

**UNITED METHODIST WOMEN**  
**FINANCIAL STATEMENTS**  
**DECEMBER 31, 2018 AND 2017**

**UNITED METHODIST WOMEN**

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Independent Auditor's Report

The Board of Directors of  
United Methodist Women  
New York City, New York

We have audited the accompanying financial statements of United Methodist Women ("UMW") (a not-for-profit organization), which comprise the statements of financial position as of December 31, 2018 and 2017, and the related statements of activities and cash flows for the years then ended, the related statement of functional expenses for the year ended December 31, 2018, 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, 2018 and 2017, 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.

## Changes in Financial Statement Presentation

As discussed in Note 2, UMW adopted Accounting Standards Update (“ASU”) 2016-14, *Not-for-Profit Entities (Topic 958) - Presentation of Financial Statements of Not-for-Profit Entities*. The ASU has been applied retrospectively to all periods presented with the exception of the statement of functional expenses and the disclosure of liquidity and availability of resources, which have been implemented prospectively as allowed under the provisions of ASU 2016-14. Our opinion is not modified with respect to this matter.

Nashville, Tennessee  
August 16, 2019

**UNITED METHODIST WOMEN**

## Statements of Financial Position

December 31, 2018 and 2017

	<u>2018</u>	<u>2017</u>
<b>Assets</b>		
Cash and cash equivalents	\$ 792,438	\$ -
Cash and cash equivalents - State of North Carolina operating reserve requirement for Brooks Howell Home	3,042,000	3,084,000
Receivables:		
Due from conferences	3,952,454	4,624,099
Loans	-	320,136
Property sales	121,710	120,914
Other	1,514,506	2,104,751
Inventories and other assets, net	1,038,260	1,282,284
Prepaid expenses	679,032	851,041
Investments in debt securities of The United Methodist Development Fund	5,500	5,500
Investments	92,859,006	112,617,016
Land, buildings, and equipment, net	9,992,805	8,973,073
Perpetual trusts held by others	1,438,031	1,624,599
	<u>115,435,742</u>	<u>135,607,413</u>
Total assets	<u>\$ 115,435,742</u>	<u>\$ 135,607,413</u>
<b>Liabilities and Net Assets</b>		
Liabilities:		
Accounts payable and accrued expenses	\$ 1,003,659	\$ 2,844,778
Due to the General Board of Global Ministries and related entities	-	63,689
Deferred revenue	723,761	1,454,582
Annuities payable	228,065	236,601
Assets held for others	5,308,776	5,312,100
Accrued postretirement and pension benefit costs	21,636,160	24,943,805
	<u>28,900,421</u>	<u>34,855,555</u>
Total liabilities	<u>28,900,421</u>	<u>34,855,555</u>
Net assets:		
Net assets without donor restrictions	30,567,152	39,155,823
Net assets with donor restrictions	55,968,169	61,596,035
	<u>86,535,321</u>	<u>100,751,858</u>
Total net assets	<u>86,535,321</u>	<u>100,751,858</u>
	<u>\$ 115,435,742</u>	<u>\$ 135,607,413</u>
Total liabilities and net assets	<u>\$ 115,435,742</u>	<u>\$ 135,607,413</u>

See accompanying notes to financial statements.

**UNITED METHODIST WOMEN**

Statement of Activities

Year Ended December 31, 2018

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Operating Revenues:			
Mission Giving:			
Pledge to Mission	\$ 10,627,032	\$ -	\$ 10,627,032
Special Edition SMR	50,762	-	50,762
Supplementary Giving	9,185	29,480	38,665
Designated Giving	27,315	616,226	643,541
Interest Income:			
Interest Income from Cash Equivalents	135	-	135
Investment Income (Net of Fees)	439,954	1,466,266	1,906,220
Bequests, Trusts, Other Long-term Gifts	131,652	280,605	412,257
Publications:			
Response Magazine	314,898	-	314,898
PBD/MRC	661,958	-	661,958
Rental and Service Fee Income:			
Resident Service Fees from Brooks Howell Home	4,272,156	2,501	4,274,657
CCUN	2,519,235	-	2,519,235
Other Income:			
Events, Seminars, Meetings	1,494	-	1,494
Benefits Trust	773,890	-	773,890
Miscellaneous Other Income	2,184,015	-	2,184,015
Net assets released from restrictions	3,555,153	(3,555,153)	-
Total operating revenues	<u>25,568,834</u>	<u>(1,160,075)</u>	<u>24,408,759</u>
Operating Expenses:			
Program Services:			
Programs Administered by UMW:			
National Mission Institutions Network	304,523	-	304,523
National Mission Institution Property Management:			
Insurance	1,953,162	-	1,953,162
Repairs and Maintenance	113,453	-	113,453
Property Management	191,839	-	191,839
International Mission Work Administration	532,067	-	532,067
UMW Membership and Leadership Development	2,671,371	-	2,671,371
Mission Education	1,814,771	-	1,814,771
Response Magazine	391,272	-	391,272
Mission Resources	967,565	-	967,565
Christian Social Action	1,584,546	-	1,584,546
Deaconess, Home Missioners Office and Network	409,423	-	409,423
Other Programs Administered by UMW	1,611,337	-	1,611,337
Programs Administered by Other Organizations:			
United Methodist Organizations National Mission	2,080,655	-	2,080,655
United Methodist Organizations International Mission	1,447,890	-	1,447,890
Ecumenical Organization	258,763	-	258,763
Social Action Organizations	10,000	-	10,000
Grants from Designated Funds	2,528,516	-	2,528,516
Program Support:			
Church Center for the United Nations	2,791,289	-	2,791,289
Brooks-Howell Home Retirement Center:			
Retired Deaconess, Missionary Home Operations	4,600,782	-	4,600,782
Retired Deaconess, Missionary Pension and Health Benefits	133,018	-	133,018
Annuity Fund	28,292	-	28,292
Scarritt-Bennett Center	100,000	-	100,000
Organization-wide Program Support	230,185	-	230,185
Total program services	<u>26,754,719</u>	<u>-</u>	<u>26,754,719</u>

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**UNITED METHODIST WOMEN**  
Statement of Activities  
Year Ended December 31, 2018

	<b>Without Donor Restrictions</b>	<b>With Donor Restrictions</b>	<b>Total</b>
Supporting Services:			
Management and general	5,933,251	-	5,933,251
Fundraising	432,268	-	432,268
Total supporting services	6,365,519	-	6,365,519
Total operating expenses	33,120,238	-	33,120,238
Decrease in net assets from operations	(7,551,404)	(1,160,075)	(8,711,479)
Non-operating Activities:			
Net depreciation in fair value of investments	(2,031,071)	(5,354,009)	(7,385,080)
Net depreciation in perpetual trusts held by others	-	(186,568)	(186,568)
Gain on sale of properties	993,804	-	993,804
Endowment and other permanent contributions	-	1,072,786	1,072,786
Total non-operating activities	(1,037,267)	(4,467,791)	(5,505,058)
Decrease in net assets	(8,588,671)	(5,627,866)	(14,216,537)
Net assets at beginning of year	39,155,823	61,596,035	100,751,858
Net assets at end of year	\$ 30,567,152	\$ 55,968,169	\$ 86,535,321

See accompanying notes to financial statements.

**UNITED METHODIST WOMEN**

Statement of Activities

Year Ended December 31, 2017

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
<b>Operating Revenues:</b>			
Mission Giving:			
Pledge to Mission	\$ 11,110,563	\$ -	\$ 11,110,563
Special Edition SMR	24,450	-	24,450
Supplementary Giving	18,049	85,291	103,340
Designated Giving	31,674	697,688	729,362
Interest Income:			
Interest Income from Cash Equivalents	113	-	113
Investment Income (Net of Fees)	633,418	1,276,777	1,910,195
Bequests, Trusts, Other Long-term Gifts	203,056	66,281	269,337
Publications:			
Response Magazine	344,980	-	344,980
PBD/MRC	860,486	-	860,486
Rental and Service Fee Income:			
Resident Service Fees from Brooks Howell Home	3,911,078	7,241	3,918,319
CCUN	2,509,103	-	2,509,103
Other Income:			
Events, Seminars, Meetings	6,793	-	6,793
Benefits Trust	1,280,763	-	1,280,763
Miscellaneous Other Income	566,729	-	566,729
Net assets released from restrictions	3,258,230	(3,258,230)	-
Total operating revenues	<u>24,759,485</u>	<u>(1,124,952)</u>	<u>23,634,533</u>
<b>Operating Expenses:</b>			
Program Services:			
Programs Administered by UMW:			
National Mission Institutions Network	501,721	-	501,721
National Mission Institution Property Management:			
Insurance	1,358,880	-	1,358,880
Repairs and Maintenance	858,836	-	858,836
Property Management	195,318	-	195,318
International Mission Work Administration	777,213	-	777,213
UMW Membership and Leadership Development	2,560,866	-	2,560,866
Mission Education	2,298,989	-	2,298,989
Response Magazine	462,700	-	462,700
Mission Resources	1,193,920	-	1,193,920
Christian Social Action	1,953,719	-	1,953,719
Deaconess, Home Missioners Office and Network	397,357	-	397,357
Other Programs Administered by UMW	479,239	-	479,239
Programs Administered by Other Organizations:			
United Methodist Organizations National Mission	2,089,917	-	2,089,917
United Methodist Organizations International Mission	1,439,844	-	1,439,844
Ecumenical Organization	226,724	-	226,724
Social Action Organizations	10,000	-	10,000
Grants from Designated Funds	2,448,350	-	2,448,350
Program Support:			
Church Center for the United Nations	2,470,125	-	2,470,125
Brooks-Howell Home Retirement Center:			
Retired Deaconess, Missionary Home Operations	4,188,187	-	4,188,187
Retired Deaconess, Missionary Pension and Health Benefits	2,942,604	-	2,942,604
Annuity Fund	38,591	-	38,591
Scarritt-Bennett Center	100,000	-	100,000
Organization-wide Program Support	289,462	-	289,462
Total program services	<u>29,282,562</u>	<u>-</u>	<u>29,282,562</u>

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**UNITED METHODIST WOMEN**  
Statement of Activities  
Year Ended December 31, 2017

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Supporting Services:			
Management and general Fund-raising	5,356,206	-	5,356,206
Fundraising	304,843	-	304,843
Total supporting services	<u>5,661,049</u>	<u>-</u>	<u>5,661,049</u>
Total operating expenses	<u>34,943,611</u>	<u>-</u>	<u>34,943,611</u>
Decrease in net assets from operations	<u>(10,184,126)</u>	<u>(1,124,952)</u>	<u>(11,309,078)</u>
Non-operating Activities:			
Net appreciation in fair value of investments	6,228,369	8,816,635	15,045,004
Net appreciation in perpetual trusts held by others	-	112,275	112,275
Gain on sale of properties	436,013	-	436,013
Endowment and other permanent contributions	-	945,907	945,907
Total non-operating activities	<u>6,664,382</u>	<u>9,874,817</u>	<u>16,539,199</u>
(Decrease) increase in net assets	(3,519,744)	8,749,865	5,230,121
Net assets at beginning of year, as reclassified	<u>42,675,567</u>	<u>52,846,170</u>	<u>95,521,737</u>
Net assets at end of year	<u>\$ 39,155,823</u>	<u>\$ 61,596,035</u>	<u>\$ 100,751,858</u>

See accompanying notes to financial statements.

**UNITED METHODIST WOMEN**  
Statement of Functional Expenses  
Year Ended December 31, 2018

<b>Program Services</b>										
<b>Programs Administered by UMW</b>										
	National Mission Institutions Network	National Mission Institution Property Management	International Mission Work Administration	UMW Membership and Leadership Development	Mission Education	Response Magazine	Mission Resources (MR)	Christian Social Action	Deaconesses, Home Missioners Office and Network	Other Programs Administered by UMW
Salaries, wages, and employee benefits	\$ 281,505	\$ 176,085	\$ 429,822	\$ 1,835,130	\$ 1,290,086	\$ -	\$ -	\$ 956,799	\$ 203,666	\$ 20,971
Missionary support	-	-	-	-	-	-	-	-	-	-
Grants and distributions	-	82,286	2,952	36,075	-	-	-	2,481	-	-
Program expenses	1,777	31,167	-	347,375	-	-	-	46,866	132,140	20,207
Travel expenses	21,241	15,754	4,774	167,293	23,938	5,450	-	50,204	17,436	190,465
Promotional materials	-	-	-	22,900	306,244	-	904,889	1,799	18,389	120,852
Consulting and contractual services	-	-	-	69,878	31,780	61,041	-	1,500	37,792	301,525
Insurance paid by UMW	-	1,953,162	-	-	-	-	-	-	-	-
Equipment, repair and leasing	-	-	-	13,219	13,542	-	-	-	-	616,622
Rent and maintenance	-	-	94,519	178,536	105,021	-	-	516,128	-	166,587
Depreciation	-	-	-	-	-	-	-	-	-	-
Utilities	-	-	-	-	-	8,459	-	-	-	-
Office and other expenses	-	-	-	965	41,495	311,392	-	-	-	146,748
Audit and legal fees	-	-	-	-	-	-	-	-	-	-
Miscellaneous	-	-	-	-	2,665	4,930	62,676	8,769	-	27,360
<b>Total</b>	<b>\$ 304,523</b>	<b>\$ 2,258,454</b>	<b>\$ 532,067</b>	<b>\$ 2,671,371</b>	<b>\$ 1,814,771</b>	<b>\$391,272</b>	<b>\$ 967,565</b>	<b>\$ 1,584,546</b>	<b>\$ 409,423</b>	<b>\$ 1,611,337</b>

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**UNITED METHODIST WOMEN**  
Statement of Functional Expenses  
Year Ended December 31, 2018

<b>Program Services</b>											
<b>Programs Administered by Other Organizations</b>				<b>Program Support</b>					<b>Supporting Services</b>		
United Methodist National and International Organizations	Ecumenical Organization	Social Action Organizations	Grants From Designated Funds	Church Center for the United Nations	Brooks- Howell Home Retirement Center	Annuity Fund	Scarritt Bennett Center	Organization- wide Program Support	Management and General	Fundraising	Total
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 3,720,293	\$ 4,033	\$ 8,918,390
-	-	-	-	-	4,228,790	-	-	-	-	-	4,228,790
2,769,917	258,763	10,000	1,627,117	-	-	-	100,000	-	-	-	4,889,591
728,731	-	-	249,281	2,665,943	-	-	-	103,835	14,884	328,330	4,670,536
14,897	-	-	-	-	-	-	-	-	55,120	37,712	604,284
-	-	-	-	-	-	-	-	-	1,207	48,396	1,424,676
15,000	-	-	128,573	-	-	-	-	-	111,665	5,259	764,013
-	-	-	-	-	-	-	-	41,923	-	-	1,995,085
-	-	-	-	-	-	-	-	-	907,077	-	1,550,460
-	-	-	-	-	-	-	-	-	388,670	-	1,449,461
-	-	-	523,545	125,346	505,010	-	-	-	3,741	-	1,157,642
-	-	-	-	-	-	-	-	-	141,852	-	150,311
-	-	-	-	-	-	-	-	84,427	107,852	5,628	698,507
-	-	-	-	-	-	-	-	-	352,761	-	352,761
-	-	-	-	-	-	28,292	-	-	128,129	2,910	265,731
<u>\$ 3,528,545</u>	<u>\$ 258,763</u>	<u>\$ 10,000</u>	<u>\$ 2,528,516</u>	<u>\$ 2,791,289</u>	<u>\$ 4,733,800</u>	<u>\$ 28,292</u>	<u>\$ 100,000</u>	<u>\$ 230,185</u>	<u>\$ 5,933,251</u>	<u>\$ 432,268</u>	<u>\$ 33,120,238</u>

See accompanying notes to financial statements.

**UNITED METHODIST WOMEN**  
 Statements of Cash Flows  
 Years Ended December 31, 2018 and 2017

	<b>2018</b>	<b>2017</b>
Cash flows from operating activities:		
(Decrease) increase in net assets	\$ (14,216,537)	\$ 5,230,121
Adjustments to reconcile (decrease) increase in net assets to net cash used in operating activities:		
Depreciation	1,157,642	1,033,600
Net depreciation (appreciation) in fair value of investments	7,385,080	(15,045,004)
Net depreciation (appreciation) in fair value of assets held for others	307,257	(555,724)
Net depreciation (appreciation) in perpetual trusts held by others	186,568	(112,275)
Gain on sale of properties	(993,804)	(436,013)
Contributions and investment return restricted for long-term investment	(1,072,786)	(945,907)
Actuarial loss on annuity obligations	19,748	18,402
Change in receivables	1,581,230	(305,093)
Change in inventories and other assets	244,024	268,707
Change in prepaid expenses	172,009	117,716
Change in accounts payable and accrued expenses	(1,841,119)	370,525
Change in due to/from the General Board of Global Ministries and related entities, net	(63,689)	(406,774)
Change in deferred revenue	(730,821)	1,221,363
Change in assets held for others	(3,324)	475,445
Change in accrued postretirement and pension benefit costs	(3,307,645)	(675,664)
Net cash used in operating activities	(11,176,167)	(9,746,575)
Cash flows from investing activities:		
Proceeds from sale of properties	993,804	436,013
Purchases of equipment and improvements	(2,177,374)	(5,420,719)
Proceeds from sales of investments	19,561,619	33,414,797
Purchases of investments	(7,495,946)	(19,639,885)
Net cash provided by investing activities	10,882,103	8,790,206
Cash flows from financing activities:		
Contributions and investment return restricted for long-term investment	1,072,786	945,907
Payments of annuity obligations	(28,284)	(37,971)
Net cash provided by financing activities	1,044,502	907,936
Net increase (decrease) in cash and cash equivalents	750,438	(48,433)
Cash and cash equivalents at beginning of year	3,084,000	3,132,433
Cash and cash equivalents at end of year	\$ 3,834,438	\$ 3,084,000

See accompanying notes to financial statements.

# UNITED METHODIST WOMEN

## Notes to Financial Statements

December 31, 2018 and 2017

### (1) Nature of Organization

United Methodist Women (“UMW”), is a tax-exempt, not-for-profit organization, affiliated with The United Methodist Church (the “Church”). UMW previously operated as the Women’s Division of the General Board of Global Ministries of The United Methodist Church.

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. Contributions received from United Methodist Women conferences accounted for approximately 47% and 51% of total operating revenue of UMW in 2018 and 2017, respectively. In addition to appropriating the funds of United Methodist Women, UMW operates the following program areas: 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: CCUN, MR, and BHH. All significant intercompany accounts and transactions have been eliminated.

## UNITED METHODIST WOMEN

### Notes to Financial Statements

December 31, 2018 and 2017

**(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 certain investments in United Methodist Foundation of Western North Carolina, Inc. (the "Foundation") and the Funds of Wespath Benefits and Investments ("Wespath"), 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 Wespath's Funds are stated at fair value primarily based on unitized market value of the respective fund portfolios. As of December 31, 2018, Wespath's Multiple Asset Fund is a composite of U.S. equity funds (33.9%), fixed income funds (36.1%), international equity funds (29.7%), and multiple asset fund cash (0.3%).

**(e) Inventories**

Inventories consist primarily of publications and are valued at the lower of cost or net realizable value, with cost determined principally on the first-in, first-out basis. Inventories are presented net of an allowance for obsolescence of \$29,420 and \$96,168 at December 31, 2018 and 2017, respectively.

**(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 \$2,258,000 and \$2,413,000 in 2018 and 2017, respectively.

## UNITED METHODIST WOMEN

### Notes to Financial Statements

December 31, 2018 and 2017

#### **(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. Entrance fees for 2018 and 2017, totaled \$450,000 and \$165,040, respectively.

#### **(h) *Net Assets***

Net assets without donor restrictions represent resources over which the Board of Directors has full discretion with respect to use. The Board of Directors has designated certain net assets without donor restrictions for programs, retirement benefits, and to function as endowment (See Notes 9, 10, and 14). Net assets with donor restrictions are subject to stipulations imposed by donors and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of UMW or by the passage of time. Other donor restrictions are perpetual in nature, whereby the donor has stipulated the funds be maintained in perpetuity but may permit UMW to use or expend part or all of the income derived from the donated assets.

Revenues are reported as increases in net assets without donor restrictions unless their use is limited by donor-imposed restrictions. Expenses are reported as decreases in net assets without donor restrictions. 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 net assets without donor restrictions 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, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the accompanying statements of activities as net assets released from restrictions.

In the event a donor makes changes to the nature of a restricted gift which affects its classification among the net asset categories, such amounts are reflected as reclassifications in the statements of activities.

#### **(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, 2018 and 2017.

## UNITED METHODIST WOMEN

### Notes to Financial Statements

December 31, 2018 and 2017

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.

#### **(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 and Fair Value Measurements***

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) *Functional Allocation of Expenses***

Costs of providing UMW’s ministries, programs, and services are summarized and reported on a functional basis. Program services expenses include costs directly associated with the program and other indirect costs determined to benefit that program. These costs have been allocated between program and supporting services based on estimates made by management.



# UNITED METHODIST WOMEN

## Notes to Financial Statements

December 31, 2018 and 2017

### ***(m) New Accounting Pronouncement***

On August 18, 2016, the Financial Accounting Standards Board (“FASB”) issued Accounting Standards Update (“ASU”) 2016-14, *Not-for-Profit Entities (Topic 958) - Presentation of Financial Statements of Not-for-Profit Entities*. The update addresses the complexity and understandability of net asset classification, deficiencies in information about liquidity and availability of resources, and the lack of consistency in the type of information provided about expenses and investment return. UMW has adjusted the presentation of these statements accordingly. The ASU has been applied retrospectively to all periods presented with the exception of the statement of functional expenses and the disclosure of liquidity and availability of resources, which have been implemented prospectively as allowed under the provisions of ASU 2016-14.

### **(3) Liquidity and Availability of Resources**

The table below represents financial assets available for general expenditures within one year at December 31, 2018.

Financial assets at year-end:	
Cash and cash equivalents	\$ 792,438
Cash and cash equivalents - State of North Carolina operating reserve requirement for Brooks Howell Home	3,042,000
Receivables	5,588,670
Investments in debt securities of The United Methodist Development Fund	5,500
Investments	92,859,006
Perpetual trusts held by others	<u>1,438,031</u>
Total financial assets	<u>103,725,645</u>
Less amounts not available to be used for general expenditures within one year:	
Cash and cash equivalents - State of North Carolina operating reserve requirement for Brooks Howell Home	3,042,000
Perpetual trusts held by others	1,438,031
Board designated funds	27,536,605
Subject to purpose restrictions	37,147,289
Donor restricted funds held in perpetuity	<u>18,820,880</u>
Financial assets not available to be used within one year	<u>87,984,805</u>
Financial assets available to meet general expenditures within one year	<u>\$ 15,740,840</u>

## UNITED METHODIST WOMEN

### Notes to Financial Statements

December 31, 2018 and 2017

As noted in Note 12, UMW is the provider for the operations of BHH, a retirement facility in Asheville, North Carolina. UMW must maintain an operating reserve requirement for BHH; therefore, the cash and cash equivalents set aside for this operating reserve requirement are not available for general expenditure. UMW is the beneficiary of various perpetual trusts created by donors, the assets of which are not in the possession of UMW. UMW has legally enforceable rights or claims to such assets including the right to income therefrom. UMW has recorded the asset and recognized contribution revenue with donor restrictions at the fair value of its beneficial interest in the perpetual trust assets. Distributions received on the perpetual trust assets are recorded as investment income in the statements of activities unless otherwise restricted by the donor. Subsequent changes in fair value of the perpetual trusts held by others are recorded as net unrealized gains or losses on perpetual trusts held by others in the net assets with donor restrictions classification. UMW receives significant support through restricted and unrestricted contributions and must maintain sufficient resources to meet responsibilities to its donors; therefore, these assets are limited to use for donor-restricted purposes.

Additionally, UMW maintains certain other board designated assets that are designated for specific purposes. These assets are limited to use, which are more fully described in Note 9 and are not available for general expenditures within the next year. However, the board-designated amounts could be made available, if necessary. UMW has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due.

#### **(4) 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 2018 and 2017 (included in program and supporting services expenses) was \$-0- and \$13,750, respectively.

UMW is affiliated with the Scarritt-Bennett Center (the “Center”), a conference, retreat, and educational center in Nashville, Tennessee. UMW appoints certain members of the Center’s Board 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 both 2018 and 2017, UMW provided the Center with financial support of \$100,000, in addition to the rent-free use of the facilities.

**UNITED METHODIST WOMEN**

Notes to Financial Statements

December 31, 2018 and 2017

**(5) Land, Buildings, and Equipment**

Land, buildings, and equipment consist of the following at December 31, 2018 and 2017:

	<b>2018</b>	<b>2017</b>
Land, buildings and improvements	\$ 14,674,340	\$ 13,151,424
Equipment	<u>5,365,682</u>	<u>4,711,224</u>
	20,040,022	17,862,648
Accumulated depreciation	<u>(10,047,217)</u>	<u>( 8,889,575)</u>
Land, buildings, and equipment, net	<u>\$ 9,992,805</u>	<u>\$ 8,973,073</u>

**(6) Investments**

At December 31, 2018 and 2017, the cost and fair value of investments are as follows:

	<b>2018</b>		<b>2017</b>	
	<b>Cost</b>	<b>Fair Value</b>	<b>Cost</b>	<b>Fair Value</b>
Short-term securities	\$ 271,719	\$ 271,777	\$ 351,452	\$ 383,879
Marketable equity securities	179,648	179,648	155,357	155,357
Wespath:				
International Equities Fund	5,690,337	8,195,350	6,640,942	8,574,935
U.S. Equities Fund	9,903,959	14,007,670	12,167,010	18,757,068
Fixed Income Fund	11,546,925	10,757,478	14,905,137	16,732,694
Equity Social Values Fund	2,715,871	2,834,565	3,730,377	4,598,546
Inflation Protection Fund	3,752,770	3,813,824	4,679,663	4,889,641
Multiple Asset Fund	31,939,448	52,249,797	33,632,780	58,766,853
Pooled investment funds	<u>548,897</u>	<u>548,897</u>	<u>602,330</u>	<u>602,330</u>
Sub-total investments	<u>\$66,549,574</u>	92,859,006	<u>\$76,865,048</u>	113,461,303
Less: Amount needed to cover the State of North Carolina operating reserve requirement for Brooks- Howell Home (Note 12)		-		( 844,287)
Total investments		<u>\$92,859,006</u>		<u>\$ 112,617,016</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 \$18,188,208 and \$22,048,471 at December 31, 2018 and 2017, respectively, designated for UMW's retirement fund (See Notes 7 and 8).

## UNITED METHODIST WOMEN

### Notes to Financial Statements

December 31, 2018 and 2017

Investment (loss) return for the years ended December 31, 2018 and 2017 consisted of the following:

	<u>2018</u>	<u>2017</u>
Interest and dividends	\$ <u>1,909,174</u>	\$ <u>1,913,987</u>
Net (depreciation) appreciation in fair value of investments and perpetual trusts held by others:		
Realized gains on investments	4,550,796	5,524,876
(Decrease) increase in accumulated unrealized gains on investments	<u>(12,243,133)</u>	<u>10,075,852</u>
Net (depreciation) appreciation in fair value of investments and perpetual trusts held by others	<u>( 7,692,337)</u>	<u>15,600,728</u>
Total (loss) return on investments	<u>( 5,783,163)</u>	<u>17,514,715</u>
Investment management expenses	<u>( 2,954)</u>	<u>( 3,792)</u>
(Loss) return on investments, net	<u>\$ ( 5,786,117)</u>	<u>\$ 17,510,923</u>

#### (7) 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 relating to investments (See Note 6), as well as the assets of Brooks-Howell Home. 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 8). Missionary benefits 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.

## UNITED METHODIST WOMEN

### Notes to Financial Statements

December 31, 2018 and 2017

The annual benefit level (per year of pension credit service) was \$585 and \$568 for the 2018 and 2017 actuarial valuations, respectively. The actuarial method is the Projected Unit Credit Method for both 2018 and 2017. The following are significant actuarial assumptions used in the valuations:

	<b>2018</b>	<b>2017</b>
Discount rate	3.78%	3.60%
Mortality	RP-14 adj 2006(MP-18)	RP-14 adj 2006(MP-17)
Annual benefit increases	3.00% pre 2022 2.00% post 2021	3.00% pre 2022 2.00% post 2021

Changes in assumptions used in the 2018 calculation were made to better reflect current market conditions, future anticipated mortality improvements, and revised planned benefit increases by the plan sponsor.

Participant data as of December 31 is summarized below:

	<b>2018</b>	<b>2017</b>
<b>Number of Participants</b>		
Active	1	1
Separated vested	6	8
Retirees	<u>103</u>	<u>116</u>
Total	<u>110</u>	<u>125</u>

The projected benefit obligation as of December 31, 2018 and 2017 is shown below by participant category:

	<b>2018</b>	<b>2017</b>
<b>Future Annuitants</b>		
Active	\$ 276,083	\$ 263,224
Terminated vested	<u>124,843</u>	<u>262,406</u>
	400,926	525,630
<b>Current Annuitants</b>		
Retirees	<u>6,751,468</u>	<u>7,662,671</u>
Total	<u>\$7,152,394</u>	<u>\$8,188,301</u>

## UNITED METHODIST WOMEN

### Notes to Financial Statements

December 31, 2018 and 2017

The following table sets forth financial information about the plan as of and for the years ended December 31, 2018 and 2017:

	<b>2018</b>	<b>2017</b>
<b>Missionary and deaconess pension</b>		
Projected benefit obligation, beginning of year	\$(8,188,301)	\$(9,015,078)
Service cost	( 10,764)	( 9,960)
Interest cost	( 269,522)	( 340,115)
Actuarial gain	281,693	67,515
Benefits paid	<u>1,034,500</u>	<u>1,109,337</u>
Projected benefit obligation, end of year	<u>\$(7,152,394)</u>	<u>\$(8,188,301)</u>

Estimated future benefit cash flows for the next five years and thereafter are as follows:

<u>Year</u>	<u>Projected Benefits</u>
2019	\$975,179
2020	897,543
2021	825,826
2022	750,780
2023	674,026
2024 - 2028	2,425,266

#### **(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 Wespath.

UMW makes semi-monthly contributions to each eligible employee’s account held by Wespath 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 2018 and 2017 were \$634,506 and \$615,116, respectively.

UMW, through Brooks-Howell Home, also participates in the Cumulative Pension and Benefit Fund, which is administered by Wespath. All eligible employees of Brooks-Howell Home with more than two years of service participate in the plan. No employee contributions are required; however, voluntary employee contributions may be made. UMW pays 5% of eligible compensation into the plan with an additional 2% matching contribution. During the years ended December 31, 2018 and 2017, UMW made contributions of \$79,293 and \$88,818, respectively.

## UNITED METHODIST WOMEN

### Notes to Financial Statements

December 31, 2018 and 2017

#### (8) 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 \$94,500,000 and \$98,600,000 and the Plan’s unfunded expected postretirement benefit obligation was \$131,500,000 and \$148,700,000 as of December 31, 2018 and 2017, respectively.

UMW’s active employees are covered by the Plan. The total cost of benefits for active employees was \$243,864 and \$812,794 in 2018 and 2017, respectively, exclusive of reimbursement from the General Agency Benefit Trust (the “Benefit Trust”).

Wespath has transferred certain excess pension assets to the Benefit Trust established by the 1996 General Conference as of December 31, 1996. Annually, the Benefit Trust allows a stated percentage, of 6% for both 2018 and 2017, 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 for their funding of active and retiree employee benefits. UMW received distributions from the Benefit Trust through GCFA and GBGM. The 2012 General Conference established UMW as a separate legal entity, and therefore, UMW may no longer be entitled to receive a distribution from the Benefit Trust. Distributions were discontinued to UMW in February 2016; however, UMW filed a request for reconsideration with GCFA to be reinstated as a beneficiary of the proceeds from the Benefit Trust, which was approved during 2017. Distributions received by UMW, from GBGM, totaled \$773,890 and \$1,280,763 for 2018 and 2017, respectively.

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. As of December 31, 2018, there were 102 participants receiving benefits. 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.

## UNITED METHODIST WOMEN

### Notes to Financial Statements

December 31, 2018 and 2017

The following table sets forth financial information about the unfunded plan as of December 31, 2018 and 2017:

	<b>Medical Plan</b>	<b>Retirement Home</b>	<b>Total</b>
<b>2018:</b>			
Benefit obligation at December 31	<u>\$(2,896,826)</u>	<u>\$(11,586,940)</u>	<u>\$(14,483,766)</u>
Accrued benefit cost recognized in the statement of financial position	<u>\$(2,896,826)</u>	<u>\$(11,586,940)</u>	<u>\$(14,483,766)</u>
Actuarial assumptions:			
Benefit obligation discount rate	4.00%	4.00%	
Healthcare cost trend rate 2019/ultimate	5.30%/4.10%	3.00%/ 3.00%	
Mortality	RP-2014; Scale MP-2018		
Benefit cost included in mission personnel expense	<u>\$ 94,706</u>	<u>\$ 413,691</u>	<u>\$ 508,397</u>
Employer contributions	<u>\$ 274,401</u>	<u>\$ 1,812,864</u>	<u>\$ 2,087,265</u>
Benefits paid	<u>\$ 274,401</u>	<u>\$ 1,812,864</u>	<u>\$ 2,087,265</u>
	<b>Medical Plan</b>	<b>Retirement Home</b>	<b>Total</b>
<b>2017:</b>			
Benefit obligation at December 31	<u>\$(3,105,590)</u>	<u>\$(13,649,914)</u>	<u>\$(16,755,504)</u>
Accrued benefit cost recognized in the statement of financial position	<u>\$(3,105,590)</u>	<u>\$(13,649,914)</u>	<u>\$(16,755,504)</u>
Actuarial assumptions:			
Benefit obligation discount rate	3.25%	3.25%	
Healthcare cost trend rate 2018/ultimate	6.00%/3.90%	3.00%/3.00%	
Mortality	RP-2014; Scale MP-2017		
Benefit cost included in mission personnel expense	<u>\$ 121,522</u>	<u>\$ 422,557</u>	<u>\$ 544,079</u>
Employer contributions	<u>\$ 257,443</u>	<u>\$ 1,960,728</u>	<u>\$ 2,218,171</u>
Benefits paid	<u>\$ 257,443</u>	<u>\$ 1,960,728</u>	<u>\$ 2,218,171</u>



## UNITED METHODIST WOMEN

### Notes to Financial Statements

December 31, 2018 and 2017

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

<u>Year</u>	<u>Medical Plan</u>	<u>Retirement Home</u>	<u>Total</u>
2019	\$ 387,627	\$1,695,895	\$2,083,522
2020	359,207	1,549,823	1,909,030
2021	334,601	1,426,780	1,761,381
2022	306,596	1,291,174	1,597,770
2023	281,523	1,161,955	1,443,478
2024 - 2028	1,057,228	4,132,351	5,189,579

Healthcare Cost Trend Rate: The effect of a 1% increase in the healthcare cost trend rate would increase the benefit obligation by approximately \$770,522 at December 31, 2018.

#### (9) Description of Net Assets

Net assets without donor restrictions include the following at December 31, 2018 and 2017:

	<u>2018</u>	<u>2017</u>
Undesignated	\$ 3,030,547	\$ 10,997,875
Board designated for programs:		
Annuities	( 43,506)	( 24,831)
Other programs	<u>4,266,766</u>	<u>4,538,757</u>
Total board designated for programs	<u>4,223,260</u>	<u>4,513,926</u>
Board designated for retirement benefits of missionaries and deaconesses	<u>-</u>	<u>959,781</u>
Board designated funds functioning as endowment	<u>15,616,735</u>	<u>15,647,517</u>
Board designated for other:		
Scarritt-Bennett property reinvestment	3,494,517	4,205,713
Racial Justice initiative, Immigration responses, Acts of Repentance follow through, and Leadership Initiatives with Central Conference Women and women around the world	2,698,198	2,831,011
Severance for staff reduction and incentive	750,612	-
CCUN sprinkler, fire alarm, and air conditioning systems	545,161	-
CCUN renovations	<u>208,122</u>	<u>-</u>
Total board designated for other	<u>7,696,610</u>	<u>7,036,724</u>
Total net assets without donor restrictions	<u>\$ 30,567,152</u>	<u>\$ 39,155,823</u>

## UNITED METHODIST WOMEN

### Notes to Financial Statements

December 31, 2018 and 2017

Net assets with donor restrictions include the following at December 31, 2018 and 2017:

	<u>2018</u>	<u>2017</u>
Subject to purpose restrictions:		
Projects and program activities to support Women, children, and youth; missionaries and Deaconesses pension and medical support; scholarships; international missions; and educational institutions	<u>\$37,147,289</u>	<u>\$43,663,874</u>
Endowments:		
Contributions restricted to investment in perpetuity. Income from these funds is expendable to support the following purposes:		
Projects and program activities to support Women, children, and youth; missionaries and Deaconesses pension and medical support; Scholarships; and educational institutions	<u>18,820,880</u>	<u>17,932,161</u>
Total net assets with donor restrictions	<u>\$55,968,169</u>	<u>\$61,596,035</u>

Net assets of \$3,555,153 and \$3,258,230 for 2018 and 2017, 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.

#### **(10) Endowment**

UMW's endowment consists of approximately 595 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 net assets with donor restrictions (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.

## UNITED METHODIST WOMEN

### Notes to Financial Statements

December 31, 2018 and 2017

UMW considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- The duration and preservation of the endowment fund
- The purposes of UMW 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 UMW
- Alternatives to expenditure of the endowment fund
- The investment policies of the UMW

### 2018

#### *Endowment Net Asset Composition by Type of Fund as of December 31, 2018*

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u> Temporary in Nature	<u>Perpetual in Nature</u>	<u>Total</u>
Donor-restricted endowment funds	\$ -	\$ -	\$18,820,880	\$18,820,880
Board-designated endowment funds	<u>15,616,735</u>	<u>24,603,994</u>	<u>-</u>	<u>40,220,729</u>
 Total funds	 <u>\$15,616,735</u>	 <u>\$24,603,994</u>	 <u>\$18,820,880</u>	 <u>\$59,041,609</u>

#### *Changes in Endowment Net Assets for the Year Ended December 31, 2018*

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u> Temporary in Nature	<u>Perpetual in Nature</u>	<u>Total</u>
Endowment net assets, beginning of year	\$ <u>15,647,517</u>	\$ <u>30,042,785</u>	\$ <u>17,932,161</u>	\$ <u>63,622,463</u>
Investment return:				
Investment income	19,388	1,252,780	-	1,272,168
Net depreciation (realized and unrealized)	<u>( 50,170)</u>	<u>( 4,730,237)</u>	<u>( 186,568)</u>	<u>( 4,996,975)</u>
Total investment loss	<u>( 30,782)</u>	<u>( 3,477,457)</u>	<u>( 186,568)</u>	<u>( 3,694,807)</u>
Contributions	<u>-</u>	<u>-</u>	<u>1,075,287</u>	<u>1,075,287</u>
Appropriation of endowment assets for expenditure and reclassifications	<u>-</u>	<u>( 1,961,334)</u>	<u>-</u>	<u>( 1,961,334)</u>
 Endowment net assets, end of year	 <u>\$ 15,616,735</u>	 <u>\$ 24,603,994</u>	 <u>\$ 18,820,880</u>	 <u>\$ 59,041,609</u>

**UNITED METHODIST WOMEN**

Notes to Financial Statements

December 31, 2018 and 2017

**2017**

*Endowment Net Asset Composition by Type of Fund as of December 31, 2017*

	<b><u>Without Donor Restrictions</u></b>	<b><u>With Donor Restrictions Temporary in Nature</u></b>	<b><u>Perpetual in Nature</u></b>	<b><u>Total</u></b>
Donor-restricted endowment funds	\$ -	\$ -	\$17,932,161	\$17,932,161
Board-designated endowment funds	<u>15,647,517</u>	<u>30,042,785</u>	<u>-</u>	<u>45,690,302</u>
Total funds	<u>\$15,647,517</u>	<u>\$30,042,785</u>	<u>\$17,932,161</u>	<u>\$63,622,463</u>

*Changes in Endowment Net Assets for the Year Ended December 31, 2017*

	<b><u>Without Donor Restrictions</u></b>	<b><u>With Donor Restrictions Temporary in Nature</u></b>	<b><u>Perpetual in Nature</u></b>	<b><u>Total</u></b>
Endowment net assets, beginning of year	<u>\$15,546,527</u>	<u>\$ 22,449,591</u>	<u>\$16,860,658</u>	<u>\$ 39,856,776</u>
Investment return:				
Investment income	10,586	984,120	-	994,706
Net appreciation (realized and unrealized)	<u>87,108</u>	<u>7,327,221</u>	<u>112,275</u>	<u>7,526,604</u>
Total investment return	<u>97,694</u>	<u>8,311,341</u>	<u>112,275</u>	<u>8,521,310</u>
Contributions	<u>-</u>	<u>-</u>	<u>953,148</u>	<u>953,148</u>
Board designation as endowment (Note 14)	<u>15,003,296</u>	<u>-</u>	<u>-</u>	<u>15,003,296</u>
Appropriation of endowment assets for expenditure and reclassifications	<u>-</u>	<u>( 718,147)</u>	<u>6,080</u>	<u>( 712,067)</u>
Endowment net assets, end of year	<u>\$15,647,517</u>	<u>\$ 30,042,785</u>	<u>\$17,932,161</u>	<u>\$ 63,622,463</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 Mellon 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.

## UNITED METHODIST WOMEN

### 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 a formal spending policy. For 2018, after consideration of the factors noted above (under “*Interpretation of Relevant Law*”), a total spending rate of 6.0% was recommended as prudent, from which 1.0% was to be allocated for administrative expenses of UMW in managing and administrating the endowment fund portfolio. Further, distributions are made at the discretion of the Board of Directors when determining the annual budget. The Board of Directors approved a \$300,000 appropriation from the endowment fund portfolio in 2018. 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**

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, 2018 and 2017 for assets measured at fair value on a recurring basis under ASC 820, *Fair Value Measurements and Disclosures*:

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	<u>Fair Value Measurements at Reporting Date Using</u>			
<u>Assets (Liabilities)</u> <u>Measured</u> <u>at Fair Value</u>	<u>Quoted Prices in</u> <u>Active Markets for</u> <u>Identical Assets</u> <u>(Level 1)</u>	<u>Significant</u> <u>Other Observable</u> <u>Inputs</u> <u>(Level 2)</u>	<u>Significant</u> <u>Unobservable</u> <u>Inputs</u> <u>(Level 3)</u>	
<b>December 31, 2018:</b>				
Assets:				
Investments:				
Short-term securities	\$ 271,777	\$ 271,777	\$ -	\$ -
Marketable equity securities	179,648	179,648	-	-
International Equities Fund	8,195,350	-	8,195,350	-
U.S. Equities Fund	14,007,670	14,007,670	-	-
Fixed Income Fund	10,757,478	-	10,757,478	-
Equity Social Values Fund	2,834,565	-	2,834,565	-
Inflation Protection Fund	3,813,824	-	3,813,824	-
Multiple Asset Fund	52,249,797	-	52,249,797	-
Pooled investment funds	<u>548,897</u>	<u>-</u>	<u>548,897</u>	<u>-</u>
Total investments	92,859,006	14,459,095	78,399,911	-
Perpetual trusts held by others	1,438,031	1,438,031	-	-
Liabilities:				
Assets held for others	( 5,308,776)	-	( 5,308,776)	-

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Notes to Financial Statements

December 31, 2018 and 2017

	<u>Fair Value Measurements at Reporting Date Using</u>			
<u>Assets (Liabilities)</u> <u>Measured</u> <u>at Fair Value</u>	<u>Quoted Prices in</u> <u>Active Markets for</u> <u>Identical Assets</u> <u>(Level 1)</u>	<u>Significant</u> <u>Other Observable</u> <u>Inputs</u> <u>(Level 2)</u>	<u>Significant</u> <u>Unobservable</u> <u>Inputs</u> <u>(Level 3)</u>	
<b>December 31, 2017:</b>				
Assets:				
Investments:				
Short-term securities	\$ 383,879	\$ 383,879	\$ -	\$ -
Marketable equity securities	155,357	155,357	-	-
International Equities Fund	8,574,935	-	8,574,935	-
U.S. Equities Fund	18,757,068	18,757,068	-	-
Fixed Income Fund	16,732,694	-	16,732,694	-
Equity Social Values Fund	4,598,546	-	4,598,546	-
Inflation Protection Fund	4,889,641	-	4,889,641	-
Multiple Asset Fund	58,766,853	-	58,766,853	-
Pooled investment funds	<u>602,330</u>	<u>-</u>	<u>602,330</u>	<u>-</u>
Sub-total investments	113,461,303	19,296,304	94,164,999	-
Less: Amount needed to cover the State of North Carolina operating Reserve requirement for Brooks-Howell Home (Note 12)	<u>( 844,287)</u>	<u>( 844,287)</u>	<u>-</u>	<u>-</u>
Total investments	112,617,016	18,452,017	94,164,999	-
Perpetual trusts held by others	1,624,599	1,624,599	-	-
Liabilities:				
Assets held for others	( 5,312,100)	-	( 5,312,100)	-

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### Notes to Financial Statements

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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 equities, domestic bond fund, Multiple Asset Fund and other funds held by Wespath, 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, primarily based on the short-term nature of these instruments.

#### **(12) Operating Reserve Requirement for Brooks-Howell Home**

UMW is the provider for the operations of BHH, a retirement facility in Asheville, North Carolina. BHH is operated as a program of UMW. BHH operates under a Certificate of Authority from the State of North Carolina. Pursuant to North Carolina statute for Continuing Care Retirement Communities, certain operating reserves must be maintained by the provider. The operating reserve must cover a percentage of the forecasted total operating expenses for the facility for the upcoming year, excluding depreciation, amortization, and extraordinary items. Specifically, according to statute § 58-64-33, if a facility maintains an occupancy level in excess of ninety percent, a provider shall be required to maintain an operating reserve of twenty-five percent of operating expenses; however, if the occupancy levels fall below ninety percent, a fifty percent operating reserve must be maintained. As of December 31, 2018 and 2017, UMW held \$3,042,000 and \$3,084,000, respectively, in operating reserves for Brooks-Howell Home based on actual occupancy levels of less than ninety percent and anticipated 2018 and 2017 operating expenses, respectively. As UMW is the provider for BHH, the operating reserves are reported in UMW's financial statements and not within BHH's financial statements.

#### **(13) Operating Lease Commitment**

UMW leases certain office space under an operating lease expiring in October 2020. The annual rental for each year ended December 31 is an amount equal to the UMW's proportionate share of (i) Landlord's carrying, maintenance, operating and depreciation charges for the Building, parking lot, other improvements (including common facilities), underlying land and the adjacent sidewalks (collectively, the "Real Property") for such year plus (ii) the amount of scheduled contributions to Landlord's capital improvement fund for the Real Property. Rental expense was \$783,592 and \$940,051 for the years ended December 31, 2018 and 2017, respectively. Future annual rental expense will vary based on the formula above, but is expected to approximate the 2018 expense through the remainder of the lease term.



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#### (14) Alma Mathews House

UMW owned property located at 273-275 West 11<sup>th</sup> Street, New York, NY, known as Alma Mathews House. In 2016, UMW sold the property for \$34,500,000 (net \$33,869,501). Alma Mathews was a program of UMW; however, its operations are not considered to be material for separate disclosure as discontinued operations. Gain on sale of the property totaled \$33,771,291.

During March 2017, the UMW Board of Directors designated the use of the proceeds from the sale of Alma Mathews House for the following purposes:

Renovation funds for UMW Headquarters	\$ 4,000,000
Legacy Fund Endowment	15,000,000
Scarritt Bennett property reinvestment	5,000,000
Racial Justice initiative, Immigration responses, Acts of Repentance follow through, and Leadership initiatives with Central Conference women and women around the world	3,000,000
Strategic Plan Implementation	<u>1,000,000</u>
	<u>\$28,000,000</u>

Since March 2017, the UMW Board of Directors has designated additional proceeds from the sale of the Alma Mathews House property to be used for severance for staff reduction and incentive (\$1,000,000), upgrading the sprinkler, fire alarm, and air conditioning systems in the CCUN building (\$1,310,400), and renovating office space in the CCUN building (\$1,000,000). Therefore, \$31,310,400 of the Alma Mathews House proceeds have been designated by the Board as of December 31, 2018.

#### (15) Reclassification of Net Assets

During June 2019, management determined that one of UMW's investment accounts previously recorded as net assets without donor restrictions should have been recorded as net assets with donor restrictions subject to a purpose restriction for projects and program activities related to international missions work. There was no effect on the total change in net assets as a result of this reclassification. The impact on the financial statements as a result of the reclassification is as follows:

	Net Assets Without Donor Restrictions	Net Assets With Donor Restrictions	Total Net Assets
Balance at December 31, 2016, as previously reported	\$ 51,822,287	\$43,699,450	\$95,521,737
Reclassification of donor restricted investment account	<u>( 9,146,720)</u>	<u>9,146,720</u>	<u>-</u>
Balance at December 31, 2016, as reclassified	<u>\$ 42,675,567</u>	<u>\$52,846,170</u>	<u>\$95,521,737</u>

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Notes to Financial Statements

December 31, 2018 and 2017

### (15) Reclassification of Net Assets - Continued

	<u>Net Assets Without Donor Restrictions</u>	<u>Net Assets With Donor Restrictions</u>	<u>Total Net Assets</u>
Balance at December 31, 2017, as previously reported	\$ 48,362,205	\$52,389,653	\$100,751,858
Reclassification of donor restricted investment account	<u>( 9,206,382)</u>	<u>9,206,382</u>	<u>-</u>
Balance at December 31, 2017, as reclassified	<u>\$ 39,155,823</u>	<u>\$61,596,035</u>	<u>\$100,751,858</u>

### (16) Subsequent Events

Management has evaluated subsequent events through August 16, 2019, the date the financial statements were available for issuance, and has determined that there was one subsequent event requiring disclosure.

During March 2019, the UMW Board of Directors passed a resolution to make available to BHH an amount up to approximately \$1,122,000, which is to be disbursed as needed for the operation, upkeep, refurbishment and future planning of BHH as it is the one remaining retirement community for the Deaconesses, Home Missionaries, and Missionaries for whom UMW have a commitment.