



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, 2011 and 2010, 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, 2011 and 2010, 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 were conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The supplemental information included in Schedules 1 through 3, which is the responsibility of management, is presented for purposes of additional analysis and is not a required part of the consolidated financial statements. Such information, except for that portion marked "unaudited", was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audits of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the consolidated financial statements as a whole. The information marked "unaudited" has not been subjected to the auditing procedures applied in the audit of the consolidated financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

*Crosslin & Associates, P.C.*

June 27, 2012  
Nashville, Tennessee

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

Consolidated Statements of Financial Position

December 31, 2011 and 2010

With Consolidating Information

	2011			2010		
	Consolidating Information Board of Discipleship	The Upper Room	Consolidated Total	Consolidating Information Board of Discipleship	The Upper Room	Consolidated Total
<b>Assets</b>						
Cash and cash equivalents	\$ 451	\$ 74,531	\$ 74,982	\$ 1,000	\$ 93,927	\$ 94,927
Investment in GCFIA short-term pooled investment fund	2,771,517	3,901,229	6,672,746	2,345,570	3,969,472	6,315,042
Accrued World Service allocation	2,747,499	—	2,747,499	2,674,156	—	2,674,156
Accrued World Service allocation - SBC21	151,268	—	151,268	160,257	—	160,257
Investments	8,425,812	13,016,147	21,441,959	8,757,689	13,537,296	22,294,985
Notes and accounts receivable, net	314,079	1,414,178	1,728,257	161,118	1,366,898	1,528,016
Accrued income receivable	40,015	130,310	170,325	39,950	186,452	226,402
Inventories	289,282	1,688,826	1,978,108	332,731	1,680,514	2,013,245
Prepaid expenses and other assets	153,006	381,429	534,435	591,052	227,247	818,299
Property gift held for sale	—	—	—	—	15,659	15,659
Property, buildings, and equipment, net	1,143,345	3,970,258	5,113,603	1,218,331	3,224,057	4,442,388
<b>Total assets</b>	<u>\$ 16,036,274</u>	<u>\$ 24,576,908</u>	<u>\$ 40,613,182</u>	<u>\$ 16,281,854</u>	<u>\$ 24,301,522</u>	<u>\$ 40,583,376</u>
<b>Liabilities and Net Assets</b>						
<b>Liabilities:</b>						
Accounts payable and accrued expenses	\$ 654,957	\$ 1,294,359	\$ 1,949,316	\$ 701,795	\$ 998,716	\$ 1,700,511
Accrued royalties	22,941	122,298	145,239	21,936	89,260	111,196
Deferred income	—	3,803,932	3,803,932	—	3,771,682	3,771,682
<b>Total liabilities</b>	<u>677,898</u>	<u>5,220,589</u>	<u>5,898,487</u>	<u>723,731</u>	<u>4,859,658</u>	<u>5,583,389</u>
<b>Net assets:</b>						
<b>Unrestricted:</b>						
Undesignated	5,801,754	12,353,153	18,154,907	5,723,901	12,819,009	18,542,910
Board designated -- capital expenditures	481,612	916,256	1,397,868	337,469	565,021	902,490
Board designated -- programs	4,742,834	1,406,956	6,149,790	4,959,702	1,978,046	6,937,748
Investment in plant facilities	1,143,345	3,970,258	5,113,603	1,218,331	3,224,057	4,442,388
<b>Total unrestricted net assets</b>	<u>12,169,545</u>	<u>18,646,623</u>	<u>30,816,168</u>	<u>12,239,403</u>	<u>18,586,133</u>	<u>30,825,536</u>
Temporarily restricted	2,831,506	102,436	2,933,942	2,965,047	251,179	3,216,226
Permanently restricted	357,325	607,260	964,585	353,673	604,552	958,225
<b>Total net assets</b>	<u>15,358,376</u>	<u>19,356,319</u>	<u>34,714,695</u>	<u>15,558,123</u>	<u>19,441,864</u>	<u>34,999,987</u>
<b>Total liabilities and net assets</b>	<u>\$ 16,036,274</u>	<u>\$ 24,576,908</u>	<u>\$ 40,613,182</u>	<u>\$ 16,281,854</u>	<u>\$ 24,301,522</u>	<u>\$ 40,583,376</u>

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, 2011  
With Consolidating Information

	Board of Discipleship			Total
	Unrestricted	Temporarily restricted	Permanently restricted	
Revenue:				
Sales of literature	\$ 415,136	\$ —	\$ —	\$ 415,136
Cost of goods sold	(163,364)	—	—	(163,364)
	<u>251,772</u>	<u>—</u>	<u>—</u>	<u>251,772</u>
Allocations through the GCFA:				
World Service	8,186,234	152,076	—	8,338,310
Committee and Plan on Older Adult Ministries	85,000	—	—	85,000
National Hispanic Plan	—	75,000	—	75,000
Native American Comprehensive Plan	—	262,886	—	262,886
Strengthening The Black Church	—	478,002	—	478,002
Registration fees/special projects	1,974,173	24,932	—	1,999,105
Grants and contributions	119,141	126,413	3,652	249,206
Receipts from related organizations	229,306	13,500	—	242,806
Rental income	97,879	—	—	97,879
Other income	2,578,799	—	—	2,578,799
Benefit Trust distribution	716,016	—	—	716,016
AGI surplus distribution	191,128	—	—	191,128
Release of temporary restrictions (The Upper Room)	—	—	—	—
Release of temporary restrictions (Leadership Ministry Division)	297,280	(297,280)	—	—
Release of temporary restrictions (Young People's Ministry)	51,789	(51,789)	—	—
Release of temporary restrictions (New Church Services)	64,978	(64,978)	—	—
Release of temporary restrictions (NACP)	246,917	(246,917)	—	—
Release of temporary restrictions (SBC21)	485,260	(485,260)	—	—
Total revenue	<u>15,575,672</u>	<u>(13,415)</u>	<u>3,652</u>	<u>15,565,909</u>
Expenses:				
Program services:				
Leadership Ministries	3,119,797	—	—	3,119,797
Young People's Ministries	3,062,332	—	—	3,062,332
New Church Starts	1,161,064	—	—	1,161,064
Strengthening the Black Church (SBC21)	456,146	—	—	456,146
Native American Comprehensive Plan (NACP)	246,917	—	—	246,917
Discipleship Resources	229,158	—	—	229,158
External Connectional Relations (ECRSI)	489,277	—	—	489,277
Central Conference Relations	273,751	—	—	273,751
Books and Magazines (The Upper Room)	—	—	—	—
Programs and Events (The Upper Room)	—	—	—	—
Total program services	<u>9,038,442</u>	<u>—</u>	<u>—</u>	<u>9,038,442</u>
Support services:				
General and support services	6,029,037	—	—	6,029,037
Customer and support services	—	—	—	—
Total support services	<u>6,029,037</u>	<u>—</u>	<u>—</u>	<u>6,029,037</u>
Total expenses	<u>15,067,479</u>	<u>—</u>	<u>—</u>	<u>15,067,479</u>
Excess (deficiency) of revenue over expenses	508,193	(13,415)	3,652	498,430
Nonoperating items:				
World Service Digitization Process	(350,000)	—	—	(350,000)
Adjustment for Custodial Activities	(12,288)	—	—	(12,288)
Net investment return (loss)	(215,763)	(120,126)	—	(335,889)
Changes in net assets	<u>(69,858)</u>	<u>(133,541)</u>	<u>3,652</u>	<u>(199,747)</u>
Net assets at beginning of year	<u>12,239,403</u>	<u>2,965,047</u>	<u>353,673</u>	<u>15,558,123</u>
Net assets at end of year	<u>\$ 12,169,545</u>	<u>\$ 2,831,506</u>	<u>\$ 357,325</u>	<u>\$ 15,358,376</u>

See accompanying notes to consolidated financial statements

Consolidating Information					
The Upper Room					
Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Eliminations	Consolidated Total
\$ 15,821,847	\$ —	\$ —	\$ 15,821,847	\$ —	\$ 16,236,983
(2,997,805)	—	—	(2,997,805)	—	(3,161,169)
<u>12,824,042</u>	<u>—</u>	<u>—</u>	<u>12,824,042</u>	<u>—</u>	<u>13,075,814</u>
—	—	—	—	—	8,338,310
—	—	—	—	—	85,000
—	—	—	—	—	75,000
—	—	—	—	—	262,886
—	—	—	—	—	478,002
760,048	14,046	—	774,094	—	2,773,199
368,897	1,807	2,708	373,412	—	622,618
100,449	—	—	100,449	—	343,255
31,788	—	—	31,788	—	129,667
399,135	—	—	399,135	(2,841,462)	136,472
585,831	—	—	585,831	—	1,301,847
154,983	—	—	154,983	—	346,111
164,596	(164,596)	—	—	—	—
—	—	—	—	—	—
—	—	—	—	—	—
—	—	—	—	—	—
—	—	—	—	—	—
<u>15,389,769</u>	<u>(148,743)</u>	<u>2,708</u>	<u>15,243,734</u>	<u>(2,841,462)</u>	<u>27,968,181</u>
—	—	—	—	(41,488)	3,078,309
—	—	—	—	(24,140)	3,038,192
—	—	—	—	(12,267)	1,148,797
—	—	—	—	—	456,146
—	—	—	—	—	246,917
—	—	—	—	(100,000)	129,158
—	—	—	—	(7,114)	482,163
—	—	—	—	—	273,751
5,574,117	—	—	5,574,117	(2,500,000)	3,074,117
3,559,790	—	—	3,559,790	—	3,559,790
<u>9,133,907</u>	<u>—</u>	<u>—</u>	<u>9,133,907</u>	<u>(2,685,009)</u>	<u>15,487,340</u>
—	—	—	—	(156,453)	5,872,584
6,024,223	—	—	6,024,223	—	6,024,223
6,024,223	—	—	6,024,223	(156,453)	11,896,807
<u>15,158,130</u>	<u>—</u>	<u>—</u>	<u>15,158,130</u>	<u>(2,841,462)</u>	<u>27,384,147</u>
231,639	(148,743)	2,708	85,604	—	584,034
350,000	—	—	350,000	—	—
—	—	—	—	—	(12,288)
(521,149)	—	—	(521,149)	—	(857,038)
60,490	(148,743)	2,708	(85,545)	—	(285,292)
<u>18,586,133</u>	<u>251,179</u>	<u>604,552</u>	<u>19,441,864</u>	<u>—</u>	<u>34,999,987</u>
<u>\$ 18,646,623</u>	<u>\$ 102,436</u>	<u>\$ 607,260</u>	<u>\$ 19,356,319</u>	<u>\$ —</u>	<u>\$ 34,714,695</u>

**GENERAL BOARD OF DISCIPLESHIP OF  
THE UNITED METHODIST CHURCH**  
Consolidated Statement of Activities and Changes in Net Assets  
Year ended December 31, 2010  
With Consolidating Information

	Board of Discipleship			Total
	Unrestricted	Temporarily restricted	Permanently restricted	
Revenue:				
Sales of literature	\$ 468,057	\$ —	\$ —	\$ 468,057
Cost of goods sold	(200,415)	—	—	(200,415)
	<u>267,642</u>	<u>—</u>	<u>—</u>	<u>267,642</u>
Allocations through the GCFA:				
World Service	8,035,546	160,043	—	8,195,589
Committee and Plan on Older Adult Ministries	91,348	—	—	91,348
National Hispanic Plan	—	80,600	—	80,600
Native American Comprehensive Plan	—	260,377	—	260,377
Strengthening The Black Church	—	517,875	—	517,875
Registration fees/special projects	663,038	6,796	—	669,834
Grants and contributions	24,330	144,926	—	169,256
Receipts from related organizations	224,751	—	—	224,751
Rental income	77,821	—	—	77,821
Other income	2,423,063	—	—	2,423,063
Benefit Trust distribution	667,602	—	—	667,602
AGI surplus distribution	201,841	—	—	201,841
Release of temporary restrictions (The Upper Room)	—	—	—	—
Release of temporary restrictions (Leadership Ministry Division)	246,754	(246,754)	—	—
Release of temporary restrictions (Young People's Ministry)	76,915	(76,915)	—	—
Release of temporary restrictions (New Church Services)	70,622	(70,622)	—	—
Release of temporary restrictions (NACP)	237,242	(237,242)	—	—
Release of temporary restrictions (SBC21)	519,004	(519,004)	—	—
Total revenue	<u>13,827,519</u>	<u>20,080</u>	<u>—</u>	<u>13,847,599</u>
Expenses:				
Program services:				
Leadership Ministries	3,049,849	—	—	3,049,849
Young People's Ministries	1,713,401	—	—	1,713,401
New Church Starts	1,337,502	—	—	1,337,502
Strengthening the Black Church (SBC21)	440,066	—	—	440,066
Native American Comprehensive Plan (NACP)	237,242	—	—	237,242
Discipleship Resources	223,910	—	—	223,910
External Connectional Relations (ECSI)	573,518	—	—	573,518
Central Conference Relations	253,800	—	—	253,800
Books and Magazines (The Upper Room)	—	—	—	—
Programs and Events (The Upper Room)	—	—	—	—
Total program services	<u>7,829,288</u>	<u>—</u>	<u>—</u>	<u>7,829,288</u>
Support services:				
General and support services	5,248,382	—	—	5,248,382
Customer and support services	—	—	—	—
Total support services	<u>5,248,382</u>	<u>—</u>	<u>—</u>	<u>5,248,382</u>
Total expenses	<u>13,077,670</u>	<u>—</u>	<u>—</u>	<u>13,077,670</u>
Excess (deficiency) of revenue over expenses	749,849	20,080	—	769,929
Nonoperating items:				
Reclassification of Youth Service Fund balance	(35,842)	35,842	—	—
School of Congregational Development funds transferred from Custodial to Board Designated	27,763	—	—	27,763
Loss on sale of capital equipment	—	—	—	—
Net investment return	732,551	345,797	—	1,078,348
Changes in net assets	<u>1,474,321</u>	<u>401,719</u>	<u>—</u>	<u>1,876,040</u>
Net assets at beginning of year	10,765,082	2,563,328	353,673	13,682,083
Net assets at end of year	<u>\$ 12,239,403</u>	<u>\$ 2,965,047</u>	<u>\$ 353,673</u>	<u>\$ 15,558,123</u>

See accompanying notes to consolidated financial statements.

Consolidating Information					
The Upper Room					
Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Eliminations	Consolidated Total
\$ 16,066,110	\$ —	\$ —	\$ 16,066,110	\$ —	\$ 16,534,167
(3,071,626)	—	—	(3,071,626)	—	(3,272,041)
<u>12,994,484</u>	<u>—</u>	<u>—</u>	<u>12,994,484</u>	<u>—</u>	<u>13,262,126</u>
—	—	—	—	—	8,195,589
—	—	—	—	—	91,348
—	—	—	—	—	80,600
—	—	—	—	—	260,377
—	—	—	—	—	517,875
1,253,325	4,572	—	1,257,897	—	1,927,731
601,036	3,065	7,218	611,319	—	780,575
98,844	—	—	98,844	—	323,595
21,753	—	—	21,753	—	99,574
377,815	—	—	377,815	(2,645,133)	155,745
546,220	—	—	546,220	—	1,213,822
144,270	—	—	144,270	—	346,111
85,672	(85,672)	—	—	—	—
—	—	—	—	—	—
—	—	—	—	—	—
—	—	—	—	—	—
—	—	—	—	—	—
<u>16,123,419</u>	<u>(78,035)</u>	<u>7,218</u>	<u>16,052,602</u>	<u>(2,645,133)</u>	<u>27,255,068</u>
—	—	—	—	(30,827)	3,019,022
—	—	—	—	(17,261)	1,696,140
—	—	—	—	(14,241)	1,323,261
—	—	—	—	—	440,066
—	—	—	—	—	237,242
—	—	—	—	(104,507)	119,403
—	—	—	—	(6,108)	567,410
—	—	—	—	(2,707)	251,093
5,195,758	—	—	5,195,758	(2,322,756)	2,873,002
3,246,486	—	—	3,246,486	—	3,246,486
<u>8,442,244</u>	<u>—</u>	<u>—</u>	<u>8,442,244</u>	<u>(2,498,407)</u>	<u>13,773,125</u>
—	—	—	—	(146,726)	5,101,656
<u>6,115,487</u>	<u>—</u>	<u>—</u>	<u>6,115,487</u>	<u>—</u>	<u>6,115,487</u>
<u>6,115,487</u>	<u>—</u>	<u>—</u>	<u>6,115,487</u>	<u>(146,726)</u>	<u>11,217,143</u>
<u>14,557,731</u>	<u>—</u>	<u>—</u>	<u>14,557,731</u>	<u>(2,645,133)</u>	<u>24,990,268</u>
1,565,688	(78,035)	7,218	1,494,871	—	2,264,800
—	—	—	—	—	—
—	—	—	—	—	27,763
(1,121)	—	—	(1,121)	—	(1,121)
<u>1,663,373</u>	<u>—</u>	<u>—</u>	<u>1,663,373</u>	<u>—</u>	<u>2,741,721</u>
<u>3,227,940</u>	<u>(78,035)</u>	<u>7,218</u>	<u>3,157,123</u>	<u>—</u>	<u>5,033,163</u>
<u>15,358,193</u>	<u>329,214</u>	<u>597,334</u>	<u>16,284,741</u>	<u>—</u>	<u>29,966,824</u>
\$ <u>18,586,133</u>	\$ <u>251,179</u>	\$ <u>604,552</u>	\$ <u>19,441,864</u>	\$ <u>—</u>	\$ <u>34,999,987</u>

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

Consolidated Statements of Cash Flows

Years ended December 31, 2011 and 2010

	<b>2011</b>	<b>2010</b>
Cash flows from operating activities:		
Change in net assets	\$ (285,292)	\$ 5,033,163
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	504,745	444,318
Loss on sale of property, buildings and equipment	—	1,121
Net realized gains on investments	(718,104)	(756,617)
Net unrealized losses (gains) on investments	1,936,445	(1,498,151)
Changes in assets and liabilities:		
Accrued World Service Fund allocation	(73,343)	(28,446)
Accrued World Service Fund allocation - SBC21	8,989	(26,216)
Notes and accounts receivable, net	(200,241)	146,905
Accrued income receivable	56,077	75,351
Inventories	35,137	415,348
Prepaid expenses and other assets	283,864	(208,268)
Accounts payable and accrued expenses	248,805	(389,481)
Accrued royalties	34,043	1,754
Deferred income	32,250	(217,477)
Net cash provided by operating activities	<u>1,863,375</u>	<u>2,993,304</u>
Cash flows from investing activities:		
Purchases of property, buildings, and equipment	(1,175,960)	(524,538)
Proceeds from sale of property	15,659	6,956
Property gift held for sale	—	(15,659)
Net (purchases) sales of investments	(365,315)	(486,953)
Increase in GCFA short-term pooled investment fund	(357,704)	(1,918,033)
Net cash used in investing activities	<u>(1,883,320)</u>	<u>(2,938,227)</u>
Net (decrease) increase in cash	(19,945)	55,077
Cash and cash equivalents at beginning of year	<u>94,927</u>	<u>39,850</u>
Cash and cash equivalents at end of year	<u>\$ 74,982</u>	<u>\$ 94,927</u>

See accompanying notes to consolidated financial statements.