

**GENERAL BOARD OF DISCIPLESHIP OF
THE UNITED METHODIST CHURCH**

**CONSOLIDATED FINANCIAL STATEMENTS
AND SCHEDULES**

DECEMBER 31, 2008 AND 2007



Independent Auditors' Report

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

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

We have audited the accompanying consolidated statements of financial position of the General Board of Discipleship of The United Methodist Church (the "Board") as of December 31, 2008 and 2007, and the related consolidated statements of activities and changes in net assets, and cash flows for the years then ended. These consolidated financial statements are the responsibility of the Board's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of the General Board of Discipleship of The United Methodist Church as of December 31, 2008 and 2007, and the changes in their consolidated net assets and their consolidated cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Our audits are conducted for the purpose of forming an opinion on the basic consolidated financial statements taken as a whole. The consolidating divisional information presented on the statements of financial position and statements of activities and changes in net assets is presented for purposes of additional analysis of the consolidated financial statements rather than to present the financial position and changes in net assets of the individual divisions. The supplemental information included in Schedules 1, 2 and 3 is presented for purposes of additional analysis and is not a required part of the basic consolidated financial statements. Such information, except for Schedule 3, which is marked "unaudited", on which we express no opinion, has been subjected to the procedures applied in the audits of the consolidated financial statements and, in our opinion, is fairly stated in all material respects in relation to the consolidated financial statements taken as a whole.

Crosslin & Associates, P.C.

June 19, 2009
Nashville, Tennessee

**GENERAL BOARD OF DISCIPLESHIP OF
THE UNITED METHODIST CHURCH**

Consolidated Statements of Financial Position

December 31, 2008 and 2007

With Consolidating Information

Assets	2008			2007		
	Consolidating Information		Consolidated Total	Consolidating Information		Consolidated Total
	Board of Discipleship	The Upper Room		Board of Discipleship	The Upper Room	
Cash and cash equivalents	\$ 893	\$ 39,735	\$ 40,628	\$ 1,994	\$ 50,316	\$ 52,310
Investment in GCFA short-term pooled investment fund	1,290,388	2,019,615	3,310,003	2,376,218	1,556,872	3,933,090
Investment in GCFA short-term pooled investment fund - Strengthening the Black Church (SBC21)	—	—	—	103,121	—	103,121
Accrued World Service allocation - SBC21	2,473,247	—	2,473,247	2,496,126	—	2,496,126
Accrued World Service allocation	134,376	—	134,376	136,720	—	136,720
Investments	7,640,976	9,477,198	17,118,174	10,103,970	12,532,080	22,636,050
Notes and accounts receivable, net	480,504	1,366,733	1,847,237	454,643	1,584,747	2,039,390
Accrued income receivable	45,790	40,294	86,084	339,479	111,883	451,362
Inventories	820,483	2,616,117	3,436,600	789,839	2,054,977	2,844,816
Prepaid expenses and other assets	224,535	386,212	610,747	211,016	479,531	690,547
Property, buildings, and equipment, net	1,149,928	3,346,939	4,496,867	1,277,752	3,316,892	4,594,644
Total assets	\$ 14,261,120	\$ 19,292,843	\$ 33,553,963	\$ 18,290,878	\$ 21,687,298	\$ 39,978,176
Liabilities and Net Assets						
Liabilities:						
Accounts payable and accrued expenses	\$ 583,552	\$ 1,161,097	\$ 1,744,649	\$ 697,490	\$ 893,831	\$ 1,591,321
Accrued royalties	39,658	109,165	148,823	48,103	123,691	171,794
Deferred income	—	4,067,369	4,067,369	8,333	3,936,869	3,945,202
Total liabilities	623,210	5,337,631	5,960,841	753,926	4,954,391	5,708,317
Net assets:						
Unrestricted:						
Undesignated SBC21	4,207,622	7,115,949	11,323,571	3,700,705	10,972,300	14,673,005
Board designated – capital expenditures	(118,549)	—	(118,549)	—	—	—
Board designated – programs	69,971	442,138	512,109	86,542	494,728	581,270
Investment in plant facilities	5,466,610	2,013,034	7,479,644	8,734,035	1,280,075	10,014,110
Total unrestricted net assets	1,149,928	3,346,939	4,496,867	1,277,752	3,316,892	4,594,644
Temporarily restricted	10,775,582	12,918,060	23,693,642	13,799,034	16,063,995	29,863,029
Temporarily restricted - SBC21	2,508,655	445,040	2,953,695	3,144,404	134,027	3,278,431
Total temporarily restricted net assets	2,508,655	445,040	2,953,695	239,841	—	239,841
Permanently restricted	353,673	592,112	945,785	3,384,245	134,027	3,518,272
Total net assets	13,637,910	13,955,212	27,593,122	17,536,952	16,732,907	34,269,859
Total liabilities and net assets	\$ 14,261,120	\$ 19,292,843	\$ 33,553,963	\$ 18,290,878	\$ 21,687,298	\$ 39,978,176

See accompanying notes to consolidated financial statements.

**GENERAL BOARD OF DISCIPLESHIP OF
THE UNITED METHODIST CHURCH**
Consolidated Statement of Activities and Changes in Net Assets
Year ended December 31, 2008
With Consolidating Information

	Board of Discipleship			Total
	Unrestricted	Temporarily restricted	Permanently restricted	
Revenue:				
Sales of literature	\$ 854,400	\$ —	\$ —	\$ 854,400
Allocations through the GCFA:				
World Service	7,776,921	43,391	—	7,820,312
Contingency Grants	—	299,000	—	299,000
Missional Priority	—	230,727	—	230,727
Committee and Plan on Older Adult Ministries	128,164	—	—	128,164
National Hispanic Plan	—	51,017	—	51,017
Strengthening The Black Church	—	454,198	—	454,198
Registration fees/special projects	284,714	104,995	—	389,709
Grants and contributions	81,680	147,316	—	228,996
Receipts from related organizations	372,290	—	—	372,290
Rental income	96,043	—	—	96,043
Other income	2,391,464	—	—	2,391,464
Advance Special-Strengthening the Black Church	—	481	—	481
USPF distribution	522,571	9,424	—	531,995
Benefit Trust distribution	724,785	—	—	724,785
AGI Surplus distribution	187,433	3,507	—	190,940
Release of temporary restrictions (The Upper Room)	—	—	—	—
Release of temporary restrictions (Discipleship Ministry Division)	390,979	(390,979)	—	—
Release of temporary restrictions (Support Services)	119,558	(119,558)	—	—
Release of temporary restrictions (New Church Services)	622,045	(622,045)	—	—
Release of temporary restrictions (Strengthening the Black Church)	694,520	(694,520)	—	—
Total revenue	15,247,567	(483,046)	—	14,764,521
Expenses:				
Cost of literature sold	364,883	—	—	364,883
Program services:				
Discipleship Ministries Division	4,427,904	—	—	4,427,904
Division on Ministries with Young People	1,656,792	—	—	1,656,792
New Church Starts	792,616	—	—	792,616
Strengthening the Black Church	860,645	—	—	860,645
Discipleship Resources	829,282	—	—	829,282
Chapel, Museum, and Library (The Upper Room)	—	—	—	—
Books and Magazines (The Upper Room)	—	—	—	—
Programs and Events (The Upper Room)	—	—	—	—
Total program services	8,567,239	—	—	8,567,239
Support services:				
General and support services	6,532,456	—	—	6,532,456
Customer and support services	—	—	—	—
Total support services	6,532,456	—	—	6,532,456
Total expenses	15,464,578	—	—	15,464,578
Excess (deficiency) of revenue over expenses	(217,011)	(483,046)	—	(700,057)
Nonoperating item:				
Reclassification	(735,991)	—	—	(735,991)
Net investment return	(2,070,450)	(392,544)	—	(2,462,994)
Changes in net assets	(3,023,452)	(875,590)	—	(3,899,042)
Net assets at beginning of year	13,799,034	3,384,245	353,673	17,536,952
Net assets at end of year	<u>\$ 10,775,582</u>	<u>\$ 2,508,655</u>	<u>\$ 353,673</u>	<u>\$ 13,637,910</u>

See accompanying notes to consolidated financial statements

Consolidating Information					
The Upper Room					
Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Eliminations	Consolidated Total
\$ 16,319,470	\$ —	\$ —	\$ 16,319,470	\$ —	\$ 17,173,870
—	—	—	—	—	7,820,312
—	—	—	—	—	299,000
—	—	—	—	—	230,727
—	—	—	—	—	128,164
—	—	—	—	—	51,017
—	—	—	—	—	454,198
817,937	—	—	817,937	—	1,207,646
574,564	392,081	57,227	1,023,872	—	1,252,868
102,591	—	—	102,591	—	474,881
21,753	—	—	21,753	—	117,796
692,031	—	—	692,031	(2,744,212)	339,283
—	—	—	—	—	481
372,486	—	—	372,486	—	904,481
593,005	—	—	593,005	—	1,317,790
155,171	—	—	155,171	—	346,111
81,068	(81,068)	—	—	—	—
—	—	—	—	—	—
—	—	—	—	—	—
—	—	—	—	—	—
—	—	—	—	—	—
19,730,076	311,013	57,227	20,098,316	(2,744,212)	32,118,625
3,817,991	—	—	3,817,991	—	4,182,874
—	—	—	—	(23,288)	4,404,616
—	—	—	—	(6,654)	1,650,138
—	—	—	—	—	792,616
—	—	—	—	—	860,645
—	—	—	—	(271,324)	557,958
306,080	—	—	306,080	—	306,080
6,709,454	—	—	6,709,454	(2,228,861)	4,480,593
1,797,526	—	—	1,797,526	—	1,797,526
8,813,060	—	—	8,813,060	(2,530,127)	14,850,172
—	—	—	—	(214,085)	6,318,371
7,926,069	—	—	7,926,069	—	7,926,069
7,926,069	—	—	7,926,069	(214,085)	14,244,440
20,557,120	—	—	20,557,120	(2,744,212)	33,277,486
(827,044)	311,013	57,227	(458,804)	—	(1,158,861)
735,991	—	—	735,991	—	—
(3,054,882)	—	—	(3,054,882)	—	(5,517,876)
(3,145,935)	311,013	57,227	(2,777,695)	—	(6,676,737)
16,063,995	134,027	534,885	16,732,907	—	34,269,859
\$ 12,918,060	\$ 445,040	\$ 592,112	\$ 13,955,212	\$ —	\$ 27,593,122

**GENERAL BOARD OF DISCIPLESHIP OF
THE UNITED METHODIST CHURCH**
Consolidated Statement of Activities and Changes in Net Assets
Year ended December 31, 2007
With Consolidating Information

	Board of Discipleship			Total
	Unrestricted	Temporarily restricted	Permanently restricted	
Revenue:				
Sales of literature	\$ 926,395	\$ —	\$ —	\$ 926,395
Allocations through the GCFA:				
World Service	7,964,535	—	—	7,964,535
Contingency Grants	—	618,500	—	618,500
Missional Priority	—	241,124	—	241,124
Committee and Plan on Older Adult Ministries	135,029	—	—	135,029
National Hispanic Plan	61,836	31,169	—	93,005
Strengthening The Black Church	—	465,283	—	465,283
Registration fees/special projects	1,208,279	15,010	—	1,223,289
Grants and contributions	81,050	223,249	—	304,299
Receipts from related organizations	499,891	90,963	—	590,854
Rental income	74,320	—	—	74,320
Other income	2,083,776	—	—	2,083,776
Advance Special-Strengthening the Black Church	—	896	—	896
USPF distribution	508,278	—	—	508,278
Benefit Trust distribution	1,226,596	—	—	1,226,596
AGI Surplus distribution	346,111	—	—	346,111
Release of temporary restrictions (The Upper Room)	—	—	—	—
Release of temporary restrictions (Discipleship Ministry Division)	395,278	(395,278)	—	—
Release of temporary restrictions (New Church Services)	137,134	(137,134)	—	—
Release of temporary restrictions (Strengthening the Black Church)	531,462	(531,462)	—	—
Total revenue	<u>16,179,970</u>	<u>622,320</u>	<u>—</u>	<u>16,802,290</u>
Expenses:				
Cost of literature sold	373,786	—	—	373,786
Program services:				
Discipleship Ministries Division	5,644,053	—	—	5,644,053
Division on Ministries with Young People	2,173,473	—	—	2,173,473
New Church Starts	174,357	—	—	174,357
Strengthening the Black Church	540,520	—	—	540,520
Discipleship Resources	889,072	—	—	889,072
Chapel, Museum, and Library (The Upper Room)	—	—	—	—
Books and Magazines (The Upper Room)	—	—	—	—
Programs and Events (The Upper Room)	—	—	—	—
Total program services	<u>9,421,475</u>	<u>—</u>	<u>—</u>	<u>9,421,475</u>
Support services:				
General and support services	5,682,892	—	—	5,682,892
Customer and support services	—	—	—	—
Total support services	<u>5,682,892</u>	<u>—</u>	<u>—</u>	<u>5,682,892</u>
Total expenses	<u>15,478,153</u>	<u>—</u>	<u>—</u>	<u>15,478,153</u>
Excess (deficiency) of revenue over expenses	701,817	622,320	—	1,324,136
Nonoperating item:				
Reclassification	(63,161)	63,161	—	—
Gain on sale of property	—	—	—	—
Net investment return	349,122	250,286	—	599,408
Changes in net assets	987,778	935,767	—	1,923,544
Net assets at beginning of year	<u>12,811,256</u>	<u>2,448,478</u>	<u>353,673</u>	<u>15,613,407</u>
Net assets at end of year	<u>\$ 13,799,034</u>	<u>\$ 3,384,245</u>	<u>\$ 353,673</u>	<u>\$ 17,536,952</u>

See accompanying notes to consolidated financial statements

2007

Consolidating Information					
The Upper Room					
Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Eliminations	Consolidated Total
\$ 16,152,951	\$ —	\$ —	\$ 16,152,951	\$ —	\$ 17,079,346
—	—	—	—	—	7,964,535
—	—	—	—	—	618,500
—	—	—	—	—	241,124
—	—	—	—	—	135,029
—	—	—	—	—	93,005
—	—	—	—	—	465,283
883,097	90,904	165,320	1,139,321	—	2,362,610
649,523	187	—	649,710	—	954,009
103,693	—	—	103,693	—	694,547
21,753	—	—	21,753	—	96,073
1,050,551	—	—	1,050,551	(2,303,186)	831,141
—	—	—	—	—	896
387,766	—	—	387,766	—	896,044
—	—	—	—	—	1,226,596
108,248	(108,248)	—	—	—	346,111
—	—	—	—	—	—
—	—	—	—	—	—
—	—	—	—	—	—
19,357,582	(17,157)	165,320	19,505,745	(2,303,186)	34,004,849
4,002,850	—	—	4,002,850	—	4,376,636
—	—	—	—	(129,873)	5,514,180
—	—	—	—	(62,180)	2,111,293
—	—	—	—	(616)	173,741
—	—	—	—	—	540,520
—	—	—	—	(131,503)	757,569
288,757	—	—	288,757	—	288,757
5,697,294	—	—	5,697,294	(1,772,621)	3,924,673
1,841,924	—	—	1,841,924	—	1,841,924
7,827,975	—	—	7,827,975	(2,096,793)	15,152,657
—	—	—	—	(206,393)	5,476,499
8,331,715	—	—	8,331,715	—	8,331,715
8,331,715	—	—	8,331,715	(206,393)	13,808,214
20,162,540	—	—	20,162,540	(2,303,186)	33,337,507
(804,958)	(17,157)	165,320	(656,795)	—	667,341
—	623	(623)	—	—	—
135,200	—	—	135,200	—	135,200
741,273	2,180	—	743,453	—	1,342,861
71,515	(14,354)	164,697	221,858	—	2,145,403
15,992,480	148,381	370,188	16,511,049	—	32,124,456
\$ 16,063,995	\$ 134,027	\$ 534,885	\$ 16,732,907	\$ —	\$ 34,269,859

**GENERAL BOARD OF DISCIPLESHIP OF
THE UNITED METHODIST CHURCH**

Consolidated Statements of Cash Flows

Years ended December 31, 2008 and 2007

	2008	2007
Cash flows from operating activities:		
Change in net assets	\$ (6,676,737)	\$ 2,145,403
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	450,142	460,803
Gain on sale or disposal of property and equipment	—	(135,200)
Net realized losses (gains) on sale of investments	689,401	(1,389,678)
Net unrealized losses on investments	5,338,040	535,691
Changes in assets and liabilities:		
Accrued World Service Fund allocation	22,879	136,991
Accrued World Service Fund allocation - SBC21	2,344	10,493
Notes and accounts receivable, net	192,153	166,463
Accrued income receivable	365,278	(26,255)
Inventories	(591,784)	6,145
Prepaid expenses and other assets	79,800	(181,479)
Accounts payable and accrued expenses	153,328	(101,205)
Accrued royalties	(22,971)	(1,072)
Deferred income	122,167	93,624
Net cash provided by operating activities	124,040	1,720,724
Cash flows from investing activities:		
Purchases of property, buildings, and equipment	(352,365)	(441,815)
Net proceeds from sale of property	—	175,000
Net reinvestment of investment earnings	(509,565)	(488,874)
Decrease in GCFA short-term pooled investment fund - SBC21	103,121	54,791
Decrease (increase) in GCFA short-term pooled investment fund	623,087	(991,823)
Net cash used in investing activities	(135,722)	(1,692,721)
Net (decrease) increase in cash	(11,682)	28,003
Cash and cash equivalents at beginning of year	52,310	24,307
Cash and cash equivalents at end of year	\$ 40,628	\$ 52,310

See accompanying notes to consolidated financial statements.