

**UNITED METHODIST COMMUNICATIONS OF
THE UNITED METHODIST CHURCH
AND SUBSIDIARIES**

CONSOLIDATED FINANCIAL STATEMENTS
AND SUPPLEMENTAL SCHEDULES

*As of and for the Years Ended December 31, 2018
and 2017*

And Report of Independent Auditor

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THE UNITED METHODIST CHURCH AND SUBSIDIARIES
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Report of Independent Auditor

The General Commission of
United Methodist Communications of
The United Methodist Church and Subsidiaries

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

We have audited the accompanying consolidated financial statements of United Methodist Communications of The United Methodist Church and Subsidiaries (“UMCom”), which comprise the consolidated statements of financial position as of December 31, 2018 and 2017, the related consolidated statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the consolidated financial statements.

Management’s Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated 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 consolidated 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 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 audits to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor’s judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to UMCom’s preparation and fair presentation of the consolidated 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 UMCom’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 consolidated 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 consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of United Methodist Communications of The United Methodist Church and Subsidiaries as of December 31, 2018 and 2017, and the changes in their net assets and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Other Information

Our audits were conducted for the purpose of forming an opinion on the consolidated financial statements taken as a whole. The supplemental schedules are presented for purposes of additional analysis and are not a required part of the consolidated financial statements. The supplemental schedules are the responsibility of management and were derived from and relate 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 audit 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.

Cherry Bekaert LLP

Charlotte, North Carolina

July 12, 2019

**UNITED METHODIST COMMUNICATIONS OF
THE UNITED METHODIST CHURCH AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION**

DECEMBER 31, 2018 AND 2017

	<u>2018</u>	<u>2017</u>
ASSETS		
Cash and cash equivalents	\$ 1,000	\$ 1,000
Investments	40,805,939	48,000,567
Due from General Council on Finance and Administration ("GCFA") short-term pooled investment fund	1,684,442	5,211,640
Due from General Board of Global Ministries of The United Methodist Church, Inc.	-	88,230
Accrued World Service Fund allocation	4,693,859	4,648,080
Accounts receivable, net	133,048	189,835
Pledges receivable, net	30,095	214,214
Inventory	13,178	42,495
Productions in progress	41,960	34,476
Prepaid expenses	322,903	353,472
Property and equipment, net	2,196,104	2,724,513
Total Assets	<u><u>\$ 49,922,528</u></u>	<u><u>\$ 61,508,522</u></u>
LIABILITIES AND NET ASSETS		
Liabilities:		
Accounts payable and accrued liabilities	\$ 1,334,490	\$ 1,866,319
Contributions payable	467,801	44,997
Deferred income	12,939	20,268
Total Liabilities	<u>1,815,230</u>	<u>1,931,584</u>
Net Assets:		
Without Donor Restrictions:		
Invested in property and equipment	2,196,104	2,724,513
Board designated	15,578,513	23,739,552
Undesignated	18,368,943	18,795,781
Total without Donor Restrictions	<u>36,143,560</u>	<u>45,259,846</u>
With Donor Restrictions:		
Subject to purpose restrictions	11,543,103	13,686,957
Subject to passage of time	30,095	214,214
Endowments	390,540	415,921
Total with Donor Restrictions	<u>11,963,738</u>	<u>14,317,092</u>
Total Net Assets	<u>48,107,298</u>	<u>59,576,938</u>
Total Liabilities and Net Assets	<u><u>\$ 49,922,528</u></u>	<u><u>\$ 61,508,522</u></u>

**UNITED METHODIST COMMUNICATIONS OF
THE UNITED METHODIST CHURCH AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF ACTIVITIES**

YEAR ENDED DECEMBER 31, 2018 (WITH COMPARATIVE TOTALS FOR 2017)

	2018			2017
	Without Donor Restrictions	With Donor Restrictions	Total	Total
Revenues and Support:				
General Church Funds:				
Allocation of World Service Fund	\$ 16,502,218	\$ -	\$ 16,502,218	\$ 16,391,495
Connectional Giving Interpretation	-	1,073,892	1,073,892	1,066,812
	<u>16,502,218</u>	<u>1,073,892</u>	<u>17,576,110</u>	<u>17,458,307</u>
Net program revenues	454,775	-	454,775	904,472
Reimbursement from Benefit Trust	1,529,619	-	1,529,619	1,108,931
Services received from GCFA	26,063	-	26,063	34,416
Investment return from GCFA short-term pooled investment fund	56,973	-	56,973	349,509
Investment return, net	(2,866,150)	(30,192)	(2,896,342)	6,716,482
Contributions	1,825	248,927	250,752	1,144,567
Other income	95,629	-	95,629	175,866
Kingswood	112,960	-	112,960	83,910
Net assets released from restrictions	3,645,981	(3,645,981)	-	-
Total Revenue and Support	<u>19,559,893</u>	<u>(2,353,354)</u>	<u>17,206,539</u>	<u>27,976,460</u>
Expenses:				
Program Services:				
Communications channels and resources	13,778,701	-	13,778,701	10,747,658
Brand – media purchases	4,136,733	-	4,136,733	4,625,405
Connectional Giving Interpretation	1,067,686	-	1,067,686	993,047
Global health initiative	5,022,804	-	5,022,804	687,162
Total Program Expenses	<u>24,005,924</u>	<u>-</u>	<u>24,005,924</u>	<u>17,053,272</u>
Supporting Services:				
Management and general	4,538,728	-	4,538,728	5,594,633
Fundraising	131,527	-	131,527	34,301
Total Expenses	<u>28,676,179</u>	<u>-</u>	<u>28,676,179</u>	<u>22,682,206</u>
Change in net assets	(9,116,286)	(2,353,354)	(11,469,640)	5,294,254
Net assets, beginning of year	45,259,846	14,317,092	59,576,938	54,282,684
Net assets, end of year	<u>\$ 36,143,560</u>	<u>\$ 11,963,738</u>	<u>\$ 48,107,298</u>	<u>\$ 59,576,938</u>

**UNITED METHODIST COMMUNICATIONS OF
THE UNITED METHODIST CHURCH AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF ACTIVITIES**

YEAR ENDED DECEMBER 31, 2017

	2017		
	Without Donor Restrictions	With Donor Restrictions	Total
Revenues and Support:			
General Church Funds:			
Allocation of World Service Fund	\$ 16,391,495	\$ -	\$ 16,391,495
Connectional Giving Interpretation	-	1,066,812	1,066,812
	<u>16,391,495</u>	<u>1,066,812</u>	<u>17,458,307</u>
Net program revenues	904,472	-	904,472
Reimbursement from Benefit Trust	1,108,931	-	1,108,931
Services received from GCFA	34,416	-	34,416
Investment return from GCFA short-term pooled investment fund	349,509	-	349,509
Investment return, net	6,645,179	71,303	6,716,482
Contributions	3,405	1,141,162	1,144,567
Other income	160,444	15,422	175,866
Kingswood	83,910	-	83,910
Net assets released from restrictions	1,764,969	(1,764,969)	-
Total Revenue and Support	<u>27,446,730</u>	<u>529,730</u>	<u>27,976,460</u>
Expenses:			
Program Services:			
Communications channels and resources	10,747,658	-	10,747,658
Brand – media purchases	4,625,405	-	4,625,405
Connectional Giving Interpretation	993,047	-	993,047
Global health initiative	687,162	-	687,162
Total Program Expenses	<u>17,053,272</u>	<u>-</u>	<u>17,053,272</u>
Supporting Services:			
Management and general	5,594,633	-	5,594,633
Fundraising	34,301	-	34,301
Total Expenses	<u>22,682,206</u>	<u>-</u>	<u>22,682,206</u>
Change in net assets	4,764,524	529,730	5,294,254
Net assets, beginning of year	40,495,322	13,787,362	54,282,684
Net assets, end of year	<u>\$ 45,259,846</u>	<u>\$ 14,317,092</u>	<u>\$ 59,576,938</u>

**UNITED METHODIST COMMUNICATIONS OF
THE UNITED METHODIST CHURCH AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES**

YEAR ENDED DECEMBER 31, 2018

	Program Services				Supporting Services			Total
	Communications Channels and Resources	Brand - Media Purchases	Connectional Giving Interpretation	Global Health Initiative	Subtotal	Management and General	Fundraising	
	Media, research, and program development	\$ 319,601	\$ 3,179,547	\$ 93,644	\$ -	\$ 3,592,792	\$ -	
Grant and donation distributions	3,000	956,688	-	5,022,804	5,982,492	-	-	5,982,492
Salaries and related benefits	8,820,493	-	257,435	-	9,077,928	2,884,094	126,792	12,088,814
Administration provided by GCFA	-	-	-	-	-	26,063	-	26,063
Rent and building management	-	-	-	-	-	324,744	-	324,744
Travel and meetings	498,255	498	209,563	-	708,316	174,797	-	883,113
Independent contractors	2,786,212	-	2,400	-	2,788,612	176,550	3,184	2,968,346
Printing, postage, supplies, and telephone	110,461	-	185,680	-	296,141	43,723	393	340,257
Equipment, repair, and maintenance	65,620	-	-	-	65,620	60,834	-	126,454
Information technology hosting, maintenance, and support	513,844	-	43,690	-	557,534	230,548	-	788,082
Insurance and taxes	3,190	-	-	-	3,190	80,689	-	83,879
Depreciation	220,664	-	-	-	220,664	500,666	-	721,330
Promotional and informational material	413,661	-	269,077	-	682,738	3,741	-	686,479
Miscellaneous	23,700	-	6,197	-	29,897	32,279	1,158	63,334
Total Expenses	\$ 13,778,701	\$ 4,136,733	\$ 1,067,686	\$ 5,022,804	\$ 24,005,924	\$ 4,538,728	\$ 131,527	\$ 28,676,179

The accompanying notes to the consolidated financial statements are an integral part of this statement.

**UNITED METHODIST COMMUNICATIONS OF
THE UNITED METHODIST CHURCH AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES**

YEAR ENDED DECEMBER 31, 2017

	Program Services				Supporting Services			Total
	Communications Channels and Resources	Brand - Media Purchases	Connectional Giving Interpretation	Global Health Initiative	Subtotal	Management and General	Fundraising	
Media, research, and program development	\$ 352,435	\$ 3,860,199	\$ 131,629	\$ 687,162	\$ 5,031,425	\$ -	\$ -	\$ 5,031,425
Grant and donation distributions	3,000	765,206	-	-	768,206	-	-	768,206
Salaries and related benefits	7,178,984	-	-	-	7,178,984	3,950,065	-	11,129,049
Administration provided by GCFA	-	-	-	-	-	34,416	-	34,416
Rent and building management	84,000	-	-	-	84,000	283,597	-	367,597
Travel and meetings	584,789	-	13,704	-	598,493	198,277	1,733	798,503
Independent contractors	972,968	-	11,293	-	984,261	96,135	30,468	1,110,864
Printing, postage, supplies, and telephone	460,597	-	467,681	-	928,278	47,735	-	976,013
Equipment, repair, and maintenance	60,992	-	-	-	60,992	44,937	-	105,929
Information technology hosting, maintenance, and support	330,464	-	125,192	-	455,656	172,937	-	628,593
Insurance and taxes	2,730	-	-	-	2,730	92,203	-	94,933
Depreciation	180,620	-	-	-	180,620	496,296	-	676,916
Promotional and informational material	511,936	-	235,343	-	747,279	140,456	2,100	889,835
Miscellaneous	24,143	-	8,205	-	32,348	37,579	-	69,927
Total Expenses	\$ 10,747,658	\$ 4,625,405	\$ 993,047	\$ 687,162	\$ 17,053,272	\$ 5,594,633	\$ 34,301	\$ 22,682,206

The accompanying notes to the consolidated financial statements are an integral part of this statement.

**UNITED METHODIST COMMUNICATIONS OF
THE UNITED METHODIST CHURCH AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS**

YEARS ENDED DECEMBER 31, 2018 AND 2017

	<u>2018</u>	<u>2017</u>
Cash flows from operating activities:		
Change in net assets	\$ (11,469,640)	\$ 5,294,254
Adjustments to reconcile change in net assets to net cash from operating activities:		
Depreciation	721,330	676,916
Unrealized losses (gains) on investments	4,553,548	(6,241,059)
Net realized gains on sales of investments	(1,444,334)	(354,049)
Bad debt expense	3,710	184,926
Changes in assets and liabilities:		
Due from GCFA short-term pooled investment fund	3,527,198	2,049,732
Due from General Board of Global Ministries of The United Methodist Church, Inc. and related entities	88,230	52,822
Accrued World Service Fund Allocation	(45,779)	(331,742)
Accounts and pledges receivable	667,559	270,991
Allowance for doubtful accounts and pledges	(430,373)	(172,256)
Inventory	29,317	93,252
Productions in process	(7,484)	29,210
Prepaid expenses	30,569	(164,430)
Accounts payable and accrued liabilities	(531,829)	304,482
Contributions payable	422,804	(582,932)
Deferred income	(7,329)	(75,139)
Net cash flows from operating activities	<u>(3,892,503)</u>	<u>1,034,978</u>
Cash flows from investing activities:		
Purchases of investments	(301,782)	(1,073,341)
Proceeds from sales of investments	4,387,206	1,201,325
Purchases of property and equipment	(192,921)	(1,162,962)
Net cash flows from investing activities	<u>3,892,503</u>	<u>(1,034,978)</u>
Net change in cash and cash equivalents	-	-
Cash and cash equivalents, beginning of year	1,000	1,000
Cash and cash equivalents, end of year	<u>\$ 1,000</u>	<u>\$ 1,000</u>

**UNITED METHODIST COMMUNICATIONS OF
THE UNITED METHODIST CHURCH AND SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

DECEMBER 31, 2018 AND 2017

Note 1—Organization and nature of operations

As the communications agency for The United Methodist Church, United Methodist Communications (“UMCom”) provides leadership for The United Methodist Church (the “UMC”) through communications initiatives that promote local, national, and global ministry. Such leadership ministry is most efficient when performed at a global level and in a coordinated and strategic way. UMCom serves the UMC with communication products, programs, and services to enable more effective ministry. It takes into account the needs of the world’s people, responding by providing information that encourages spiritual growth, commitment, and transformation individually and in the global community. UMCom provides a portal to the World Wide Web for UMC; speaks to the world at large on behalf of UMC through a variety of communications channels; provides resources that support the growth of local church leaders and provides practical ideas for church life; provides independent news coverage of what UMC is doing and other topics of interest; shares stories of ministries in ways that increase giving and commitment to UMC; responds to requests for information about UMC; resources annual conference and local church communications efforts; provides video and television production services and video resources for group study; and works to raise awareness and understanding of global health issues. As the convener for interagency collaboration, UMCom works with other general agencies and external partners to provide clear, purposeful, and collaborative direction for the Global Health Initiative like the Imagine No Malaria campaign, which seeks to raise \$75 million to eliminate death and suffering from malaria. The Foundation for United Methodist Communications (“UMCom Foundation”) generates funds for communication efforts to strengthen UMC and its ministries throughout the world and for the Global Health Initiative.

Principles of Consolidation – The consolidated financial statements include the financial statements of UMCom and its wholly-owned or controlled subsidiaries, Kingswood Communications, Inc. (“Kingswood”) and UMCom Foundation. Kingswood was established on August 21, 1963 to provide media productions to entities outside of the UMC. Kingswood shares the same board of directors as UMCom which is the reason for consolidation. UMCom Foundation was established on October 19, 1996, exclusively for the benefit of, to perform the functions of, and to carry out the purposes of UMCom. As UMCom is the sole member, UMCom Foundation is also consolidated. The consolidating schedules of UMCom, UMCom Foundation, and Kingswood are provided on pages 25-28 in supplemental schedules 1 through 4 for informational purposes. These supplemental schedules are not a required part of the basic financial statements. All significant intercompany balances and transactions among UMCom, UMCom Foundation, and Kingswood have been eliminated in consolidation.

Note 2—Summary of significant accounting policies

The consolidated financial statements have been prepared on the accrual basis of accounting. UMCom’s significant accounting policies are described below.

Basis of Presentation – To ensure the observance of limitations and restrictions placed on the use of resources, fund accounting is the procedure by which resources for various purposes are classified into funds that are in accordance with activities or objectives of UMCom. Separate accounts are maintained for each fund.

**UNITED METHODIST COMMUNICATIONS OF
THE UNITED METHODIST CHURCH AND SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

DECEMBER 31, 2018 AND 2017

Note 2—Summary of significant accounting policies (continued)

For reporting purposes, UCom's consolidated financial statements have been prepared to focus on the organization as a whole and to present balances classified into two net asset categories based on the existence or absence of donor-imposed restrictions. Accordingly, the consolidated net assets of UCom and changes therein are classified and reported as follows:

Net Assets without Donor Restrictions – Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objective of UCom. These net assets may be used at the discretion of UCom's management and the General Commission. UCom has chosen to provide further classification information about net assets without donor restrictions on the consolidated statements of financial position. The subclassifications are as follows:

Invested in Property and Equipment – Represents net assets invested in property and equipment, net of accumulated depreciation.

Board Designated – Comprised of funds set aside by the General Commission to be used for specific activities within general guidelines established by UCom.

Undesignated – Represents the cumulative net assets without donor restrictions excluding those net assets invested in property and equipment and board designated.

Net Assets with Donor Restrictions – Net assets subject to stipulations imposed by donors and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of UCom or by the passage of time. Other donor restrictions are perpetual in nature, whereby the donor has stipulated the funds be maintained in perpetuity.

Revenues are reported as increases in net assets without donor restrictions, unless use of the related assets is limited by donor-imposed restrictions. Expenses are reported as decreases in net assets without donor restrictions. Gains and losses on investments and other assets or liabilities are reported as increases or decreases in net assets without donor restrictions unless their use is restricted by explicit donor stipulation or by law. Expirations of temporary restrictions on net assets are reported as reclassifications from net assets with donor restrictions to net assets without donor restrictions.

Use of Estimates – The preparation of the consolidated financial statements requires management of UCom to make a number of estimates and assumptions relating to the reported amount of assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenue and expenses during the period. Significant items subject to such estimates and assumptions include the carrying amount of property and equipment; valuation allowances for receivables and inventories; and assets and obligations related to employee benefits. Actual results could differ from those estimates.

Cash and Cash Equivalents – UCom considers all highly liquid interest bearing instruments purchased with original maturities of three months or less at date of purchase to be cash equivalents.

**UNITED METHODIST COMMUNICATIONS OF
THE UNITED METHODIST CHURCH AND SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

DECEMBER 31, 2018 AND 2017

Note 2—Summary of significant accounting policies (continued)

Investments – Investments consist of shares invested in The United Methodist Church Foundation’s (“UMCF”) Balanced Plus Fund, shares invested in Wespath Benefits and Investments (“Wespath”) Multiple Asset Fund, and notes held by The United Methodist Development Fund (“UMDF”).

UMCom’s investments are presented at net asset value, which approximates the estimated fair value of UMCom’s share of respective investment pools. Interest and dividend income and realized and unrealized gains or losses are calculated on a pro rata basis for UMCom’s portion of the investment pools.

Investments are carried at fair value based on quoted market prices, or audited financial statements of the investee. Purchases and sales of investments are recorded on the trade date.

Due from GCFA Short-Term Pooled Investment Fund – The amounts presented as due from General Council on Finance and Administration (“GCFA”) short-term pooled investment fund in the accompanying consolidated financial statements represent UMCom’s portion of the short-term investment portfolio managed by GCFA on behalf of certain agencies and related organizations of the UMC. The amount due from this fund effectively represents the amount of cash deposits that are available to UMCom to be disbursed out of GCFA’s centralized cash management system. Since these deposits are legally invested in GCFA’s name and not in a separate demand account in UMCom’s name, they are not classified as cash and cash equivalents, but rather are considered an amount due from GCFA. The short-term investment portfolio includes funds invested in demand deposits, corporate bonds, taxable municipal bonds, mutual funds, and notes from other United Methodist organizations. GCFA allocates interest earned on the portfolio to the participating entities. For the years ended December 31, 2018 and 2017, GCFA allocated \$56,973 and \$349,509 of interest income, respectively, to UMCom. While interest income can be earned based on the performance of the pooled investment funds, UMCom believes there is little to no risk exposure to losses due to the relationship with GCFA and policy under which the pooled funds are invested. The operating cash requirements of the general agencies are centrally managed by GCFA.

When an agency has surplus funds, they are invested by GCFA in the short-term pooled investment fund. GCFA allocates interest earned to the agencies invested in the pool based upon their pro-rata share of the pool on a monthly basis. The overall return for the short-term pooled investment funds for the years ended December 31, 2018 and 2017 was 1.14% and 4.38%, respectively. The overall rate of return for each agency may vary due to fluctuating balances throughout the year and the timing of investments gains and losses. The allocation of funds in the short-term investment pool as of December 31, 2018 and 2017 were as follows:

	<u>2018</u>	<u>2017</u>
Texas Methodist Foundation loan fund	19.5%	20.5%
Mutual funds	2.0%	2.5%
Short-term collateralized loan fund	0.4%	0.4%
Fixed income	20.9%	9.0%
Corporate bonds	47.1%	47.0%
Cash	10.1%	20.6%
	<u>100.0%</u>	<u>100.0%</u>

**UNITED METHODIST COMMUNICATIONS OF
THE UNITED METHODIST CHURCH AND SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

DECEMBER 31, 2018 AND 2017

Note 2—Summary of significant accounting policies (continued)

General Church Fund Allocation – Funding for UMCCom’s operations is principally provided by allocations of World Service Fund and Connectional Giving Interpretation received from the General Funds of the UMC. At December 31, 2018 and 2017, accrued allocations from the World Service Fund were \$4,693,859 and \$4,648,080, respectively. The General Funds of UMC are allocated to UMCCom based on a four-year budget developed from projections of expected program costs. The allocation accounts for 75% of UMCCom’s total operating revenue in 2018 and 2017. UMCCom’s continued existence is dependent upon UMC’s future support. UMC’s future support is dependent upon contributions from its congregations (i.e., congregational participation in the apportionment covenant).

Services Received from Personnel of an Affiliate – Services received from personnel of an affiliate for which the affiliate does not charge the UMCCom have been measured at the cost recognized by the affiliate in providing those services. The revenue and expense relating to those services received totaled \$26,063 and \$34,416 for the years ended December 31, 2018 and 2017, respectively.

Accounts Receivable – Trade accounts receivable are recorded at the invoiced amount and do not bear interest. The allowance for doubtful accounts is UMCCom’s best estimate of the amount of probable credit losses in UMCCom’s existing accounts receivable. UMCCom determines the allowance based on historical write-off experience. Account balances are charged off against the allowance after all means of collection have been exhausted and the potential for recovery is considered remote.

Inventory – Inventory consists of printed and promotional materials and is stated at the lower of cost (first-in, first-out) or net realizable value.

Productions in Process – Costs related to productions that are in process are capitalized and expensed when revenue is recognized. Productions produced under contract, principally for other agencies of UMC, are accounted for by the completed contract method.

Property and Equipment – Property and equipment are recorded at cost, less accumulated depreciation. Depreciation is computed using the straight-line method over the estimated useful lives of the respective assets. Building and improvements are depreciated over 40 years, production equipment over 3-5 years, office equipment over 3-10 years, and computer equipment over 3-5 years. UMCCom capitalizes assets with a cost greater than \$5,000.

Contributions – Unconditional promises to give cash and other assets to UMCCom are recognized as support at their fair values in the period the unconditional promises are received. Conditional promises to give are recognized when the conditions on which they depend are substantially met.

Contributions made, including unconditional promises to give, are recognized as an expense at their fair value in the period made. Contributions payable consists of \$467,801 and \$44,997 as of December 31, 2018 and 2017, respectively, for amounts to be distributed for the Imagine No Malaria campaign.

Deferred Income – Deferred income is recorded for calendars, video productions, advertisements, and specific products for which payment is received in advance of delivery of the related products.

**UNITED METHODIST COMMUNICATIONS OF
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DECEMBER 31, 2018 AND 2017

Note 2—Summary of significant accounting policies (continued)

Financial Instruments – Assets recorded at fair value in the consolidated statements of financial position are categorized based on the level of judgment used in the measurement of their fair value. These judgment levels, as defined by Financial Accounting Standards Board (“FASB”) Accounting Standards Codification (“ASC”) 820, *Fair Value Measurements and Disclosures*, are as follows:

Level 1 – Quoted prices in active markets that are accessible at the measurement date for identical securities.

Level 2 – Quoted prices in markets that are not considered to be active or financial instruments for which all significant inputs are observable, either directly or indirectly. Inputs include quoted prices for similar assets and liabilities in active markets, inputs that are derived from investment manager reporting or corroborated by an independent advisor, and inputs obtained with benchmarks for similar assets for substantially the full term on the financial investments. If market quotations are not readily available for valuations, assets may be valued by a method the investment manager of the fund believes accurately reflects fair value.

Level 3 – Prices or valuations that require using significant unobservable inputs in determining fair value. The inputs into the determination of fair value require significant judgment or estimation by the investment manager. The investment manager uses either the market approach, which generally consists of using comparable market transactions, or the income approach which generally consists of the net present value of estimated future cash flows, adjusted as appropriate for liquidity, credit, market, and/or other risk factors.

Federal Income Tax Exemption – UMCom is covered under GCFA's 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 (the “Code”). UMCom is also exempt from filing a form 990 due to its affiliation with a religious organization as described in Section 509(a) of the Code.

UMCom accounts for the effect of any uncertain tax positions based on a more likely than not threshold to the recognition of the tax positions 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 UMCom include, but are not limited to, the tax-exempt status and determination of whether income is subject to unrelated business income tax.

Revenue Recognition – UMCom recognizes revenue when products are shipped and the customer takes ownership and assumes risk of loss, collection of the relevant receivable is probable, persuasive evidence of an arrangement exists, and the sales price is fixed or determinable.

Functional Classification of Expenses – UMCom program expenses cover program ministries of UMCom, including media purchases, administrative, creative, and development functions. Media purchases emphasizing the UMC brand are funded by World Service Fund. Connectional Giving Interpretation provides resources to promote and interpret general church funds. Kingswood is a subsidiary of United Methodist Communications allowing UMCom to do business with non-UMC entities to generate revenue. The Foundation for United Methodist Communications exists to raise funds to enhance and establish communications programs and the Global Health Initiative.

**UNITED METHODIST COMMUNICATIONS OF
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DECEMBER 31, 2018 AND 2017

Note 2—Summary of significant accounting policies (continued)

Future Pronouncements – In May 2014, the FASB issued Accounting Standards Update (“ASU”) 2014-09. The amendments in this update create Topic 606, *Revenue from Contracts with Customers*, and supersede the revenue recognition requirements in Topic 605, *Revenue Recognition*, including most industry-specific revenue recognition guidance throughout the Industry Topics of the Codification. In addition, the amendments supersede the cost guidance in Subtopic 605-35, *Revenue Recognition – Construction-Type and Production-Type Contracts*, and create new Subtopic 340-40, *Other Assets and Deferred Costs – Contracts with Customers*. The core principle of Topic 606 is that an entity recognizes revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. In August 2015, the FASB issued ASU 2015-14, which defers the effective date of the ASU 2014-09 one year, making it effective for the year ending December 31, 2019.

In June 2018, the FASB issued ASU 2018-08, *Not-for-Profit Entities Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. This ASU clarifies and improves the scope and the accounting guidance for contributions received and contributions made. This ASU is effective for the year ending December 31, 2019. Management is currently evaluating the impact of this standard on UCom’s consolidated financial statements.

Note 3—Liquidity and availability of resources

The table below represents financial assets available for general expenditures within one year at December 31, 2018 and 2017:

	<u>2018</u>	<u>2017</u>
Financial assets at year end:		
Cash and cash equivalents	\$ 1,000	\$ 1,000
Investments	40,805,939	48,000,567
Due from GCFA short-term pooled investment fund of The United Methodist Church	1,684,442	5,211,640
Due from General Board of Global Ministries of The United Methodist Church, Inc.	-	88,230
Accrued World Service Fund allocation	4,693,859	4,648,080
Accounts receivable	133,048	189,835
Pledges receivable	30,095	214,214
Total financial assets	<u>47,348,383</u>	<u>58,353,566</u>
Less amounts not available to be used for general expenditures within one year:		
Board designated	15,578,513	23,739,552
Donor restricted for specific purposes and accumulated earnings on endowment	11,543,103	13,907,288
Donor restricted subject to passage of time	30,095	214,214
Funds held in perpetuity	174,557	195,590
Financial assets not available to be used within one year	<u>27,326,268</u>	<u>38,056,644</u>
Financial assets available to meet general expenditures within one year	<u>\$ 20,022,115</u>	<u>\$ 20,296,922</u>

**UNITED METHODIST COMMUNICATIONS OF
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DECEMBER 31, 2018 AND 2017

Note 3—Liquidity and availability of resources (continued)

As part of the UCom's liquidity management plan, it structures its financial assets to be available as its obligations come due. Cash in excess of daily requirements are invested in GCFA's short-term pooled investment fund. This fund established by UCom may be drawn upon, if necessary, to meet unexpected liquidity needs.

UCom has certain assets limited to use for donor-restricted purposes. Additionally, board designated assets are designated for future operating and capital expenditures. These assets limited to use, which are more fully described in Notes 12 and 13 are not available for general expenditure within the next year. However, the board designated amounts could be made available, if necessary.

Note 4—Accounts receivable

Accounts receivable at December 31, 2018 and 2017 consist of the following:

	2018	2017
Accounts receivables	\$ 133,048	\$ 193,797
Less allowance for doubtful accounts	-	(3,962)
	<u>\$ 133,048</u>	<u>\$ 189,835</u>

Note 5—Pledges receivable

Pledges receivable at December 31, 2018 and 2017 consist of the following:

	2018	2017
Pledges receivable	\$ 63,707	\$ 670,517
Less allowance for doubtful pledges	(33,612)	(456,303)
	<u>\$ 30,095</u>	<u>\$ 214,214</u>

Pledges receivable consist of \$63,429 due during 2019 and \$278 due thereafter through 2020.

Note 6—Property and equipment

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

	2018	2017
Land	\$ 198,651	\$ 198,651
Building	3,748,500	3,748,500
Production equipment	2,066,018	1,940,313
Equipment	1,712,409	1,691,213
Computer equipment	3,087,752	3,187,163
	<u>10,813,330</u>	<u>10,765,840</u>
Less accumulated depreciation	(8,617,226)	(8,041,327)
Total property and equipment, net	<u>\$ 2,196,104</u>	<u>\$ 2,724,513</u>

Depreciation expense totaled \$721,330 and \$676,916 in 2018 and 2017, respectively.

**UNITED METHODIST COMMUNICATIONS OF
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DECEMBER 31, 2018 AND 2017

Note 7—Investments

Investments consist of the following at December 31, 2018 and 2017:

	2018		2017	
	Fair Value	Cost	Fair Value	Cost
Balanced Plus Fund (UMCF)	\$ 13,845,944	\$ 14,297,588	\$ 14,725,515	\$ 13,496,242
Multiple Asset Fund (Wespath)	26,401,074	19,944,094	33,028,096	23,700,939
Notes (UMDF)	558,921	558,921	246,956	246,956
	<u>\$ 40,805,939</u>	<u>\$ 34,800,603</u>	<u>\$ 48,000,567</u>	<u>\$ 37,444,137</u>

The following is a summary of the primary funds of which UMCCom's pooled investments are invested:

Balanced Plus Fund in UMCF – The Balanced Plus Fund's objective is to provide a reasonable level of current income and, simultaneously, to protect the purchasing power of the principal against inflation, but to reduce the volatility of the returns by increased portfolio diversification through the use of alternative investment strategies. The targeted allocation of the fund is 30% invested in a fixed income fund, 25% in a domestic large cap equity portfolios, 10% in domestic small/mid-cap equity portfolios, 15% in an international equity portfolio, and 20% in alternative investments consisting of funds of hedge funds and managed futures portfolios. This fund is designed for those investors who are seeking a single fund to provide broad diversification, reasonable current income, and protection against inflation.

Multiple Asset Fund (Wespath) – The investments in Wespath's Multiple Asset Fund are a composite of U.S. equity funds (33.92%), fixed income funds (36.06%), international equity funds (29.68%), and cash (0.34%).

Notes (UMDF) – The investments consist of variable and/or fixed interest bearing notes. Notes are stated at cost, which approximate fair value.

Return on investments for the years ended December 31, 2018 and 2017 were as follows:

	2018	2017
Interest and dividends	\$ 319,949	\$ 220,157
Gain on investments:		
Realized gains on sales of investments	1,444,334	354,049
Unrealized gains (losses) on investments	(4,553,548)	6,241,059
Net gains on investments	(2,789,265)	6,815,265
Less investment management expenses	(107,077)	(98,783)
Investment return, net	<u>\$ (2,896,342)</u>	<u>\$ 6,716,482</u>

The Balance Plus Fund in UMCF has a daily redemption frequency and a redemption notice period of three days. All other investments may be redeemed without advance notice and there are no limitations as to the frequency of redemptions for any investment pool. UMCCom has no unfunded commitments to invest in any investment pool.

**UNITED METHODIST COMMUNICATIONS OF
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Note 8—Fair value of financial instruments

Required disclosures concerning the estimated fair value of financial instruments are presented below. The estimated fair value amounts have been determined based on UMCom'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*. The assets measured at fair value in the table below use one of three levels for defining their fair value:

	Fair Value Measurements at Reporting Date			
	Total Assets Measured at Fair Value	Quoted Prices in Active Markets for Identical Assets Level 1	Significant Other Observable Inputs Level 2	Significant Unobservable at Fair Value Level 3
December 31, 2018				
Investments:				
UMDF	\$ 558,921	\$ -	\$ -	\$ 558,921
Investments reported at net asset value:				
Wespath*	26,401,074			
UMCF*	13,845,944			
Total Investments	\$ 40,805,939			

	Fair Value Measurements at Reporting Date			
	Total Assets Measured at Fair Value	Quoted Prices in Active Markets for Identical Assets Level 1	Significant Other Observable Inputs Level 2	Significant Unobservable at Fair Value Level 3
December 31, 2017				
Investments:				
UMDF	\$ 246,956	\$ -	\$ -	\$ 246,956
Investments reported at net asset value:				
Wespath*	33,028,096			
UMCF*	14,725,515			
Total Investments	\$ 48,000,567			

* In accordance with ASC Subtopic 820-10, certain investments that are measured at fair value using the net asset value per share (or its equivalent) practical expedient have not been classified in the fair value hierarchy. The fair value amounts presented in this table are intended to permit reconciliation of the fair value hierarchy to the amounts presented in the statements of financial position.

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Note 8—Fair value of financial instruments (continued)

The following is a reconciliation of activity for 2018 and 2017 for assets measured at fair value based on significant unobservable information:

	<u>2018</u>	<u>2017</u>
Balance, beginning of year	\$ 246,956	\$ 494,658
Interest income	10,183	1,325
Sales and redemptions	-	(1,201,325)
Purchases	301,782	952,298
Balance, end of year	<u>\$ 558,921</u>	<u>\$ 246,956</u>

Note 9—Connectional Giving Interpretation Revenue

General church funds received from the Connectional Giving Interpretation have the following purpose restrictions for the years ended December 31, 2018 and 2017:

	<u>2018</u>	<u>2017</u>
World Service	\$ 365,124	\$ 358,052
General Advance Specials	297,504	297,500
Human Relations Day	63,756	63,760
One Great Hour of Sharing	99,996	100,000
World Communion Day	65,004	65,000
United Methodist Student Day	60,000	60,000
Peace with Justice	50,004	50,000
Native American Ministries	72,504	72,500
	<u>\$ 1,073,892</u>	<u>\$ 1,066,812</u>

Note 10—Employee benefits

Retirement Benefits – Full-time laypersons and clergy employed by UMCom participate in the Retirement Plan for General Agencies. This defined contribution plan is administered by Wespath.

UMCom makes bi-weekly contributions to each eligible employee's account held by Wespath based on 8% of annual employee compensation. Additionally, UMCom matches up to 2% of each employee's compensation to their United Methodist Personal Investment Plan (UMPIP). Total contributions made by UMCom and Kingswood for both components during 2018 and 2017 were \$857,833 and \$764,707, respectively.

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Note 10—Employee benefits (continued)

Health, Life, and Other Employee Benefits – UMCom provides health, dental, 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 General Agencies of The United Methodist Church Benefit Plan (the “Plan”) if they have attained normal retirement age while in the employ of UMCom.

The Plan provides medical, dental, life, and long- and short-term disability defined benefits to participants of the general agencies, two other United Methodist related organizations, and all Bishops covered by the Episcopal Fund.

The Plan’s unfunded accumulated postretirement benefit obligation (“APBO”) was approximately \$94,500,000 and \$98,600,000 and the Plan’s unfunded expected postretirement benefit obligation (“EPBO”) was approximately \$131,500,000 and \$148,700,000 as of December 31, 2018 and 2017, respectively. The change is due to an increase in the discount rate used to calculate the APBO and EPBO amounts.

The cost of the benefits is recognized as expense as premiums are paid. The total cost of benefits for active employees was \$1,296,601 and \$1,245,758 in 2018 and 2017, respectively. The cost of benefits for retired employees was \$366,127 and \$347,749 in 2018 and 2017, respectively, exclusive of reimbursement from the General Agency Benefit Trust (“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, 6% for 2018 and 2017, of the fair value of the Benefit Trust’s assets at year-end to be available for distribution in the subsequent year in order to reimburse the participating agencies, through GCFA, for their funding of active and retired employee benefits. The fair value of the Benefit Trust’s assets (not plan assets) was \$146,625,000 and \$165,800,000 as of December 31, 2018 and 2017, respectively. The total amount available for reimbursement in 2018 and 2017 was \$9,948,300 and \$8,957,614, respectively, of which UMCom’s share, excluding retiree health benefits, was \$1,529,619 and \$1,108,931 received in 2018 and 2017, respectively.

**UNITED METHODIST COMMUNICATIONS OF
THE UNITED METHODIST CHURCH AND SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

DECEMBER 31, 2018 AND 2017

Note 11—Related party transactions

UMCom receives the majority of its revenue through apportionments from the General Funds of UMC, which are administered by GCFA. In addition, GCFA provides various services to UMCom, including cash management, payroll, and group insurance plan administration. As of and for the years ended December 31, 2018 and 2017, UMCom had the following transactions with and through GCFA and other related agencies:

	<u>2018</u>	<u>2017</u>
Statements of Financial Position:		
Investment in UMCF's Balanced Plus Fund	\$ 13,845,944	\$ 14,725,515
Investment in Notes (UMDF)	558,921	246,956
Invested in GCFA short-term pooled investment fund	1,684,442	5,211,640
Due from the General Board of Global Ministries	-	88,230
Accrued World Service Fund Allocation	4,693,859	4,648,080
Accounts receivable, net from other United Methodist Agencies	28,258	65,830
Statements of Activities:		
Revenue:		
Allocation of World Service Fund	16,502,218	16,391,495
Revenue restricted for Connectional Giving Interpretation	1,073,892	1,066,812
Gross program revenue	318,858	479,261
Reimbursement from General Agency Benefit Trust	1,529,619	1,108,931
Investment return, net - UMCF	(879,572)	1,680,679
Investment return, net - UMDF	10,183	1,325
Services received from GCFA	26,063	34,416
Expenses:		
Services provided to:		
General Commission on Religion and Race	33,300	-
General Commission on Archives and History	22,132	-
General Commission on the Status and Role of Women	62,056	-
General Commission on United Methodist Men	49,248	-
Administration provided by GCFA	26,063	34,416
Group insurance expense	1,662,728	1,593,507

**UNITED METHODIST COMMUNICATIONS OF
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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

DECEMBER 31, 2018 AND 2017

Note 12—Board designated net assets

Certain net assets without donor restrictions at December 31, 2018 and 2017 have been designated by the General Commission for the following purposes:

	<u>2018</u>	<u>2017</u>
TV/T	\$ -	\$ 2,693,301
Initiatives and Ministry	-	2,055,846
Promotional Resources	-	80,993
Property Improvements	2,500,000	2,500,000
General Church Communications Ministry	8,950,000	8,950,000
General Conference	2,500,000	2,500,000
Foundation	1,628,513	4,959,412
Total board-designated net assets	<u>\$ 15,578,513</u>	<u>\$ 23,739,552</u>

From time to time, the General Commission may designate other net assets without donor restrictions for specific purposes.

The Television/Telecommunication (“TV/T”) Division operating reserve was created in 1991. The TV/T reserve funds are used to account for expenditures against (TV/T) on-ratio funds, as defined in the financial commitment book.

The Initiatives and Ministry reserve is restricted for the purpose of supporting the innovations of the ministry.

The Promotional Resources reserve was established by the UCom as a cash flow reserve to fund start-up costs and early quadrennium expenditures of promotional resources. In addition, if there is a deficit in a general fund at the end of the quadrennium, that deficit is underwritten by this reserve.

The Property Improvements reserve funds are designated for the maintenance and enhancement of existing and future facilities and property.

The General Church Communications Ministry reserve funds are designated for communications projects in partnership with United Methodist agencies and other General Church organizations’ communications directives, communications staffing stipends for smaller agencies, communications campaigns for the denomination following upcoming General Conferences, and a communications summit that are not covered in the operational budget.

The General Conference reserve funds are designated for the expenses related to supporting the communications and production of the Called General Conference 2019, General Conference 2020, and pre-General Conference activities.

The UCom Foundation designated funds are designated for future initiatives approved by The United Methodist Communications Foundation for projects related to the improvement of communications with the church.

**UNITED METHODIST COMMUNICATIONS OF
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DECEMBER 31, 2018 AND 2017

Note 13—Net assets with donor restrictions

Net assets with donor restrictions at December 31, 2018 and 2017 have been restricted by the donors for the following purpose restrictions:

	<u>2018</u>	<u>2017</u>
Subject to purpose restriction:		
Promotion	\$ 1,938,183	\$ 1,674,541
Communication	9,531,339	9,531,339
Imagine No Malaria	-	2,402,684
Children's TV Campaign	73,581	78,393
Total subject to purpose restriction	<u>11,543,103</u>	<u>13,686,957</u>
Subject to passage of time:		
Pledges receivable	30,095	214,214
Total subject to the passage of time	<u>30,095</u>	<u>214,214</u>
Endowments:		
Accumulated earnings on UMCom's endowment fund	215,983	220,331
UMCom endowment fund held in perpetuity	174,557	195,590
Total held in perpetuity	<u>390,540</u>	<u>415,921</u>
Total net assets with donor restrictions	<u>\$ 11,963,738</u>	<u>\$ 14,317,092</u>

Net assets with donor restrictions for the years ended December 31, 2018 and 2017 were released from donor restrictions by incurring expenses satisfying the restricted purposes or by occurrence of other events specified by donors as follows:

	<u>2018</u>	<u>2017</u>
Satisfaction of purpose restriction	\$ 3,461,862	\$ 1,559,588
Satisfaction of time restriction	184,119	205,381
Total net assets released from restriction	<u>\$ 3,645,981</u>	<u>\$ 1,764,969</u>

Note 14—Endowments

UMCom's endowment consists of individual funds established for a variety of purposes, and is comprised of only donor-restricted endowment funds.

UMCom has interpreted the Uniform Prudent Management of Institutional Funds Act ("UPMIFA") as requiring the preservation of the fair value of the original gift date of the donor restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, UMCom classifies as donor-restricted net assets (a) the original value of gifts donated to the endowment, (b) the original value of subsequent gifts to the endowment, and (c) accumulations to the endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. Donor-restricted amounts not retained in perpetuity are subject to appropriation for expenditure by UMCom in a manner consistent with the standard of prudence prescribed by UPMIFA.

**UNITED METHODIST COMMUNICATIONS OF
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DECEMBER 31, 2018 AND 2017

Note 14—Endowments (continued)

In accordance with applicable state laws, UMCom considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- The duration and preservation of the fund
- The purposes of 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 UMCom
- The investment policies of UMCom

As of December 31, 2018 and 2017, UMCom had the following endowment net asset composition by type of fund:

	Year Ended December 31, 2018		
	Without Donor Restrictions	With Donor Restrictions	Total
Donor-restricted endowment funds:			
Original donor-restricted gift amount and amounts required to be maintained in perpetuity by donor	\$ -	\$ 174,557	\$ 174,557
Accumulated investment gains	-	215,983	215,983
Endowment net assets, December 31, 2018	<u>\$ -</u>	<u>\$ 390,540</u>	<u>\$ 390,540</u>

	Year Ended December 31, 2017		
	Without Donor Restrictions	With Donor Restrictions	Total
Donor-restricted endowment funds:			
Original donor-restricted gift amount and amounts required to be maintained in perpetuity by donor	\$ -	\$ 195,590	\$ 195,590
Accumulated investment gains	-	220,331	220,331
Endowment net assets, December 31, 2017	<u>\$ -</u>	<u>\$ 415,921</u>	<u>\$ 415,921</u>

From time to time, certain donor-restricted endowment funds may have fair values less than the amount required to be maintained by donors or by law (underwater endowments). UMCom has interpreted UPMIFA to permit spending from underwater endowments in accordance with prudent measures required under law. At December 31, 2018 and 2017, UMCom had no underwater endowments

Investment and Spending Policies – UMCom has not formally adopted an investment spending policy for their endowments.

**UNITED METHODIST COMMUNICATIONS OF
THE UNITED METHODIST CHURCH AND SUBSIDIARIES**
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DECEMBER 31, 2018 AND 2017

Note 14—Endowments (continued)

Return Objectives and Risk Parameters – UMCom 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 UMCom must hold in perpetuity or for a donor-specified period(s). Under this policy, as approved by The General Commission on Communication, the endowment assets are invested in a manner that is intended to produce results that provide for the preservation of capital and income for support of programs while assuming a moderate level of investment risk. UMCom expects its endowment funds, over time, to produce current income within the total return strategy. Actual returns may vary.

Strategies Employed for Achieving Objectives – To satisfy its long-term rate-of-return objectives, UMCom 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). UMCom targets a diversified asset allocation that places a greater emphasis on corporate bonds and equity-based investments to achieve its long-term return objectives within prudent risk constraints.

Changes in endowment net assets for the years ended December 31, 2018 and 2017 are as follows:

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Endowment net assets, December 31, 2016	\$ -	\$ 356,566	\$ 356,566
Investment return, net	-	59,355	59,355
Endowment net assets, December 31, 2017	-	415,921	415,921
Investment return, net	-	(25,381)	(25,381)
Endowment net assets, December 31, 2018	<u>\$ -</u>	<u>\$ 390,540</u>	<u>\$ 390,540</u>

UMCom did not appropriate endowment assets for the years ended December 31, 2018 and 2017.

Note 15—Subsequent events

Management has evaluated subsequent events through July 12, 2019, the date the consolidated financial statements were available for issuance, and has determined that there are no subsequent events requiring disclosure.

SUPPLEMENTAL SCHEDULES

**UNITED METHODIST COMMUNICATIONS OF
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CONSOLIDATING SCHEDULE OF FINANCIAL POSITION**

SCHEDULE 1

DECEMBER 31, 2018

	UMCOM	UMCOM Foundation	Kingswood	Consolidating Entries	2018 Total
ASSETS					
Cash and cash equivalents	\$ 1,000	\$ -	\$ -	\$ -	\$ 1,000
Investments	30,107,801	10,698,138	-	-	40,805,939
Due from General Council on Finance and Administration (GCFA) short-term pooled investment fund	112,774	1,757,536	(185,868)	-	1,684,442
Accrued World Service Fund allocation	4,693,859	-	-	-	4,693,859
Accounts receivable, net	90,702	6,948	35,398	-	133,048
Pledges receivable, net	-	30,095	-	-	30,095
Inventory	13,178	-	-	-	13,178
Productions in progress	41,960	-	-	-	41,960
Prepaid expenses	322,903	-	-	-	322,903
Property and equipment, net	2,196,104	-	-	-	2,196,104
Total Assets	\$ 37,580,281	\$ 12,492,717	\$ (150,470)	\$ -	\$ 49,922,528
LIABILITIES AND NET ASSETS					
Liabilities:					
Accounts payable and accrued liabilities	\$ 1,320,338	\$ 7,596	\$ 6,556	\$ -	\$ 1,334,490
Contributions payable	-	467,801	-	-	467,801
Deferred income	12,939	-	-	-	12,939
Total Liabilities	1,333,277	475,397	6,556	-	1,815,230
Net Assets:					
Without Donor Restrictions:					
Invested in property and equipment	2,196,104	-	-	-	2,196,104
Board designated	13,950,000	1,628,513	-	-	15,578,513
Undesignated	17,716,380	809,589	(157,026)	-	18,368,943
Total without Donor Restrictions	33,862,484	2,438,102	(157,026)	-	36,143,560
With Donor Restrictions:					
Subject to purpose restrictions	2,011,764	9,531,339	-	-	11,543,103
Subject to passage of time	-	30,095	-	-	30,095
Endowments	372,756	17,784	-	-	390,540
Total with Donor Restrictions	2,384,520	9,579,218	-	-	11,963,738
Total Net Assets	36,247,004	12,017,320	(157,026)	-	48,107,298
Total Liabilities and Net Assets	\$ 37,580,281	\$ 12,492,717	\$ (150,470)	\$ -	\$ 49,922,528

**UNITED METHODIST COMMUNICATIONS OF
THE UNITED METHODIST CHURCH AND SUBSIDIARIES
CONSOLIDATING SCHEDULE OF ACTIVITIES**

SCHEDULE 2

YEAR ENDED DECEMBER 31, 2018

	UMCOM	UMCOM Foundation	Kingswood	Consolidating Entries	2018 Total
Activites without Donor Restrictions:					
General Church Funds:					
Allocation of World Service Fund	\$ 16,502,218	\$ -	\$ -	\$ -	\$ 16,502,218
Net program revenue	454,775	-	-	-	454,775
Reimbursement from Benefit Trust	1,529,619	-	-	-	1,529,619
Services received from GCFA	26,063	-	-	-	26,063
Investment return from GCFA short-term pooled investment fund	56,973	-	-	-	56,973
Investment return, net	(1,900,688)	(965,462)	-	-	(2,866,150)
Contributions	-	1,825	-	-	1,825
Other income	179,629	-	-	(84,000)	95,629
Production rental and services	-	-	112,960	-	112,960
Net assets released from restrictions	810,251	2,835,730	-	-	3,645,981
Total expenses	(23,367,466)	(5,202,992)	(189,721)	84,000	(28,676,179)
Change in Net Assets without Donor Restrictions	(5,708,626)	(3,330,899)	(76,761)	-	(9,116,286)
Activites with Donor Restrictions:					
Connectional Giving Interpretation	1,073,892	-	-	-	1,073,892
Investment return, net	(29,029)	(1,163)	-	-	(30,192)
Contributions	-	248,927	-	-	248,927
Net assets released from restriction	(810,251)	(2,835,730)	-	-	(3,645,981)
Change in Net Assets with Donor Restrictions	234,612	(2,587,966)	-	-	(2,353,354)
Change in net assets	(5,474,014)	(5,918,865)	(76,761)	-	(11,469,640)
Net assets, beginning of year	41,721,018	17,936,185	(80,265)	-	59,576,938
Net assets, end of year	\$ 36,247,004	\$ 12,017,320	\$ (157,026)	\$ -	\$ 48,107,298

**UNITED METHODIST COMMUNICATIONS OF
THE UNITED METHODIST CHURCH AND SUBSIDIARIES
CONSOLIDATING SCHEDULE OF FINANCIAL POSITION**

SCHEDULE 3

DECEMBER 31, 2017

	UMCOM	UMCOM Foundation	Kingswood	Consolidating Entries	2017 Total
ASSETS					
Cash and cash equivalents	\$ 1,000	\$ -	\$ -	\$ -	\$ 1,000
Investments	32,037,585	15,962,982	-	-	48,000,567
Due from General Council on Finance and Administration (GCFA) short-term pooled investment fund	3,582,387	1,721,645	(92,392)	-	5,211,640
Due from the General Board of Global Ministries of The United Methodist Church (GBGM)	-	88,230	-	-	88,230
Accrued World Service Fund allocation	4,648,080	-	-	-	4,648,080
Accounts receivable, net	172,476	-	17,359	-	189,835
Pledges receivable, net	-	214,214	-	-	214,214
Inventory	42,495	-	-	-	42,495
Productions in progress	34,476	-	-	-	34,476
Prepaid expenses	353,472	-	-	-	353,472
Property and equipment, net	2,724,513	-	-	-	2,724,513
Total Assets	\$ 43,596,484	\$ 17,987,071	\$ (75,033)	\$ -	\$ 61,508,522
LIABILITIES AND NET ASSETS					
Liabilities:					
Accounts payable and accrued liabilities	\$ 1,855,198	\$ 5,889	\$ 5,232	\$ -	\$ 1,866,319
Contributions payable	-	44,997	-	-	44,997
Deferred income	20,268	-	-	-	20,268
Total Liabilities	1,875,466	50,886	5,232	-	1,931,584
Net Assets:					
Without Donor Restrictions:					
Invested in property and equipment	2,724,513	-	-	-	2,724,513
Board designated	18,780,140	4,959,412	-	-	23,739,552
Undesignated	18,066,457	809,589	(80,265)	-	18,795,781
Total without Donor Restrictions	39,571,110	5,769,001	(80,265)	-	45,259,846
With Donor Restrictions:					
Subject to purpose restrictions	1,752,934	11,934,023	-	-	13,686,957
Subject to passage of time	-	214,214	-	-	214,214
Endowments	396,974	18,947	-	-	415,921
Total with Donor Restrictions	2,149,908	12,167,184	-	-	14,317,092
Total Net Assets	41,721,018	17,936,185	(80,265)	-	59,576,938
Total Liabilities and Net Assets	\$ 43,596,484	\$ 17,987,071	\$ (75,033)	\$ -	\$ 61,508,522

**UNITED METHODIST COMMUNICATIONS OF
THE UNITED METHODIST CHURCH AND SUBSIDIARIES
CONSOLIDATING SCHEDULE OF ACTIVITIES**

SCHEDULE 4

YEAR ENDED DECEMBER 31, 2017

	UMCOM	UMCOM Foundation	Kingswood	Consolidating Entries	2017 Total
Activites without Donor Restrictions:					
General Church Funds:					
Allocation of World Service Fund	\$ 16,391,495	\$ -	\$ -	\$ -	\$ 16,391,495
Net program revenue	904,472	-	-	-	904,472
Reimbursement from Benefit Trust	1,108,931	-	-	-	1,108,931
Services received from GCFA	34,416	-	-	-	34,416
Investment return from GCFA short-term pooled investment fund	349,509	-	-	-	349,509
Investment return, net	4,219,963	2,425,216	-	-	6,645,179
Contributions	-	3,405	-	-	3,405
Other income	160,444	-	-	-	160,444
Production rental and services	-	-	83,910	-	83,910
Net assets released from restrictions	993,051	771,918	-	-	1,764,969
Total expenses	(21,608,966)	(888,397)	(184,843)	-	(22,682,206)
Change in Net Assets without Donor Restrictions	2,553,315	2,312,142	(100,933)	-	4,764,524
Activites with Donor Restrictions:					
Connectional Giving Interpretation	1,066,812	-	-	-	1,066,812
Investment return, net	70,595	708	-	-	71,303
Contributions	-	1,141,162	-	-	1,141,162
Other income	15,422	-	-	-	15,422
Net assets released from restriction	(993,051)	(771,918)	-	-	(1,764,969)
Change in Net Assets with Donor Restrictions	159,778	369,952	-	-	529,730
Change in net assets	2,713,093	2,682,094	(100,933)	-	5,294,254
Net assets, beginning of year	39,007,925	15,254,091	20,668	-	54,282,684
Net assets, end of year	\$ 41,721,018	\$ 17,936,185	\$ (80,265)	\$ -	\$ 59,576,938

**UNITED METHODIST COMMUNICATIONS OF
THE UNITED METHODIST CHURCH AND SUBSIDIARIES**
SCHEDULES OF PROGRAM REVENUE AND COST OF GOODS SOLD

SCHEDULE 5

YEARS ENDED DECEMBER 31, 2018 AND 2017

	2018		
	Program Revenues	Costs of Goods Sold	Net Program Revenues
Contract productions	\$ 324,602	\$ (272,464)	\$ 52,138
Software and technology sales	88,138	(13,291)	74,847
Online advertisements	310,851	(29,315)	281,536
Calendar sales	35,663	(28,845)	6,818
Training	39,436	-	39,436
Total	<u>\$ 798,690</u>	<u>\$ (343,915)</u>	<u>\$ 454,775</u>
	2017		
	Program Revenues	Costs of Goods Sold	Net Program Revenues
Contract productions	\$ 465,909	\$ (315,989)	\$ 149,920
Software and technology sales	99,325	(15,524)	83,801
Magazine advertisements	236,504	(18,925)	217,579
Online advertisements	135,603	(5,980)	129,623
Calendar sales	381,933	(101,925)	280,008
Training	42,066	-	42,066
Magazine sales	1,475	-	1,475
Total	<u>\$ 1,362,815</u>	<u>\$ (458,343)</u>	<u>\$ 904,472</u>