

**GENERAL BOARD OF CHURCH AND SOCIETY OF
THE UNITED METHODIST CHURCH**

FINANCIAL STATEMENTS

DECEMBER 31, 2008 AND 2007

**GENERAL BOARD OF CHURCH AND SOCIETY OF
THE UNITED METHODIST CHURCH**

Table of Contents

	<u>Page</u>
INDEPENDENT AUDITORS' REPORT	1
FINANCIAL STATEMENTS	
Statements of Financial Position	2
Statements of Activities.....	3 - 4
Statements of Cash Flows	5
Notes to Financial Statements	6 - 16
SUPPLEMENTAL SCHEDULES	
Schedule of Natural Classification of Expenses - Unrestricted Net Assets - Undesignated (1)	17
Schedule of Expenses - Unrestricted Net Assets - Designated (2).....	18
Schedule of Net Assets Released from Restrictions (3).....	19
Schedule of Land and Buildings Owned and Leased by the Board (4).....	20
Schedule of Assets Included in Permanently Restricted Assets (5)	21
Schedule of Activities of the United Methodist Building Endowment Fund (6)	22

Independent Auditors' Report

The General Board of Church and Society of
The United Methodist Church

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

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

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, 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 financial statements referred to above present fairly, in all material respects, the financial position of the General Board of Church and Society of The United Methodist Church as of December 31, 2008 and 2007, and the changes in its net assets and its 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 basic financial statements taken as a whole. The supplemental information in schedules 1 through 6 is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audits of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

June 5, 2009
Nashville, Tennessee

**GENERAL BOARD OF CHURCH AND SOCIETY OF
THE UNITED METHODIST CHURCH**

Statements of Financial Position

December 31, 2008 and 2007

	2008	2007
Assets		
Investments	\$ 9,930,355	\$13,504,553
Social Justice Endowment Fund at UMC Foundation	47,504	-
Accounts receivable	428,913	382,877
Investment in General Council on Finance and Administration Pooled Investment Fund	16,573	241,503
Accrued World Service Fund allocation	902,347	822,287
Inventories	83,117	89,734
Prepaid expenses and other assets	119,861	107,643
Property and equipment, net	<u>8,892,529</u>	<u>9,167,486</u>
Total assets	<u>\$20,421,199</u>	<u>\$24,316,083</u>
Liabilities and Net Assets		
Liabilities:		
Accounts payable and accrued expenses	\$ 276,148	\$ 624,470
Other liabilities	<u>180,985</u>	<u>182,922</u>
Total liabilities	<u>457,133</u>	<u>807,392</u>
Net assets:		
Unrestricted - designated	11,964,505	15,469,935
Undesignated	<u>2,271,392</u>	<u>2,019,490</u>
Total unrestricted	14,235,897	17,489,425
Temporarily restricted	3,125,150	3,416,247
Permanently restricted	<u>2,603,019</u>	<u>2,603,019</u>
Total net assets	<u>19,964,066</u>	<u>23,508,691</u>
Total liabilities and net assets	<u>\$20,421,199</u>	<u>\$24,316,083</u>

See accompanying notes to financial statements.

**GENERAL BOARD OF CHURCH AND SOCIETY OF
THE UNITED METHODIST CHURCH**

Statement of Activities

Year Ended December 31, 2008

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Operating revenue and support:				
Allocation from UMC:				
Allocation from the World Service Fund	\$ 2,581,566	\$ 343,893	\$ -	\$ 2,925,459
Special Sunday Offerings	-	282,859	-	282,859
Other income:				
Sale of literature and other publications	16,227	-	-	16,227
Special gifts and contributions	58,004	827	-	58,831
Grants	28,145	40,695	-	68,840
Dividends and interest	4,436	-	-	4,436
Capital gains (designated for operations)	775,339	(419,735)	-	355,604
Benefit trust distribution	196,484	-	-	196,484
Uniform Staff Pension Plan distribution	135,522	-	-	135,522
Rental income	-	2,041,557	-	2,041,557
Other	51,117	204	-	51,321
Net assets released from restrictions	<u>2,348,574</u>	<u>(2,348,574)</u>	<u>-</u>	<u>-</u>
Total operating revenues and support	<u>6,195,414</u>	<u>(58,274)</u>	<u>-</u>	<u>6,137,140</u>
Expenses:				
Program:				
Core Programs:				
General Secretary's Office – Program Related	\$ 335,676	\$ -	\$ -	\$ 335,676
GBCS' Work	5,887	-	-	5,887
United Nations Office	201,541	-	-	201,541
Communications	226,977	-	-	226,977
Resource Production	105,191	-	-	105,191
Information Technology	77,585	-	-	77,585
General Conference Event	123,040	-	-	123,040
Education and Leadership Formation	622,638	-	-	622,638
Human Welfare	136,172	-	-	136,172
Economic and Environmental Justice	130,734	-	-	130,734
Alcohol Addictions and Healthcare	158,100	-	-	158,100
Restricted Programs:				
Peace with Justice	189,448	-	-	189,448
Ethnic Local Church Grants	271,484	-	-	271,484
Youth Offender Project	29,000	-	-	29,000
Genetic Engineering	1,613	-	-	1,613
Hugh Moore Population	137,993	-	-	137,993
In Defense of God's Creation	35,777	-	-	35,777
Immigration Project	7,756	-	-	7,756
Designated Programs:				
Leadership Development	5,271	-	-	5,271
Emerging Issues	2,500	-	-	2,500
Rental Assistance Grants	21,500	-	-	21,500
Social Creed	<u>850</u>	<u>-</u>	<u>-</u>	<u>850</u>
Total program services	<u>2,826,733</u>	<u>-</u>	<u>-</u>	<u>2,826,733</u>
Supporting services:				
Management and general	2,054,038	-	-	2,054,038
Rental property expenses	<u>1,125,919</u>	<u>-</u>	<u>-</u>	<u>1,125,919</u>
Total supporting services	<u>3,179,957</u>	<u>-</u>	<u>-</u>	<u>3,179,957</u>
Total expenses	<u>6,006,690</u>	<u>-</u>	<u>-</u>	<u>6,006,690</u>
Nonoperating activity:				
Investment loss after amounts designated for operations	<u>(3,442,252)</u>	<u>(232,823)</u>	<u>-</u>	<u>(3,675,075)</u>
Total nonoperating activity	<u>(3,442,252)</u>	<u>(232,823)</u>	<u>-</u>	<u>(3,675,075)</u>
Changes in net assets	<u>(3,253,528)</u>	<u>(291,097)</u>	<u>-</u>	<u>(3,544,625)</u>
Net assets at beginning of year	<u>17,489,425</u>	<u>3,416,247</u>	<u>2,603,019</u>	<u>23,508,691</u>
Net assets at end of year	<u>\$ 14,235,897</u>	<u>\$ 3,125,150</u>	<u>\$2,603,019</u>	<u>\$ 19,964,066</u>

See accompanying notes to financial statements.

**GENERAL BOARD OF CHURCH AND SOCIETY OF
THE UNITED METHODIST CHURCH**

Statement of Activities

Year Ended December 31, 2007

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Operating revenue and support:				
Allocation from UMC:				
Allocation from the World Service Fund	\$ 2,371,796	\$ 288,216	\$ -	\$ 2,660,012
Special Sunday Offerings	-	284,946	-	284,946
Other income:				
Sale of literature and other publications	36,089	-	-	36,089
Special gifts and contributions	7,765	981	-	8,746
Grants	27,000	-	-	27,000
Dividends and interest	26,720	-	-	26,720
Capital gains (designated for operations)	252,234	86,894	-	339,128
Benefit trust distribution	185,493	-	-	185,493
Uniform Staff Pension Plan distribution	125,714	-	-	125,714
Rental income	-	1,920,987	-	1,920,987
Other	108,237	-	-	108,237
Net assets released from restrictions	<u>2,674,291</u>	<u>(2,674,291)</u>	<u>-</u>	<u>-</u>
Total operating revenues and support	<u>5,815,339</u>	<u>(92,267)</u>	<u>-</u>	<u>5,723,072</u>
Expenses:				
Program:				
Core Programs:				
General Secretary's Office – Program Related	\$ 344,709	\$ -	\$ -	\$ 344,709
Fund Raising	336	-	-	336
United Nations Office	176,878	-	-	176,878
Communications	220,318	-	-	220,318
Resource Production	81,386	-	-	81,386
Information Technology	123,606	-	-	123,606
Living Faith Seeking Justice	444,816	-	-	444,816
Education and Leadership Formation	550,696	-	-	550,696
Human Welfare	183,112	-	-	183,112
Economic and Environmental Justice	122,702	-	-	122,702
Alcohol Addictions and Healthcare	153,999	-	-	153,999
Restricted Programs:				
Peace with Justice	183,574	-	-	183,574
National Plan Hispanic Ministry	30,822	-	-	30,822
Enough is Enough Anti-gambling	38	-	-	38
Ethnic Local Church Grants	224,275	-	-	224,275
Youth Offender Project	29,000	-	-	29,000
Genetic Engineering	810	-	-	810
Hugh Moore Population	128,811	-	-	128,811
Drug & Alcohol Coordinator Training	7,508	-	-	7,508
Immigration Project	6,149	-	-	6,149
Substance Abuse Training	1,713	-	-	1,713
Designated Programs:				
Rental Assistance Grants	21,500	-	-	21,500
Social Creed	<u>63,633</u>	<u>-</u>	<u>-</u>	<u>63,633</u>
Total program services	<u>3,100,391</u>	<u>-</u>	<u>-</u>	<u>3,100,391</u>
Supporting services:				
Management and general	1,650,942	-	-	1,650,942
Rental property expenses	<u>1,277,694</u>	<u>-</u>	<u>-</u>	<u>1,277,694</u>
Total supporting services	<u>2,928,636</u>	<u>-</u>	<u>-</u>	<u>2,928,636</u>
Total expenses	<u>6,029,027</u>	<u>-</u>	<u>-</u>	<u>6,029,027</u>
Nonoperating activity:				
Investment return after amounts designated for operations	<u>377,168</u>	<u>52,631</u>	<u>-</u>	<u>429,799</u>
Total nonoperating activity	<u>377,168</u>	<u>52,631</u>	<u>-</u>	<u>429,799</u>
Changes in net assets	163,480	(39,636)	-	123,844
Net assets at beginning of year	<u>17,325,945</u>	<u>3,455,883</u>	<u>2,603,019</u>	<u>23,384,847</u>
Net assets at end of year	<u>\$17,489,425</u>	<u>\$ 3,416,247</u>	<u>\$2,603,019</u>	<u>\$23,508,691</u>

See accompanying notes to financial statements.

**GENERAL BOARD OF CHURCH AND SOCIETY OF
THE UNITED METHODIST CHURCH**

Statements of Cash Flows

Years Ended December 31, 2008 and 2007

	2008	2007
Cash flows from operating activities:		
Change in net assets	\$(3,544,625)	\$ 123,844
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	442,996	607,049
Net loss (gain) on investments	3,603,248	(488,984)
Decrease (increase) in assets:		
Accounts receivable	(46,036)	(28,941)
Accrued World Service Fund Allocation	(80,060)	(28,197)
Inventories	6,617	13,969
Prepaid expenses and other assets	(38,318)	(15,563)
Increase (decrease) in liabilities:		
Accounts payable and accrued expenses	(348,322)	511,685
Other liabilities	(1,937)	29,236
Net cash (used in) provided by operating activities	(6,437)	724,098
Cash flows from investing activities:		
Acquisition of property and equipment	(141,939)	(735,949)
Decrease in investment in General Council on Finance and Administration Pooled Investment Fund	224,930	288,145
Purchases of investments	(20,478,051)	(15,476,891)
Sales of investments	20,401,497	15,200,597
Net cash provided by (used in) investing activities	6,437	(724,098)
Net change in cash	-	-
Cash, beginning of year	-	-
Cash, end of year	\$ -	\$ -

See accompanying notes to financial statements.

**GENERAL BOARD OF CHURCH AND SOCIETY OF
THE UNITED METHODIST CHURCH**

Notes to Financial Statements

December 31, 2008 and 2007

(1) Nature of Organization

The General Board of Church and Society (the Board) is a general agency of The United Methodist Church (the Church) and is a not-for-profit organization incorporated in the District of Columbia. The primary objective of the Board is to establish programs to analyze social concerns and to develop Christian lines of action in relation thereto, in keeping with the objectives of the Church.

Funding for the Board's projects is principally pledged by allocation received from the General Funds of The United Methodist Church based on a four year budget and developed from projections of expected programs costs. The allocation accounts for 52% and 51% of the Board's operating revenue in 2008 and 2007, respectively. In addition, rental income and investment earnings from the Board's assets provide significant resources to enable the Board to carry out its mission. The Board's continued existence is partially dependent upon the Church's future support. The Church's financial support of the Board is dependent upon contributions from the congregations (i.e., congregational participation in the apportionment covenant).

Assets of the Board include the United Methodist Building, located in the District of Columbia. Tenants of the United Methodist Building include the Board, and various other not-for-profit organizations which lease office space, and individuals who lease apartment units.

(2) Summary of Significant Accounting Policies

The financial statements of the Board have been prepared on the accrual basis of accounting. The Board's significant accounting policies are described below:

(a) Basis of Accounting

To ensure the observance of limitations and restrictions placed on the use of resources the Board maintains its accounts in accordance with the principles and practices of fund accounting. Fund accounting is the procedure by which resources for various purposes are classified into funds that are in accordance with activities or objectives of the Board. Separate accounts are maintained for each fund.

For reporting purposes, however, the Board's financial statements have been prepared to focus on the organization as a whole and to present balances and transactions classified based upon the existence or absence of donor-imposed restrictions. Accordingly, net assets and changes therein are classified and reported into three classes, as follows:

**GENERAL BOARD OF CHURCH AND SOCIETY OF
THE UNITED METHODIST CHURCH**

Notes to Financial Statements

December 31, 2008 and 2007

Unrestricted Net Assets

Unrestricted net assets are not subject to donor imposed stipulations. These net assets are available for the overall operations of the Board and certain amounts have been designated for use by the Board of Directors as follows:

	<u>2008</u>	<u>2007</u>
Invested in property and equipment	\$ 8,892,529	\$ 9,167,486
Less: Permanently restricted net assets in land and building	<u>(1,116,417)</u>	<u>(1,116,417)</u>
Net invested in property and equipment	7,776,112	8,051,069
Program related	3,091,784	6,491,864
Building related	<u>1,096,609</u>	<u>927,002</u>
Designated	11,964,505	15,469,935
Available for operations	<u>2,271,392</u>	<u>2,019,490</u>
Total unrestricted net assets	<u>\$ 14,235,897</u>	<u>\$ 17,489,425</u>

Amounts reported as invested in fixed assets are not readily liquid.

**GENERAL BOARD OF CHURCH AND SOCIETY OF
THE UNITED METHODIST CHURCH**

Notes to Financial Statements

December 31, 2008 and 2007

Temporarily Restricted Net Assets

Temporarily restricted net assets are subject to restrictions imposed by the church or donor that may or will be met by actions of the Board and/or passage of time. When the restriction expires (i.e., when a stipulated time restriction ends or the Board fulfills the purpose for which the net assets were restricted), temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions. The Capital Campaign Fund is released over the useful life of the building improvements. Temporarily restricted net assets were available for the following purposes at December 31:

	<u>2008</u>	<u>2007</u>
Peace with Justice	\$ 381,797	\$ 346,951
Youth Offender Project	116,430	86,240
Ethnic Local Church Grants	452,873	403,525
Pan-Methodist Coalition on Alcohol (and other drugs)	11,808	11,808
Eco-Justice Working Group Project	1,497	1,497
National Plan Hispanic Ministry	158,122	135,060
Substance Abuse Training Seminars	369	369
Immigration Project	6,453	14,209
In Defense of God's Creation	4,918	-
Hugh Moore Population Fund	454,194	824,604
Concern for Workers	3,877	3,877
Genetic Engineering	1,182	2,795
Capital Campaign Fund	1,476,255	1,529,937
Children Mediation Fund	1,400	1,400
Chaplain Position	100	100
Enough is Enough Anti-Gambling	92	92
Prohibition Trust	4,500	4,500
Children's Health Environmental	9,800	9,800
Drug & Alcohol Coordinator Training	13,492	13,492
Addictions Intern	9,000	9,000
Scholarship Fund	5,860	5,860
Young Adult Advocacy Network	<u>11,131</u>	<u>11,131</u>
Total temporarily restricted net assets	<u>\$3,125,150</u>	<u>\$3,416,247</u>

Permanently Restricted Net Assets

The Board reports contributions which require that the amounts be maintained in perpetuity as permanently restricted. Permanently restricted net assets were received by the creation of the Methodist Building Endowment Fund (Fund) Trust Agreement, from the Division of Alcohol Problems and General Welfare of the Board of Christian Social Concerns of the Methodist Church, and from the Board of Temperance, Prohibition and Public Morals of the Methodist Episcopal Church. The Trust permanently restricts the use of the Fund's corpus, and requires that income generated by the corpus be used for building operations, alterations, repairs, improvements, and to support programs addressing problems involving alcohol, public morals, gambling, drug abuse, and general welfare.

**GENERAL BOARD OF CHURCH AND SOCIETY OF
THE UNITED METHODIST CHURCH**

Notes to Financial Statements

December 31, 2008 and 2007

Management reports revenue generated from the Methodist Building Endowment Fund (Trust Fund) as temporarily restricted, then, released from restriction as expenses on building operations, alterations, repairs, improvements, and to support programs addressing problems involving alcohol, public morals, gambling, drug abuse, and general welfare exceed the annual Trust Fund revenue. This policy is based on a legal opinion obtained by the Board in 1975.

The Board's management, on March 5, 1975, asked outside legal counsel whether the income from the Trust Fund could be properly spent on certain specific activities carried out by the board related to "public morals" and "general welfare." The list reviewed by the outside legal counsel included not only alcohol and temperance concerns, and drug abuse, but also "the whole area of the criminal justice system with specific focus on such activities as the National Interreligious Task Force on Criminal Justice, research into problems pertaining to police, corrections and courts, and with very important and significant work in the area of Crisis Intervention and Conflict Management where the role of churchmen in mediating social conflict is being understood and developed. Police-Community Relations' issues are also encompassed...as well as the issues of gambling, juvenile delinquency, penal reform and grand jury reform...policy aspects of the public welfare problem and policy aspects of our health care delivery system...questions of public morality relating to human sexuality, pornography, and the like...mak(ing) materials available of relevance and importance to the annual conferences and leadership of the church...the cost of administration for these programs..."

On May 12, 1975, outside legal counsel stated that "...it would be proper to interpret the work...as described in your letter of March 5, 1975, as indicated under the category of 'public morals'...(and) 'general welfare' for Trust Fund purposes. This would mean that income from the Trust Fund could be used on an annual basis for these purposes...the yearly cost of administration for the programs mentioned above...appears to be properly supported from the annual income from the Trust Fund."

The Board's management has long interpreted its work on public policy as well as its efforts to communicate that work to its constituents and resource local congregations to affect public policy change as fitting under the categories of "public morals" and "general welfare" for Trust Fund purposes. Specifically, management believes the work it performs in all core programs of the Board meets the "public morals" and "general welfare" descriptions above. This would include the following core programs: Public Witness and Advocacy, Legislative Briefing, Ministry of Resourcing Congregational Life, Communications, Christian Social Action, Resource Production, United Nations Office, and the program-related portion of the General Secretary's Office. The Board's current management has reviewed past solicitation documentation and organizational documentation of the predecessor boards and believes that this interpretation is consistent with the implicit intent of the original donors, the General Conference and the advice of outside legal counsel. For further information, see Note 8.

(b) Operations

Operating results in the statements of activities reflect all transactions increasing or decreasing unrestricted or temporarily restricted net assets except the receipt and expenditure of those gifts, grants, and bequests of a capital nature and investment return in excess of amounts designated for operations.

**GENERAL BOARD OF CHURCH AND SOCIETY OF
THE UNITED METHODIST CHURCH**

Notes to Financial Statements

December 31, 2008 and 2007

(c) Investments and Investment Payout

Investments are reported at fair value. The fair value of investments is determined based on quoted market prices which are defined as Level 1 input under FASB 157. Cash equivalent funds held by the investment manager are not considered cash equivalents for purposes of the statements of cash flows.

The Board has adopted the total return concept in allocating investment income. The Board has designated the income from a portion of its unrestricted investment portfolio to support operations. In accordance with the Board's total return objective, an amount equal to 5% of a three year rolling average of total fair market value of this portion is in the form of an investment payout. If investment income received (i.e., interest and dividends) is not sufficient to support the total return objective, the balance is provided from realized gains. If investment income is received in excess of the objective, the balance is reinvested in the investment fund.

(d) Property and Equipment

Property and equipment assets are carried at original cost or estimated fair value at date of donation, if donated. Depreciation is computed on a straight-line basis over estimated useful lives of 37.5 years for the building and 3 to 10 years for furniture, equipment, and building improvements.

(e) Contributions

Contributions are available for unrestricted use unless specifically restricted by the donor. Amounts received that are designated for future periods or restricted by the donor for specific purposes are reported as temporarily restricted or permanently restricted support.

Contributed property and equipment is recorded at fair value at the date of donation. In the absence of donor stipulations regarding how long the contributed assets must be used, the organization has adopted a policy of implying a time restriction on contributions of such assets that expires over the assets' useful lives. As a result, contributions of property and equipment are recorded as temporarily restricted support. Assets contributed to acquire property and equipment are also recorded as temporarily restricted support.

(f) Grants Disbursed

Conditional revocable grants are awarded to support various Ethnic Minority Local Church, Peace with Justice, and Youth Offender projects. Grants awarded are charged to program expense as grant requirements are met. At December 31, 2008 and 2007, undisbursed commitments on revocable grants totaled \$433,180 and \$103,415, respectively. These amounts are not recorded as liabilities or disclosed as designated net assets in the accompanying financial statements. Funding decisions for conditional grants are dependent on receiving progress reports from the grantees. Grants expense for amounts disbursed to organizations associated with the Church was \$191,176 and \$104,700, for the years ended December 31, 2008 and 2007, respectively.

**GENERAL BOARD OF CHURCH AND SOCIETY OF
THE UNITED METHODIST CHURCH**

Notes to Financial Statements

December 31, 2008 and 2007

(g) Income Taxes

The Board 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 Board had no significant unrelated business income during the years ended December 31, 2008 and 2007.

(h) Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and judgments that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expense during the reporting period. Actual results could differ from those estimates.

(3) Investments

(a) Investment Portfolio

Investments at December 31, 2008 and 2007, consist of the following:

	<u>2008</u>		<u>2007</u>	
	<u>Cost</u>	<u>Fair Value</u>	<u>Cost</u>	<u>Fair Value</u>
Cash and cash equivalents	\$ 562,635	\$ 562,635	\$ 1,135,494	\$ 1,135,494
REITs	-	-	1,703,428	1,712,080
Mutual funds	3,098,834	2,882,288	217,378	241,998
Corporate bonds	-	-	1,056,648	1,011,225
Marketable equity securities	8,570,567	6,485,432	6,724,039	7,609,226
U.S. Government securities	-	-	1,765,576	1,794,530
Total investments	<u>\$12,232,036</u>	<u>\$9,930,355</u>	<u>\$12,602,563</u>	<u>\$13,504,553</u>

Investments at December 31, 2008 and 2007, are managed as part of the following pooled funds:

	<u>2008</u>	<u>2007</u>
Permanently Restricted: United Methodist Building Endowment Fund	\$1,486,602	\$ 1,486,602
Temporarily Restricted: Hugh Moore Population Fund	454,194	824,604
Temporarily Restricted: Capital Campaign Fund	1,476,255	1,529,937
Other portfolio investments	<u>6,513,304</u>	<u>9,663,410</u>
Total investments	<u>\$9,930,355</u>	<u>\$13,504,553</u>

**GENERAL BOARD OF CHURCH AND SOCIETY OF
THE UNITED METHODIST CHURCH**

Notes to Financial Statements

December 31, 2008 and 2007

Amounts equal to the annual release of restriction from the Capital Campaign Fund are transferred from the Capital Campaign pooled fund to other portfolio investments as repayment for the building improvements.

Investment income for the years ended December 31, consists of the following:

	2008	2007
Interest and dividends on operating funds	\$ 4,436	\$ 26,720
Net gains designated for operations	355,604	339,128
Investment income for operations	360,040	365,848
Interest and dividends on non-operating funds	430,354	429,004
Net (loss) gains on investments	(3,603,248)	488,984
Net gains designated for operations	(355,604)	(339,128)
Investment expenses	(146,577)	(149,061)
Total (deficiency) investment return other than amounts designated for operations	(3,675,075)	429,799
Net investment (loss) income	\$(3,315,035)	\$ 795,647

(b) Social Justice Ministries Endowment Fund

General Board of Church and Society has established the Social Justice Ministries Endowment fund at the United Methodist Church Foundation. The income earned from the fund will be available to the Board to use for any purpose consistent with its ministries to respond to the Christian social concerns of the day. The value of the fund as of December 31, 2008 and 2007 consist of the following:

	2008		2007	
	Cost	Fair Value	Cost	Fair Value
UMC Foundation				
Balanced Fund	\$60,540	\$47,504	\$ -	\$ -

(4) Investment in General Council on Finance and Administration Short-Term Pooled Investment Fund

The amounts invested with the General Council on Finance and Administration (GCFA) consist of Board funds that have been pooled with other agencies' funds and are managed by the GCFA. In addition, the Board's allocation of General Funds of The United Methodist Church for the month of December 2008 has been accrued. The Board's future allocation is dependent on the receipt of funds by The United Methodist Church from local churches and donors.

**GENERAL BOARD OF CHURCH AND SOCIETY OF
THE UNITED METHODIST CHURCH**

Notes to Financial Statements

December 31, 2008 and 2007

(5) Property and Equipment

Property and equipment assets consist of the following at December 31:

	2008	2007
Land	\$ 183,038	\$ 183,038
Building and improvements	11,642,985	11,562,686
Furniture and equipment	727,942	1,292,365
Equipment held under capital lease	-	126,469
Total property and equipment	12,553,965	13,164,558
Less accumulated depreciation and amortization	(3,661,436)	(3,997,072)
Property and equipment, net	\$ 8,892,529	\$ 9,167,486

The Board has legal title to the United Methodist Building at 100 and 110 Maryland Avenue, N.E., Washington, D.C. However, the Board must obtain approval from the General Conference of The United Methodist Church prior to sale of the building.

(6) Employee Benefits

(a) Retirement Benefits

Full-time laypersons and clergy employed by General Board of Church and Society (GBCS) participate in the Retirement Security Program for General Agencies (RSP) administered by the General Board of Pension and Health Benefits (GBOPHB), which provides for a two-component benefit. The core program, which it provides to all eligible general agency employees and clergy appointed to general agencies, consists of separate defined contribution and defined benefit plans. GCFA has determined that the defined benefit plan is a multi-employer plan and as a result no liability for future pension obligations has been recorded by the Board.

GBCS makes semi-monthly contributions to each eligible employee's account held by GBOPHB for the defined contribution component of the plan based on 3% of annual employee compensation. Total contributions made by GBCS during 2008 and 2007 for this were \$53,389 and \$49,158, respectively.

GBCS also makes annual contributions to GBOPHB for the defined benefit component of the plan as determined by GBOPHB. Total contributions made by GBCS during 2008 and 2007 for this component were \$135,522 and \$125,714, respectively.

**GENERAL BOARD OF CHURCH AND SOCIETY OF
THE UNITED METHODIST CHURCH**

Notes to Financial Statements

December 31, 2008 and 2007

(b) Distribution from Uniform Staff Pension Fund

GBOPHB has identified certain excess pension assets in the Uniform Staff Pension Fund (USPF) that may be used by participating general agencies to cover the Defined Benefit portion of the Retirement Security Program (RSP). The amount of each participating agency's distribution is based upon the agency's defined benefit cost as determined by GBOPHB. Beginning in 2007 and for the foreseeable future, funds will be transferred annually for the benefit of each participating agency. The fair value of the USPF assets was approximately \$21,256,000 and \$38,300,000 as of December 31, 2008 and 2007, respectively. GBCS's distribution in 2008 and 2007 was \$135,522 and \$125,714, respectively.

(c) Health Care and Life Insurance Benefits

The Board provides health, life, and other employee benefits for its active employees and health, dental, and life benefits to retirees through a group plan which qualifies for treatment as a multi-employer plan under Statement of Financial Accounting Standards No. 106, *Employers' Accounting for Postretirement Benefits Other Than Pensions*. Substantially all retired employees are eligible to participate in the Plan if they have attained normal retirement age while in the employ of the Board.

The General Agencies of The United Methodist Church Benefit Plan (the Plan) provides medical, dental, life, and long and short-term disability defined benefits to participants of eleven general agencies, all Bishops covered by the Episcopal Fund and employees of other United Methodist related organizations.

The Plan's unfunded accumulated postretirement benefit obligation (APBO) was approximately \$116,339,000 and \$128,073,000 and the Plan's unfunded expected postretirement benefit organization (EPBO) was approximately \$145,876,000 and \$152,436,000 as of December 31, 2008 and 2007, respectively.

All of the Board's active employees are covered by the Plan. The cost of the benefits is recognized as expense as premiums are paid. The total cost of benefits for active employees was \$146,439 and \$160,404 in 2008 and 2007, respectively, exclusive of reimbursement from the Benefit Trust.

GBOPHB has transferred certain excess pension assets to the General Agency Benefit Trust (Benefit Trust) established by the 1996 General Conference. Annually, the Benefit Trust allows a stated percentage, 4% for 2008 and 2007, of the fair market value of Benefit Trust assets at year end to be available for distribution in the subsequent year in order to reimburse the participating agencies, through GCFA, for their funding of active and retiree employee benefits. The fair value of the Benefit Trust's assets (not plan assets) was approximately \$110,191,000 and \$145,783,000 as of December 31, 2008 and 2007, respectively. The total amount available for reimbursement in 2008 and 2007 is \$5,831,324 and \$5,601,768, respectively, of which the Board's share, including retiree health benefits, is \$162,238 and \$185,493 in 2008 and 2007, respectively.

**GENERAL BOARD OF CHURCH AND SOCIETY OF
THE UNITED METHODIST CHURCH**

Notes to Financial Statements

December 31, 2008 and 2007

Beginning in 2006, the General Board of Church and Society received a distribution of funds from the Agency Group Plan (AGI) to offset a portion of the costs of its employee health insurance plan. This distribution was \$34,246 during 2008 and 2007 and is included in other revenue on the statement of activities. All of the organizations participating in the AGI health insurance plan received distributions during 2008 and 2007 and are expected to receive similar distributions through 2012. The amount of each participating organization's distribution is based upon the organization's proportionate share of the base year health insurance premium cost of AGI.

(7) Lease Commitments

The Board rents office space to not-for-profit organizations in the buildings it owns. A summary of future minimum rental income on noncancelable leases at December 31, 2008, is as follows:

Year ended December 31,

2009	\$1,371,466
2010	1,157,718
2011	1,155,288
2012	920,608
2013	603,627
Thereafter	<u>678,913</u>
	<u>\$5,887,620</u>

The Board rents certain office space to other agencies of The United Methodist Church as well as certain residential space to employees. Rental income for related agencies was approximately \$234,240 and \$227,729 for the years ended December 31, 2008 and 2007, respectively. Rental income from employees was \$16,953 and \$16,146 for the years ended December 31, 2008 and 2007, respectively.

(8) Uncertainties and Contingencies

The Board's management and board members have evaluated challenges made by certain United Methodists concerning misallocations of revenue generated by the Methodist Building Endowment Fund. The Board's management and board have reviewed those allegations and believe they are not based on factual evidence nor consistent with legal opinions provided by the Board's outside legal counsel. There is no pending litigation regarding the allegations of misallocation; however, the Board has requested that the Probate Division of the Superior Court of the District of Columbia review and affirm the current allocations which are based on the determinations more fully discussed previously on page 9.

**GENERAL BOARD OF CHURCH AND SOCIETY OF
THE UNITED METHODIST CHURCH**

Notes to Financial Statements

December 31, 2008 and 2007

The General Conference of The United Methodist Church, which meets every four years and which has full legislative power over the church, has the power to expropriate, for any or no reason, the assets owned by the Board, including real property (property and equipment) and other assets. Title to all real and personal, tangible and intangible property of the Board is held in trust by the Board for The United Methodist Church. An unfavorable resolution and/or action taken by the General Conference of The United Methodist Church could result in material decreases in net assets, revenues or reclassifications in net assets of the Board.

The Board invests in various investment securities. Investment securities are exposed to various risks such as interest rate, market, and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such changes could materially affect the amounts reported in the financial statements.

**GENERAL BOARD OF CHURCH AND SOCIETY OF
THE UNITED METHODIST CHURCH**

Schedule of Natural Classification of Expenses – Unrestricted Net Assets – Undesignated

Year ended December 31, 2008

	General Secretary's Office	United Nations Office	Communications	Information Tech	Resource Production	Human Welfare	Economic and Environmental Justice	Alcohol, Addictions & Healthcare	Education and Leadership Formation	General Conference	GBCS' Work	General Administration	Finance/ Personnel	Service Department	Total
Salaries	\$314,061	\$ 119,992	\$150,632	\$ -	\$ -	\$ 81,767	\$ 82,094	\$ 82,051	\$289,419	\$ -	\$ -	\$ -	\$208,175	\$ 17,449	\$ 1,345,640
Employer's pension contribution	9,433	2,483	4,459	-	-	2,460	2,448	4,623	13,686	-	-	-	6,254	502	46,348
Payroll taxes	21,477	1,593	11,073	-	-	6,175	6,131	713	8,988	-	-	-	14,880	1,238	72,268
Group insurance	41,195	5,341	11,173	-	-	2,637	6,642	6,153	33,890	-	-	107,977	10,348	1,709	227,065
Membership and grants	6,100	-	-	-	-	-	4,500	11,500	-	-	-	-	-	-	22,100
Program development	-	9,816	-	-	-	4,332	500	1,684	89,349	-	-	8,070	-	-	105,681
Staff training	200	-	-	-	-	-	-	-	-	-	-	-	-	-	8,270
Rent	38,620	32,281	19,462	3,119	-	12,975	12,975	12,975	38,924	-	-	-	23,133	-	32,281
Occupancy	6,878	4,621	5,354	2,006	-	4,861	1,509	1,745	12,009	-	-	1,808	2,953	-	162,183
Telephone	889	469	2,027	3	2,933	1,023	139	1,169	2,511	147	-	1,374	2,504	1,374	45,118
Postage and freight	2,246	457	4,994	-	-	2,383	2,116	2,360	11,837	587	-	258	1,730	3,268	17,082
Printing and duplication	922	51	1,355	1,650	-	734	2,926	379	3,769	1,652	-	137	1,155	(15,641)	13,327
Office supplies	7,722	3,747	600	51,831	-	1,205	1,678	2,089	3,561	-	-	-	-	8,000	16,290
Equipment repair and maintenance	2,661	-	-	-	-	-	-	-	-	-	-	-	-	-	71,300
Books and subscriptions	-	-	-	-	-	-	-	-	-	-	-	3,955	-	-	12,160
Bank Fees	-	-	-	-	-	-	-	-	-	-	-	53,407	-	-	3,955
Depreciation	-	-	-	-	-	-	-	-	-	-	-	1,128,288	-	-	53,407
Legal fees	-	-	-	-	-	-	-	-	-	-	-	-	-	-	1,128,288
Consultant fees, security, and professional fees	-	145	-	18,901	-	2,699	-	19,297	-	-	-	1,085	4,935	-	47,062
Order fulfillment fees	-	-	-	-	1,570	-	-	-	-	-	-	-	-	-	1,570
Services rendered by other agencies (US 2)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Independent contractors - Honoria	-	-	-	-	-	-	-	-	17,698	-	-	-	-	-	17,698
Meeting expense	-	-	-	-	-	-	-	-	10,450	-	-	-	-	-	10,450
Staff travel	24,805	22,319	8,782	-	-	10,947	8,577	580	562	120,293	-	148,502	-	-	269,375
Manuscripts/Arts/Lit& Audio Prod	-	-	1,863	-	51,948	-	-	9,604	77,214	-	-	-	5,813	-	168,061
Promotional and informational materials	-	-	-	-	-	-	-	-	-	-	-	-	-	-	53,811
Insurance	-	-	-	-	3,037	-	-	-	6,762	-	5,887	-	-	-	15,686
Miscellaneous	1,583	70	4,374	-	-	1,540	353	409	562	-	-	12,120	-	-	12,120
Employee Activities	-	-	-	-	-	-	-	-	-	-	-	13,344	38	-	12,120
Hospitality-Seminar Program	-	-	-	-	-	-	-	-	88	-	-	5,578	-	-	22,273
Worship Committee (MISC)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	88
Website services and data processing fees	-	-	-	-	-	-	-	-	-	-	-	1,478	-	-	1,478
Capitalized items paid by operations	-	(2,253)	-	-	41,550	-	-	-	-	-	-	-	-	-	41,550
Uniform Staff Pension Fund distribution	744	43	829	75	4,153	434	212	769	1,921	361	-	-	-	-	41,550
Allocation of service department	\$479,536	\$ 201,541	\$226,377	\$ 77,585	\$105,191	\$136,172	\$ 130,734	\$158,100	\$622,638	\$123,040	\$ 5,887	\$1,621,529	\$282,837	(13,647)	\$ 4,177,579
Expenses satisfying restrictions on use of building fund income	-	-	-	-	-	-	-	-	-	-	-	-	-	-	474,403
Net, unrestricted, undesignated expense	-	-	-	-	-	-	-	-	-	-	-	-	-	\$ 5,812	\$ 3,703,176

See accompanying independent auditors' report.

**GENERAL BOARD OF CHURCH AND SOCIETY OF
THE UNITED METHODIST CHURCH**

Schedule of Expenses - Unrestricted Net Assets - Designated

Year ended December 31, 2008

	Methodist Building Rental Expenses	Rental Assistance Grants	Emerging Issues	Social Creed	Leadership Development	Social Justice Endowment Fund	Total
Salaries	\$ 122,092	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 122,092
Employer's pension contribution	1,356	-	-	-	-	-	1,356
Payroll taxes	3,085	-	-	-	-	-	3,085
Group insurance	9,672	-	-	-	-	-	9,672
Memberships and grants	-	21,500	1,500	-	-	-	23,000
Program development	-	-	-	-	5,271	-	5,271
Meeting expense	-	-	-	850	-	-	850
Utilities	239,486	-	-	-	-	-	239,486
Telephone	12,344	-	-	-	-	-	12,344
Postage and freight	27	-	-	-	-	-	27
Building repair and maintenance	440,041	-	-	-	-	-	440,041
Real estate management fees	52,461	-	-	-	-	-	52,461
Depreciation	363,489	-	-	-	-	-	363,489
Consultant fees	-	-	1,000	-	-	-	1,000
Investment fees	-	-	-	-	-	318	318
Securities	8,968	-	-	-	-	-	8,968
Insurance – building	34,851	-	-	-	-	-	34,851
Leasing commission amortization	26,100	-	-	-	-	-	26,100
Miscellaneous expense	78	-	-	-	-	-	78
Occupancy allocation	<u>(188,131)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(188,131)</u>
	<u>\$ 1,125,919</u>	<u>\$21,500</u>	<u>\$2,500</u>	<u>\$850</u>	<u>\$5,271</u>	<u>\$318</u>	1,156,358
Expenses satisfying restriction on use of building fund income							<u>1,147,419</u>
Net unrestricted designated expenses							<u>8,939</u>

See accompanying independent auditors' report.

**GENERAL BOARD OF CHURCH AND SOCIETY OF
THE UNITED METHODIST CHURCH**

Schedule of Net Assets Released from Restrictions

Year ended December 31, 2008

	<u>Peace With Justice</u>	<u>Immigration Project</u>	<u>Local Church Grants</u>	<u>Ethic Youth Offender Project</u>	<u>Genetic Engineering</u>	<u>In Defense of God's Creation</u>	<u>Hugh Moore Population Office</u>	<u>Total</u>
Salaries	\$ 82,052	\$ -	\$ -	\$ -	\$ -	\$26,636	\$ 82,052	\$ 190,740
Employer's pension contribution	2,460	-	-	-	-	767	2,460	5,687
Payroll taxes	6,107	-	-	-	-	1,962	6,038	14,107
Group insurance	6,642	-	-	-	-	203	6,642	13,487
Memberships and grants	54,171	-	176,989	29,000	-	-	3,500	263,660
Program development	4,382	6,520	-	-	1,613	750	4,553	17,818
Occupancy	12,974	-	-	-	-	-	12,975	25,949
Interns	-	-	94,495	-	-	-	-	94,495
Telephone	2,682	1,236	-	-	-	1,481	1,841	7,240
Postage and freight	1,215	-	-	-	-	44	1,977	3,236
Printing and duplication	1,223	-	-	-	-	347	1,554	3,124
Office supplies	513	-	-	-	-	572	648	1,733
Books and subscriptions	1,462	-	-	-	-	49	1,302	2,813
Meeting expense	-	-	-	-	-	-	9	9
Staff travel	11,481	-	-	-	-	2,517	10,749	24,747
Miscellaneous expense	375	-	-	-	-	295	368	1,038
Allocation of service department	<u>1,709</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>154</u>	<u>1,325</u>	<u>3,188</u>
Subtotal restricted project expenses	<u>\$189,448</u>	<u>\$7,756</u>	<u>\$271,484</u>	<u>\$29,000</u>	<u>\$1,613</u>	<u>\$35,777</u>	<u>\$137,993</u>	673,071
Release due to time restrictions								53,681
Release of building fund income due to satisfaction of program expenses								<u>1,621,822</u>
Total net assets released from restrictions in endowment fund								<u>\$2,348,574</u>

See accompanying independent auditors' report.

**GENERAL BOARD OF CHURCH AND SOCIETY OF
THE UNITED METHODIST CHURCH**

Schedule of Land and Buildings Owned and Leased by the Board

December 31, 2008

Land/Buildings Owned by the Board

<u>Description</u>	<u>Address</u>	<u>Value</u>	<u>Debt/Mortgage</u>	<u>Owner</u>
Office	100 Maryland Avenue, NE Washington, DC 20002	Unknown	None	The Board
Office and Residential	100 Maryland Avenue, NE Washington, DC 20002	Unknown	None	The Board

Land and Buildings Leased by the Board

<u>Description</u>	<u>Address</u>	<u>Estimated Annual Rental Cost*</u>	<u>Titled Owner</u>
Office	777 United Nations Plaza 11 th Floor, Suites 11-D and F-1 New York, NY 10017	\$32,281	Women's Division of GBGM

See accompanying independent auditors' report.

**GENERAL BOARD OF CHURCH AND SOCIETY OF
THE UNITED METHODIST CHURCH**

Schedule of Assets Included in Permanently Restricted Assets

December 31, 2008

	<u>Permanently Restricted</u>	
	<u>2008</u>	<u>2007</u>
Assets:		
Investments	\$1,486,602	\$1,486,602
Fixed assets	<u>1,116,417</u>	<u>1,116,417</u>
Assets	<u>\$2,603,019</u>	<u>\$2,603,019</u>
Liabilities	-	-
Net assets	<u>\$2,603,019</u>	<u>\$2,603,019</u>

See accompanying independent auditors' report.

**GENERAL BOARD OF CHURCH AND SOCIETY OF
THE UNITED METHODIST CHURCH**

Schedule of Activities of the United Methodist Building Endowment Fund

December 31, 2008 and 2007

	<u>Temporarily Restricted</u>	
	<u>2008</u>	<u>2007</u>
Operating revenue:		
Rental income	\$ 2,041,557	\$ 1,920,987
Capital (losses) gains (designated for operations)	<u>(419,735)</u>	<u>86,894</u>
Total operating revenue	<u>1,621,822</u>	<u>2,007,881</u>
Release of restrictions:		
Expense satisfying restriction, rental expense	(1,125,919)	(1,277,694)
Expense satisfying restriction, rental assist grants	<u>(21,500)</u>	<u>(21,500)</u>
Subtotal of released restrictions	<u>(1,147,419)</u>	<u>(1,299,194)</u>
Expenses satisfying restrictions, core programs excluding fundraising expenses	4,177,579	4,053,500
Amount by which core programs exceed endowment funds available	<u>(3,703,176)</u>	<u>(3,344,813)</u>
Subtotal of expenses released satisfying restrictions over endowment funds available	<u>(474,403)</u>	<u>(708,687)</u>
Total release of restrictions	<u>(1,621,822)</u>	<u>(2,007,881)</u>
Change in United Methodist Building Endowment Fund temporarily restricted net assets	<u>\$ -</u>	<u>\$ -</u>

See accompanying independent auditors' report.