	588,945
Net depreciation (realized and unrealized)	<u>(8,734)</u>	<u>(706,514)</u>	<u>(80,368)</u>	<u>(795,616)</u>
Total investment return	<u>(1,528)</u>	<u>(124,775)</u>	<u>(80,368)</u>	<u>(206,671)</u>
Contributions	<u>-</u>	<u>-</u>	<u>26,506</u>	<u>26,506</u>
Appropriation of endowment assets for expenditure	<u>35</u>	<u>(730,755)</u>	<u>(20,000)</u>	<u>(750,720)</u>
Endowment net assets, end of year	<u>\$ 389,795</u>	<u>\$ 17,234,715</u>	<u>\$ 15,044,605</u>	<u>\$ 32,669,115</u>

Return Objectives and Risk Parameters

UMW 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 UMW must hold in perpetuity or for a donor-specified period(s) as well as board-designated funds. 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 the S&P 500 index and the Bank of New York 1-3 year Treasury Index while assuming a moderate level of investment risk. UMW expects its endowment funds, over time, to provide an average rate of return of between 6 – 8% annually. Actual returns in any given year may vary from this amount.

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Notes to Financial Statements

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Strategies Employed for Achieving Objectives

To satisfy its long-term rate-of-return objectives, UMW 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). UMW 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.

Spending Policy and How the Investment Objectives Relate to Spending Policy

UMW has no formal spending policy. Distributions are made at the discretion of the Board of Directors when determining annual budget. UMW considers the long-term expected return on its endowment. Accordingly, over the long term, UMW expects the current spending policy to allow its endowment to grow at an average of between 1 – 3% annually. This is consistent with UMW'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.

(11) Fair Value of Financial Instruments

Required disclosures concerning the estimated fair value of financial instruments are presented below. The estimated fair value amounts have been determined based on UMW's assessment of available market information and appropriate valuation methodologies. The following table summarizes required fair value disclosures and measurements at December 31, 2012 and 2011 for assets measured at fair value on a recurring basis under ASC 820, *Fair Value Measurements and Disclosures*:

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	Fair Value Measurements at Reporting Date Using			
Assets (Liabilities)	Quoted Prices in	Significant	Significant	
Measured	Active Markets for	Other Observable	Unobservable	
at Fair Value	Identical Assets	Inputs	Inputs	
	(Level 1)	(Level 2)	(Level 3)	
December 31, 2012:				
Assets:				
Investments:				
Short-term securities	\$ 490,390	\$ 490,390	\$ -	\$ -
Marketable equity securities	169,452	169,452	-	-
International common stocks	773,470	-	773,470	-
Domestic Stock Fund	7,697,530	7,697,530	-	-
Domestic Bond Fund	12,130,641	-	12,130,641	-
Multiple Asset Fund	54,089,263	-	54,089,263	-
Pooled investment funds	<u>525,774</u>	<u>-</u>	<u>525,774</u>	<u>-</u>
Total investments	75,876,520	8,357,372	67,519,148	-
Perpetual trusts held by others	886,684	886,684	-	-
Liabilities:				
Assets held for others	(3,387,526)	(3,387,526)	-	-
December 31, 2011:				
Assets:				
Investments:				
Short-term securities	\$ 1,779,422	\$ 1,779,422	\$ -	\$ -
Marketable equity securities	57,586	57,586	-	-
Corporate bonds	7,881,747	-	7,881,747	-
International common stocks	4,361,134	-	4,361,134	-
Domestic Stock Fund	31,772,673	31,772,673	-	-
Domestic Bond Fund	6,422,875	-	6,422,875	-
Multiple Asset Fund	21,918,999	-	21,918,999	-
Pooled investment funds	<u>515,208</u>	<u>-</u>	<u>515,208</u>	<u>-</u>
Total investments	74,709,644	33,609,681	41,099,963	-
Perpetual trusts held by others	857,429	857,429	-	-
Liabilities:				
Assets held for others	(3,108,638)	(3,108,638)	-	-

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

Investments

The fair value of short-term securities and common stocks are determined using primarily Level 1 inputs in accordance with ASC 820. The fair values of corporate bonds, international common stocks, domestic bond fund, Multiple Asset Fund (“GBOPHB”), and pooled investment funds with units are determined using primarily Level 2 inputs.

Other

The fair values of financial instruments for which estimated fair value amounts have not been specifically presented are estimated to approximate the related book values.

(12) Subsequent Events

Management has evaluated subsequent events through May 30, 2013, the date the financial statements were available for issuance, and has determined that there are no subsequent events requiring disclosure.