

UNITED METHODIST WOMEN
FINANCIAL STATEMENTS
DECEMBER 31, 2016 AND 2015

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, 2016 and 2015, 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, 2016 and 2015, 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, PLLC

Nashville, Tennessee
May 30, 2017

UNITED METHODIST WOMEN

Statements of Financial Position

December 31, 2016 and 2015

Assets	2016	2015
Cash and cash equivalents	\$ 239,433	\$ 2,038,730
Cash and cash equivalents - State of North Carolina operating reserve requirement for Brooks-Howell Home	2,893,000	2,714,000
Receivables:		
Due from conferences	4,721,358	4,342,157
Loans	360,136	413,136
Property sales	107,010	116,318
Other	1,676,303	1,604,230
Inventories and other assets, net	1,550,991	1,320,331
Prepaid expenses	968,757	576,081
Investments in debt securities of The United Methodist Development Fund	5,500	5,500
Investments	110,791,200	78,176,967
Land, buildings, and equipment, net	4,585,954	5,015,349
Perpetual trusts held by others	1,512,324	1,517,670
Total assets	\$129,411,966	\$97,840,469
Liabilities and Net Assets		
Liabilities:		
Accounts payable and accrued expenses	\$ 2,474,253	\$ 1,905,364
Due to the General Board of Global Ministries and related entities	470,463	197,277
Deferred revenue	233,219	113,174
Annuities payable	256,170	281,108
Assets held for others	4,836,655	4,814,034
Accrued postretirement and pension benefit costs	25,619,469	28,295,595
Total liabilities	33,890,229	35,606,552
Net assets:		
Unrestricted:		
Undesignated (Note 13)	47,156,779	17,839,978
Board designated for programs	3,406,779	3,397,214
Designated for retirement benefits of missionaries and deaconesses	712,202	(438,387)
Designated funds functioning as endowment	546,527	524,680
Total unrestricted net assets	51,822,287	21,323,485
Temporarily restricted	26,838,792	25,062,132
Permanently restricted	16,860,658	15,848,300
Total net assets	95,521,737	62,233,917
Total liabilities and net assets	\$129,411,966	\$ 97,840,469

See accompanying notes to financial statements.

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Statement of Activities

Year Ended December 31, 2016

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Operating Revenues:				
Mission Giving:				
Pledge to Mission	\$ 12,098,222	\$ -	\$ -	\$ 12,098,222
Supplementary Giving	22,073	35,940	-	58,013
Designated Giving	35,148	652,821	-	687,969
Interest Income:				
Interest Income from Cash Equivalents	111	-	-	111
Investment Income (Net of Fees)	978,477	709,626	-	1,688,103
Bequests, Trusts, Other Long-term Gifts	325,186	148,026	-	473,212
Publications:				
Response Magazine	336,111	-	-	336,111
PBD/Mission Resources	986,134	-	-	986,134
Rental and Service Fee Income:				
Resident Service Fees and Other from Brooks-Howell Home	3,656,398	-	3,171	3,659,569
Proceeds from Church Center for the United Nations	2,512,934	-	-	2,512,934
Other Income:				
Events, Seminars, Meetings	7,842	-	-	7,842
Benefits Trust	91,323	-	-	91,323
Miscellaneous Other Income	529,788	-	-	529,788
	21,579,747	1,546,413	3,171	23,129,331
Net assets released from restrictions and reclassifications	1,929,791	(1,929,791)	-	-
Total operating revenues	23,509,538	(383,378)	3,171	23,129,331
Operating Expenses:				
Program Services:				
Programs Administered by UMW:				
National Mission Institutions Network	467,290	-	-	467,290
National Mission Institution Property Management				
Insurance	1,544,926	-	-	1,544,926
Repairs and Maintenance	543,020	-	-	543,020
Property Management	190,796	-	-	190,796
International Mission Work Administration	759,992	-	-	759,992
UMW Membership and Leadership Development	2,209,895	-	-	2,209,895
Mission Education	1,963,009	-	-	1,963,009
Response Magazine	496,342	-	-	496,342
Mission Resources	1,224,373	-	-	1,224,373
Christian Social Action	1,783,640	-	-	1,783,640
Deaconess, Home Missioners Office and Network	517,943	-	-	517,943
Other Programs Administered by UMW	160,449	-	-	160,449
Programs Administered by Other Organizations:				
United Methodist Organizations National Mission	2,050,241	-	-	2,050,241
United Methodist Organizations International Mission	1,639,589	-	-	1,639,589
Ecumenical Organization	298,806	-	-	298,806
Social Action Organizations	10,000	-	-	10,000
Grants from Designated Funds	1,224,172	-	-	1,224,172
Program Support:				
Church Center for the United Nations	2,366,538	-	-	2,366,538
Alma Mathews Hospitality House	159,048	-	-	159,048
Brooks-Howell Retirement Center				
Retired Deaconess, Missionary Home Operations	3,979,517	-	-	3,979,517
Retired Deaconess, Missionary Pension and Health Benefits	1,030,656	-	-	1,030,656
Annuity Fund	99,352	-	-	99,352
Scarritt-Bennett Center	163,333	-	-	163,333
Organization-wide Program Support	677,309	-	-	677,309
Total program services	25,560,236	-	-	25,560,236

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Statement of Activities

Year Ended December 31, 2016

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Supporting Services:				
Management and general	4,577,444	-	-	4,577,444
Fund-raising				
Development office	350,092	-	-	350,092
Fund-raising programs – SMR’s	<u>5,221</u>	<u>-</u>	<u>-</u>	<u>5,221</u>
Total supporting services	<u>4,932,757</u>	<u>-</u>	<u>-</u>	<u>4,932,757</u>
Total operating expenses	<u>30,492,993</u>	<u>-</u>	<u>-</u>	<u>30,492,993</u>
(Decrease) increase in net assets from operations	<u>(6,983,455)</u>	<u>(383,378)</u>	<u>3,171</u>	<u>(7,363,662)</u>
Non-operating Activities:				
Net appreciation in fair value of investments	3,710,966	2,160,038	-	5,871,004
Net depreciation in assets held by others	-	-	(5,346)	(5,346)
Gain on sale of properties	33,771,291	-	-	33,771,291
Endowment and other permanent contributions	<u>-</u>	<u>-</u>	<u>1,014,533</u>	<u>1,014,533</u>
Total non-operating activities	<u>37,482,257</u>	<u>2,160,038</u>	<u>1,009,187</u>	<u>40,651,482</u>
Increase in net assets	30,498,802	1,776,660	1,012,358	33,287,820
Net assets at beginning of year	<u>21,323,485</u>	<u>25,062,132</u>	<u>15,848,300</u>	<u>62,233,917</u>
Net assets at end of year	<u>\$ 51,822,287</u>	<u>\$ 26,838,792</u>	<u>\$ 16,860,658</u>	<u>\$ 95,521,737</u>

See accompanying notes to financial statements.

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Statement of Activities

Year Ended December 31, 2015

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Operating Revenues:				
Mission Giving:				
Pledge to Mission	\$ 12,019,519	\$ -	\$ -	\$ 12,019,519
Supplementary Giving	28,800	53,232	-	82,032
Designated Giving	29,055	681,422	-	710,477
Interest Income:				
Interest Income from Cash Equivalents	1,756	-	-	1,756
Investment Income (Net of Fees)	506,286	648,760	-	1,155,046
Bequests, Trusts, Other Long-term Gifts	249,207	290,079	-	539,286
Publications:				
Response Magazine	379,245	-	-	379,245
PBD/Mission Resources	1,002,436	-	-	1,002,436
Rental and Service Fee Income:				
Resident Service Fees and Other from Brooks-Howell Home	3,823,147	-	-	3,823,147
Proceeds from Church Center for the United Nations	2,546,774	-	-	2,546,774
Proceeds from Alma Mathews	320,411	-	-	320,411
Other Income:				
Events, Seminars, Meetings	10,900	-	-	10,900
Benefits Trust	665,625	-	-	665,625
Miscellaneous Other Income	494,251	-	-	494,251
	22,077,412	1,673,493	-	23,750,905
Net assets released from restrictions and reclassifications	2,240,213	(1,582,817)	(657,396)	-
Total operating revenues	24,317,625	90,676	(657,396)	23,750,905
Operating Expenses:				
Program Services:				
Programs Administered by UMW:				
National Mission Institutions Network	524,963	-	-	524,963
National Mission Institution Property Management				
Insurance	1,443,252	-	-	1,443,252
Repairs and Maintenance	1,365,083	-	-	1,365,083
Property Management	178,198	-	-	178,198
International Mission Work Administration	622,232	-	-	622,232
UMW Membership and Leadership Development	2,180,641	-	-	2,180,641
Mission Education	1,868,382	-	-	1,868,382
Response Magazine	492,110	-	-	492,110
Mission Resources	1,293,295	-	-	1,293,295
Christian Social Action	1,847,927	-	-	1,847,927
Deaconess, Home Missioners Office and Network	500,111	-	-	500,111
Other Programs Administered by UMW	260,912	-	-	260,912
Programs Administered by Other Organizations:				
United Methodist Organizations National Mission	2,078,674	-	-	2,078,674
United Methodist Organizations International Mission	1,321,703	-	-	1,321,703
Ecumenical Organization	351,260	-	-	351,260
Social Action Organizations	10,000	-	-	10,000
Grants from Designated Funds	1,948,017	-	-	1,948,017
Program Support:				
Church Center for the United Nations	2,492,327	-	-	2,492,327
Alma Mathews Hospitality House	656,745	-	-	656,745
Brooks-Howell Retirement Center				
Retired Deaconess, Missionary Home Operations	4,025,375	-	-	4,025,375
Retired Deaconess, Missionary Pension and Health Benefits	1,880,454	-	-	1,880,454
Scarritt-Bennett Center	431,724	-	-	431,724
Organization-wide Program Support	526,262	-	-	526,262
Total program services	28,299,647	-	-	28,299,647

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Statement of Activities

Year Ended December 31, 2015

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Supporting Services:				
Management and general	4,242,781	-	-	4,242,781
Fund-raising				
Development office	171,724	-	-	171,724
Fund-raising programs – SMR’s	<u>28,662</u>	<u>-</u>	<u>-</u>	<u>28,662</u>
Total supporting services	<u>4,443,167</u>	<u>-</u>	<u>-</u>	<u>4,443,167</u>
Total operating expenses	<u>32,742,814</u>	<u>-</u>	<u>-</u>	<u>32,742,814</u>
(Decrease) increase in net assets from operations	<u>(8,425,189)</u>	<u>90,676</u>	<u>(657,396)</u>	<u>(8,991,909)</u>
Non-operating Activities:				
Net depreciation in fair value of investments	(1,346,638)	(1,498,588)	-	(2,845,226)
Net depreciation in assets held by others	-	-	(75,739)	(75,739)
Gain on sale of properties	13,015,155	-	-	13,015,155
Endowment and other permanent contributions	<u>-</u>	<u>-</u>	<u>1,275,797</u>	<u>1,275,797</u>
Total non-operating activities	<u>11,668,517</u>	<u>(1,498,588)</u>	<u>1,200,058</u>	<u>11,369,987</u>
Increase (decrease) in net assets	3,243,328	(1,407,912)	542,662	2,378,078
Net assets at beginning of year	<u>18,080,157</u>	<u>26,470,044</u>	<u>15,305,638</u>	<u>59,855,839</u>
Net assets at end of year	<u>\$ 21,323,485</u>	<u>\$ 25,062,132</u>	<u>\$ 15,848,300</u>	<u>\$ 62,233,917</u>

See accompanying notes to financial statements.

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Statements of Cash Flows

Years Ended December 31, 2016 and 2015

	2016	2015
Cash flows from operating activities:		
Increase in net assets	\$ 33,287,820	\$ 2,378,078
Adjustments to reconcile increase in net assets to net cash used in operating activities:		
Depreciation	639,918	621,897
Contribution of perpetual trusts held by others	-	(720,297)
Net (appreciation) depreciation in fair value of investments	(5,871,004)	2,845,226
Net (appreciation) depreciation in fair value of assets held for others	(207,832)	115,195
Net depreciation in perpetual trusts held by others	5,346	75,739
Gain on sale of properties	(33,771,291)	(13,015,155)
Contributions and investment return restricted for long-term investment	(1,014,533)	(1,275,797)
Actuarial loss on annuity obligations	31,777	-
(Increase) decrease in receivables	(388,966)	590,791
Increase in inventories and other assets	(230,660)	(41,859)
(Increase) decrease in prepaid expenses	(392,676)	46,148
Increase (decrease) in accounts payable and accrued expenses	568,889	(583,704)
Increase in due to/from the General Board of Global Ministries and related entities, net	273,186	100,825
Increase in deferred revenue	120,045	3,658
Increase in assets held for others	22,621	1,342,867
Decrease in accrued postretirement and pension benefit costs	<u>(2,676,126)</u>	<u>(1,330,139)</u>
Net cash used in operating activities	<u>(9,603,486)</u>	<u>(8,846,527)</u>
Cash flows from investing activities:		
Proceeds from sale of properties	33,869,501	13,015,155
Purchases of equipment and improvements	(308,733)	(308,065)
Proceeds from sales of investments	20,924,327	9,315,007
Purchases of investments	<u>(47,459,724)</u>	<u>(16,596,156)</u>
Net cash provided by investing activities	<u>7,025,371</u>	<u>5,425,941</u>
Cash flows from financing activities:		
Contributions and investment return restricted for long-term investment	1,014,533	1,275,797
Payments of annuity obligations	<u>(56,715)</u>	<u>(44,163)</u>
Net cash provided by financing activities	<u>957,818</u>	<u>1,231,634</u>
Net decrease in cash and cash equivalents	(1,620,297)	(2,188,952)
Cash and cash equivalents at beginning of year	<u>4,752,730</u>	<u>6,941,682</u>
Cash and cash equivalents at end of year	<u>\$ 3,132,433</u>	<u>\$ 4,752,730</u>

See accompanying notes to financial statements.

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Notes to Financial Statements

December 31, 2016 and 2015

(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. Contributions received from United Methodist Women conferences accounted for approximately 56% and 54% of total operating revenue of UMW in 2016 and 2015, 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. Through May 2016, UMW also operated Alma Mathews, a small housing and meeting facility in New York City. The program was discontinued and the facility was sold in May 2016, as further described in Note 13.

(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, BHH, and Alma Mathews (See Note 13). All significant intercompany accounts and transactions have been eliminated.

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Notes to Financial Statements

December 31, 2016 and 2015

(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") (formerly the General Board of Pension and Health Benefits of The United Methodist Church or 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 Wespath's Funds are stated at fair value primarily based on unitized market value of the respective fund portfolios. As of December 31, 2016, Wespath's Multiple Asset Fund is a composite of U.S. equity funds (35%), fixed income funds (35%), international equity funds (24%), inflation protection funds (5%), and multiple asset fund cash (1%).

(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. Inventories are presented net of an allowance for obsolescence of \$283,716 at both December 31, 2016 and 2015.

(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 \$2,334,000 and \$3,327,000 in 2016 and 2015, respectively.

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(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 2016 and 2015, totaled \$129,255 and \$5,000, respectively.

(h) Net Assets

Unrestricted net assets represent resources over which the Board of Directors has full discretion with respect to use. The Board of Directors has designated certain unrestricted net assets for programs, retirement benefits, and to function as endowment (See Note 13). 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.

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 statement 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, 2016 and 2015.

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Notes to Financial Statements

December 31, 2016 and 2015

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.

(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 2016 and 2015 (included in program and supporting services expenses) was \$222,920 and \$276,871, respectively.

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Notes to Financial Statements

December 31, 2016 and 2015

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 2016 and 2015, UMW provided the Center with financial support of \$163,333 and \$431,724, 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, 2016 and 2015:

	2016	2015
Land, buildings and improvements	\$ 8,752,993	\$ 9,008,085
Equipment	<u>3,688,936</u>	<u>3,380,203</u>
	12,441,929	12,388,288
Accumulated depreciation	<u>(7,855,975)</u>	<u>(7,372,939)</u>
Land, buildings, and equipment, net	<u>\$ 4,585,954</u>	<u>\$ 5,015,349</u>

(5) Investments

At December 31, 2016 and 2015, the cost and fair value of investments are as follows:

	2016		2015	
	Cost	Fair Value	Cost	Fair Value
Short-term securities	\$ 1,154,305	\$ 1,228,074	\$ 480,360	\$ 480,360
Marketable equity securities	111,098	111,098	196,083	196,083
Wespath:				
International Equities Fund	6,777,184	7,177,297	216,759	438,744
U.S. Equities Fund	13,147,648	18,071,209	2,334,485	6,339,408
Fixed Income Fund	16,510,020	17,864,701	3,681,647	5,030,875
Equity Social Values Fund	5,771,378	6,061,311	1,000,000	1,002,372
Inflation Protection Fund	4,193,375	4,292,759	-	-
Multiple Asset Fund	38,485,019	55,439,338	50,560,505	64,150,365
Pooled investment funds	<u>545,413</u>	<u>545,413</u>	<u>538,760</u>	<u>538,760</u>
Total investments	<u>\$86,695,440</u>	<u>\$110,791,200</u>	<u>\$59,008,599</u>	<u>\$78,176,967</u>

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Notes to Financial Statements

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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 \$21,524,911 and \$22,645,745 at December 31, 2016 and 2015, respectively, designated for UMW's retirement fund (See Notes 6 and 7).

Investment return (loss) for the years ended December 31, 2016 and 2015 consisted of the following:

	2016	2015
Interest and dividends	<u>\$ 1,691,895</u>	<u>\$ 1,158,912</u>
Net appreciation (depreciation) in fair value of investments:		
Realized gains on investments	2,357,257	2,122,600
Decrease in accumulated unrealized gains on investments	<u>3,721,579</u>	<u>(5,083,021)</u>
Net appreciation (depreciation) in fair value of investments	<u>6,078,836</u>	<u>(2,960,421)</u>
Total return (loss) on investments	7,770,731	(1,801,509)
Investment management expenses	<u>(3,792)</u>	<u>(3,866)</u>
Return (loss) on investments, net	<u>\$ 7,766,939</u>	<u>\$ (1,805,375)</u>

(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 relating to investments (See Note 5), 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 7). 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.

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The annual benefit level (per year of pension credit service) was \$552 and \$536 for the 2016 and 2015 actuarial valuations, respectively. The actuarial method is the Projected Unit Credit Method for both 2016 and 2015. The following are significant actuarial assumptions used in the valuations:

	2016	2015
Discount rate	4.14%	4.43%
Mortality	RP-14 proj 2006(MP-16)	RP-2000 (BB)
Annual benefit increases	3.00% pre 2022 2.00% post 2021	3.00%

Changes in assumptions used in the 2016 calculation were made to better reflect current market conditions, anticipated future mortality of the population, and revised planned benefit increases by the plan sponsor.

Participant data as of December 31 is summarized below:

	2016	2015
Number of Participants		
Active	1	1
Separated vested	15	18
Retirees	<u>128</u>	<u>139</u>
Total	<u>144</u>	<u>158</u>

The projected benefit obligation as of December 31, 2016 and 2015 is shown below by participant category:

	2016	2015
Future Annuitants		
Active	\$ 232,723	\$ 231,380
Terminated vested	<u>365,246</u>	<u>579,957</u>
	597,969	811,337
Current Annuitants		
Retirees	<u>8,417,109</u>	<u>9,752,054</u>
Total	<u>\$9,015,078</u>	<u>\$10,563,391</u>

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The following table sets forth financial information about the plan as of and for the years ended December 31, 2016 and 2015:

	<u>2016</u>	<u>2015</u>
Missionary and deaconess pension		
Projected benefit obligation, beginning of year	\$(10,563,391)	\$(11,882,002)
Service cost	(10,346)	(11,905)
Interest cost	(421,500)	(435,256)
Actuarial gain	184,938	452,752
Changes in assumptions	631,529	-
Benefits paid	<u>1,163,692</u>	<u>1,313,020</u>
Projected benefit obligation, end of year	<u>\$(9,015,078)</u>	<u>\$(10,563,391)</u>

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

<u>Year</u>	<u>Projected Benefits</u>
2017	\$1,197,633
2018	1,088,043
2019	990,557
2020	918,521
2021	837,637
2022 - 2026	3,116,884

(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 2016 and 2015 were \$505,155 and \$474,780, 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 paid 9% of eligible compensation into the plan through November 14, 2016. Effective November 15, 2016, the contribution rate was reduced to 5% of eligible compensation into the plan with an additional 2% matching contribution. During the years ended December 31, 2016 and 2015, UMW made contributions of \$130,097 and \$168,271, respectively.

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(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 \$91,000,000 and \$94,000,000 and the Plan's unfunded expected postretirement benefit obligation was \$127,000,000 and \$134,000,000 as of December 31, 2016 and 2015, respectively.

UMW's active employees are covered by the Plan. The total cost of benefits for active employees was \$683,572 and \$646,335 in 2016 and 2015, 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 2016 and 2015, 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 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. Distributions received by UMW, from GBGM, totaled \$91,323 and \$665,625 for 2016 and 2015, respectively. UMW has filed a request for reconsideration with GCFA to be reinstated as a beneficiary of the proceeds from the Benefit Trust. If such reconsideration is not granted, UMW will receive no more distributions. Additionally, UMW may owe GBGM \$756,948, which is the total of the distributions received by UMW from GBGM during fiscal years 2016 and 2015. UMW is uncertain of the outcome and has not reflected this matter in the accompanying financial statements.

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, 2016, there were 119 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.

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The following table sets forth financial information about the unfunded plan as of December 31, 2016 and 2015:

	<u>Medical Plan</u>	<u>Retirement Home</u>	<u>Total</u>
2016:			
Benefit obligation at December 31	<u>\$(3,692,102)</u>	<u>\$(12,912,289)</u>	<u>\$(16,604,391)</u>
Accrued benefit cost recognized in the statement of financial position	<u>\$(3,692,102)</u>	<u>\$(12,912,289)</u>	<u>\$(16,604,391)</u>
Actuarial assumptions:			
Benefit obligation discount rate	3.50%	3.50%	
Healthcare cost trend rate 2017/ultimate	6.80%/4.20%	3.00%/3.00%	
Mortality	RP-2014; Scale MP-2016		
Benefit cost included in mission personnel expense	<u>\$ 139,233</u>	<u>\$ 444,778</u>	<u>\$ 584,011</u>
Employer contributions	<u>\$ 343,998</u>	<u>\$ 1,780,476</u>	<u>\$ 2,124,474</u>
Benefits paid	<u>\$ 348,998</u>	<u>\$ 1,780,476</u>	<u>\$ 2,124,474</u>
	<u>Medical Plan</u>	<u>Retirement Home</u>	<u>Total</u>
2015:			
Benefit obligation at December 31	<u>\$(4,203,194)</u>	<u>\$(13,529,010)</u>	<u>\$(17,732,204)</u>
Accrued benefit cost recognized in the statement of financial position	<u>\$(4,203,194)</u>	<u>\$(13,529,010)</u>	<u>\$(17,732,204)</u>
Actuarial assumptions:			
Benefit obligation discount rate	3.50%	3.50%	
Healthcare cost trend rate 2016/ultimate	7.00%/4.20%	3.00%/3.00%	
Mortality	RP-2014; Scale MP-2015		
Benefit cost included in mission personnel expense	<u>\$ 154,451</u>	<u>\$ 389,626</u>	<u>\$ 544,077</u>
Employer contributions	<u>\$ 348,928</u>	<u>\$ 1,733,316</u>	<u>\$ 2,082,244</u>
Benefits paid	<u>\$ 348,928</u>	<u>\$ 1,733,316</u>	<u>\$ 2,082,244</u>

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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>
2017	\$ 440,104	\$1,678,438	\$2,118,542
2018	398,584	1,555,028	1,953,612
2019	377,781	1,435,016	1,812,797
2020	355,139	1,318,587	1,673,726
2021	333,939	1,222,316	1,556,255
2022 - 2026	1,320,106	4,586,144	5,906,250

Healthcare Cost Trend Rate: The effect of a 1% increase in the healthcare cost trend rate would increase the benefit obligation by approximately \$999,700 at December 31, 2016.

(8) Description of Net Assets

Unrestricted net assets include amounts that are United Methodist Women Board designated for the following purposes at December 31, 2016 and 2015:

	<u>2016</u>	<u>2015</u>
Board designated for programs:		
Annuities	\$(4,828)	\$(35,711)
Other programs	<u>3,411,607</u>	<u>3,432,925</u>
Total board designated for programs	<u>\$ 3,406,779</u>	<u>\$ 3,397,214</u>

Temporarily restricted net assets at December 31, 2016 and 2015 were available for the following purposes:

	<u>2016</u>	<u>2015</u>
Projects and program activities to support Women, children, and youth; missionaries and deaconesses pension and medical support; scholarships; and educational institutions	<u>\$26,838,792</u>	<u>\$25,062,132</u>

Permanently restricted net assets at December 31, 2016 and 2015 represent contributions restricted to investment in perpetuity. Income from these funds is expendable to support the following purposes:

	<u>2016</u>	<u>2015</u>
Projects and program activities to support Women, children, and youth; missionaries and deaconesses pension and medical support; scholarships; and educational institutions	<u>\$16,860,658</u>	<u>\$15,848,300</u>

Net assets of \$1,929,791 and \$2,240,213 for 2016 and 2015, 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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(9) 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 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.

2016

Endowment Net Asset Composition by Type of Fund as of December 31, 2016

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Donor-restricted endowment funds	\$ -	\$22,449,591	\$16,860,658	\$39,310,249
Board-designated endowment funds	<u>546,527</u>	<u>-</u>	<u>-</u>	<u>546,527</u>
Total funds	<u>\$546,527</u>	<u>\$22,449,591</u>	<u>\$16,860,658</u>	<u>\$39,856,776</u>

Changes in Endowment Net Assets for the Year Ended December 31, 2016

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Endowment net assets, beginning of year	<u>\$ 524,680</u>	<u>\$ 20,499,127</u>	<u>\$ 15,848,300</u>	<u>\$ 36,872,107</u>
Investment return (loss):				
Investment income	10,045	677,914	-	687,959
Net appreciation (depreciation) (realized and unrealized)	<u>31,897</u>	<u>2,160,038</u>	<u>(5,346)</u>	<u>2,186,589</u>
Total investment return (loss)	<u>41,942</u>	<u>2,837,952</u>	<u>(5,346)</u>	<u>2,874,548</u>
Contributions	<u>-</u>	<u>-</u>	<u>1,017,704</u>	<u>1,017,704</u>
Appropriation of endowment assets for expenditure and reclassifications	<u>(20,095)</u>	<u>(887,488)</u>	<u>-</u>	<u>(907,583)</u>
Endowment net assets, end of year	<u>\$ 546,527</u>	<u>\$ 22,449,591</u>	<u>\$ 16,860,658</u>	<u>\$ 39,856,776</u>

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2015

Endowment Net Asset Composition by Type of Fund as of December 31, 2015

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Donor-restricted endowment funds	\$ -	\$20,499,127	\$15,848,300	\$36,347,427
Board-designated endowment funds	<u>524,680</u>	<u>-</u>	<u>-</u>	<u>524,680</u>
 Total funds	 <u>\$524,680</u>	 <u>\$20,499,127</u>	 <u>\$15,848,300</u>	 <u>\$36,872,107</u>

Changes in Endowment Net Assets for the Year Ended December 31, 2015

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Endowment net assets, beginning of year	<u>\$ 537,551</u>	<u>\$ 22,225,427</u>	<u>\$ 15,305,638</u>	<u>\$ 38,068,616</u>
Investment (loss) return:				
Investment income	9,385	623,644	-	633,029
Net depreciation (realized and unrealized)	<u>(22,256)</u>	<u>(1,467,244)</u>	<u>(75,739)</u>	<u>(1,565,239)</u>
Total investment loss	<u>(12,871)</u>	<u>(843,600)</u>	<u>(75,739)</u>	<u>(932,210)</u>
Contributions	<u>-</u>	<u>-</u>	<u>1,275,797</u>	<u>1,275,797</u>
Appropriation of endowment assets for expenditure and reclassifications	<u>-</u>	<u>(882,700)</u>	<u>(657,396)</u>	<u>(1,540,096)</u>
Endowment net assets, end of year	<u>\$ 524,680</u>	<u>\$ 20,499,127</u>	<u>\$ 15,848,300</u>	<u>\$ 36,872,107</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.

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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. The Board of Directors approved a \$1,300,000 appropriation from the endowment in 2016. 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.

(10) 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, 2016 and 2015 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) Measured at Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	
December 31, 2016:				
Assets:				
Investments:				
Short-term securities	\$ 1,228,074	\$ 1,228,074	\$ -	\$ -
Marketable equity				
Securities	111,098	111,098	-	-
International Equities Fund	7,177,297	-	7,177,297	-
U.S. Equities Fund	18,071,209	18,071,209	-	-
Fixed Income Fund	17,864,701	-	17,864,701	-
Equity Social Values Fund	6,061,311	-	6,061,311	-
Inflation Protection Fund	4,292,759	-	4,292,759	-
Multiple Asset Fund	55,439,338	-	55,439,338	-
Pooled investment funds	<u>545,413</u>	<u>-</u>	<u>545,413</u>	<u>-</u>
Total investments	110,791,200	19,410,381	91,380,819	-
Perpetual trusts held by others	1,512,234	1,512,234	-	-
Liabilities:				
Assets held for others	(4,836,655)	-	(4,836,655)	-
December 31, 2015:				
Assets:				
Investments:				
Short-term securities	\$ 480,360	\$ 480,360	\$ -	\$ -
Marketable equity				
securities	196,083	196,083	-	-
International Equities Fund	438,744	-	438,744	-
U.S. Equities Fund	6,339,408	6,339,408	-	-
Fixed Income Fund	5,030,875	-	5,030,875	-
Equity Social Values Fund	1,002,372	-	1,002,372	-
Multiple Asset Fund	64,150,365	-	64,150,365	-
Pooled investment funds	<u>538,670</u>	<u>-</u>	<u>538,670</u>	<u>-</u>
Total investments	78,176,967	7,015,851	71,161,116	-
Perpetual trusts held by others	1,517,670	1,517,680	-	-
Liabilities:				
Assets held for others	(4,814,034)	-	(4,814,034)	-

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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.

(11) 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, 2016 and 2015, UMW held \$2,893,000 and \$2,714,000, respectively, in operating reserves for Brooks-Howell Home based on actual occupancy levels of less than ninety percent and anticipated 2017 and 2016 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.

(12) 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 \$618,420 and \$554,180 for the years ended December 31, 2016 and 2015, respectively. Future annual rental expense will vary based on the formula above, but is expected to approximate the 2016 expense through the remainder of the lease term.

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(13) Alma Mathews House

UMW owned property located at 273-275 West 11th 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	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>

(14) Subsequent Events

Management has evaluated subsequent events through May 30, 2017, the date the financial statements were available for issuance, and has determined that except for the Board's designation of certain funds in March 2017, there are no other subsequent events requiring disclosure.