

WOMAN'S MISSIONARY UNION
AUXILIARY TO SOUTHERN BAPTIST CONVENTION

STATEMENTS OF FINANCIAL POSITION
SEPTEMBER 30, 2019 AND 2018

	2019	2018
<u>Assets</u>		
Cash and cash equivalents	\$ 419,089	\$ 537,554
Investments	8,586,433	8,826,429
Accounts receivable, net	184,561	178,968
Inventory, net	320,068	323,517
Other current assets	103,488	136,342
Property and equipment, net	<u>1,415,749</u>	<u>1,488,358</u>
Total assets	<u>\$ 11,029,388</u>	<u>\$ 11,491,168</u>
<u>Liabilities and Net Assets</u>		
Liabilities		
Accounts payable and accrued expenses	\$ 421,314	\$ 390,229
Deferred revenue	<u>2,076,621</u>	<u>2,320,930</u>
Total liabilities	<u>2,497,935</u>	<u>2,711,159</u>
Net assets		
Without donor restrictions	4,447,412	4,612,075
With donor restrictions	<u>4,084,041</u>	<u>4,167,934</u>
Total net assets	<u>8,531,453</u>	<u>8,780,009</u>
Total liabilities and net assets	<u>\$ 11,029,388</u>	<u>\$ 11,491,168</u>

See Notes to Financial Statements.

STATEMENT OF ACTIVITIES
YEAR ENDED SEPTEMBER 30, 2019

	Without donor restrictions	With donor restrictions	Total
Support and Revenue			
Periodical subscriptions	\$ 3,307,381	\$ -	\$ 3,307,381
Sales of products and literature	854,321	-	854,321
Contributions	746,722	406,132	1,152,854
Conferences	20,591	-	20,591
Investment income	186,733	62,021	248,754
Other income	257,007	-	257,007
Net assets released from restrictions	<u>552,046</u>	<u>(552,046)</u>	<u>-</u>
Total support and revenue	<u>5,924,801</u>	<u>(83,893)</u>	<u>5,840,908</u>
Expenses			
Program services	4,812,100	-	4,812,100
Supporting activities	<u>1,277,364</u>	<u>-</u>	<u>1,277,364</u>
Total expenses	<u>6,089,464</u>	<u>-</u>	<u>6,089,464</u>
Change in Net Assets	(164,663)	(83,893)	(248,556)
Net Assets			
Beginning of year	<u>4,612,075</u>	<u>4,167,934</u>	<u>8,780,009</u>
Net Assets			
End of year	<u>\$ 4,447,412</u>	<u>\$ 4,084,041</u>	<u>\$ 8,531,453</u>

See Notes to Financial Statements.

STATEMENT OF ACTIVITIES
YEAR ENDED SEPTEMBER 30, 2018

	Without donor Restrictions	With donor Restrictions	Total
Support and Revenue			
Periodical subscriptions	\$ 3,609,176	\$ -	\$ 3,609,176
Sales of products and literature	958,229	-	958,229
Contributions	775,469	417,076	1,192,545

	Without donor Restrictions	With donor Restrictions	Total
Conferences	30,674	-	30,674
Investment Income	531,839	243,401	775,240
Other income	182,589	-	182,589
Net assets released from restrictions	<u>645,746</u>	<u>(645,746)</u>	<u>-</u>
Total support and revenue	<u>6,733,722</u>	<u>14,731</u>	<u>6,748,453</u>
Expenses			
Program services	5,594,373	-	5,594,373
Supporting activities	<u>1,253,734</u>	<u>-</u>	<u>1,253,734</u>
Total expenses	<u>6,848,107</u>	<u>-</u>	<u>6,848,107</u>
Change in Net Assets	(114,385)	14,731	(99,654)
Net Assets			
Beginning of year	<u>4,726,460</u>	<u>4,153,203</u>	<u>8,879,663</u>
Net Assets			
End of year	<u>\$ 4,612,075</u>	<u>\$ 4,167,934</u>	<u>\$ 8,780,009</u>

See Notes to Financial Statements.

**STATEMENTS OF FUNCTIONAL EXPENSES
YEARS ENDED SEPTEMBER 30, 2019 and 2018**

	2019			2018		
	Program Services	Supporting Activities	Total Expenses	Program Services	Supporting Activities	Total Expenses
Periodicals	\$ 1,006,704	\$ -	\$ 1,006,704	\$ 1,021,129	\$ -	\$ 1,021,129
Products and literature	324,682	-	324,682	392,781	-	392,781
Salaries	1,702,585	713,800	2,416,385	2,179,979	759,583	2,939,562
Retirement and other benefits	217,695	91,268	308,963	276,997	96,516	373,513
Employee health benefits	217,973	91,384	309,357	246,835	86,006	332,841
Contributions, grants and scholarships	405,847	-	405,847	553,139	-	553,139
Promotion and public relations	72,716	30,486	103,202	65,084	22,678	87,762
Depreciation	126,548	53,054	179,602	125,753	43,817	169,570
Building operations and maintenance	427,892	179,391	607,283	389,096	135,575	524,671
Office expense	189,702	79,532	269,234	223,155	77,756	300,911
Meetings	55,065	23,086	78,151	61,691	21,495	83,186
Travel	20,102	8,428	28,530	19,255	6,709	25,964
Conferences	9,389	-	9,389	11,272	-	11,272
Projects	18,659	-	18,659	17,880	-	17,880
Furniture, fixtures and equipment	16,541	6,935	23,476	10,327	3,599	13,926
Total expenses	<u>\$ 4,812,100</u>	<u>\$ 1,277,364</u>	<u>\$ 6,089,464</u>	<u>\$ 5,594,373</u>	<u>\$ 1,253,734</u>	<u>\$ 6,848,107</u>

See Notes to Financial Statements.

**STATEMENTS OF CASH FLOWS
YEARS ENDED SEPTEMBER 30, 2019 AND 2018**

	2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ (248,556)	\$ (99,654)
Adjustments to reconcile change in net assets to net cash used in operating activities:		
Depreciation	179,602	169,570
Net realized and unrealized gain on investments	(54,843)	(691,974)
(Increase) decrease in accounts receivable	(5,593)	115,258
Decrease in inventory	3,449	141,606
Decrease in other current assets	32,854	29,697
Increase (decrease) in accounts payable and accrued expenses	31,085	(56,496)
Decrease in deferred revenue	<u>(244,309)</u>	<u>(111,756)</u>
Net cash used in operating activities	<u>(306,311)</u>	<u>(503,749)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sale of investments	488,751	783,478
Purchase of investments	(193,912)	(83,266)
Purchase of property and equipment	<u>(106,993)</u>	<u>(54,563)</u>

	<u>2019</u>	<u>2018</u>
Net cash provided by investing activities	187,846	645,649
Net increase (decrease) in cash and cash equivalents	(118,465)	141,900
Cash and cash equivalents at beginning of year	537,554	395,654
Cash and cash equivalents at end of year	<u>\$ 419,089</u>	<u>\$ 537,554</u>
SUPPLEMENTAL DISCLOSURES		
Cash paid during the year for interest	\$ 13,719	\$ 15,804

See Notes to Financial Statements.

NOTES TO FINANCIAL STATEMENTS

NOTE 1. NATURE OF ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES

Nature of Organization

Woman's Missionary Union, Auxiliary to Southern Baptist Convention (WMU) is a national not-for-profit religious society established to provide religious education and facilitate global missions. WMU sells magazines, books, and other religious products throughout the United States of America.

Basis of Presentation

WMU presents its financial statements in accordance with the Financial Accounting Standards Board's Accounting Standards Codification (ASC) 958, *Financial Statements for Not-For-Profit Organizations*. Under ASC 958, WMU is required to report information regarding its financial position and activities according to two categories of net assets: net assets without donor restrictions and net assets with donor restrictions. Net assets are released from donor restrictions by incurring expenses satisfying the restricted purposes or by occurrence of the passage of time or other events specified by donors.

Basis of Accounting

The financial statements of WMU have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (GAAP) and, accordingly, reflect all significant receivables, payables, and other liabilities.

Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the reporting date, and revenues and expenses during the reporting period. Actual results could differ from those estimates.

New Accounting Pronouncements

WMU adopted Accounting Standards Update No. 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities* (Update). The amendments in this Update were effective for annual financial statements issued for fiscal years beginning after December 15, 2017, early application of the amendments in the Update is permitted. WMU adopted the Update for the year ended September 30, 2017. Under the Update, WMU presents net assets without donor restriction and net assets with donor restriction. WMU also presents a statement of functional expenses and detailed information on liquidity and availability of WMU financial assets (see Note 2).

Subsequent Events

ASC 855-10, Subsequent Events, requires disclosure of events that occur after fiscal year-end but before financial statement issuance. Management has evaluated events occurring through January 8, 2020, the date the financial statements were available to be issued.

Cash and Cash Equivalents

WMU considers all instruments with an original maturity of three months or less to be cash and cash equivalents. Cash equivalents consist of money market securities stated at fair value which approximates cost. Cash and cash equivalents are maintained at financial institutions and, at times, balances may exceed federally insured limits.

Investments

Investments in equity and debt securities with readily determinable fair values are recorded at fair market value, with realized and unrealized gains and losses included in the accompanying statements of activities. Investments without readily determinable fair values are recorded at cost, or if impaired, at estimated realizable value. WMU's investments as of September 30, 2019 and 2018 consisted primarily of funds invested in fixed income and equity securities. Expenses relating to investment income, include custodial fees and investment advisory fees, and have been netted against investment income in the accompanying statements of activities.

The Finance Committee of WMU has interpreted the Uniform Prudent Management of Institutional Funds Act (UPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of the donor restricted endowment funds absent donor stipulations to the contrary. As a result of this interpretation, WMU classifies as net assets with donor restriction (permanently) (a) the original value of gifts donated to the endowment funds, and (b) the value of subsequent

contributions to the endowment funds and accumulations to the permanent endowment funds made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor restricted endowment funds that are not classified as net assets with donor restriction (permanently) is classified as net assets with donor restrictions until those amounts are appropriated for expenditures by WMU in a manner consistent with the standard of prudence prescribed by UPMIFA.

In accordance with UPMIFA, WMU considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds: (1) the duration and preservation of the fund, (2) the purposes of WMU and the donor-restricted endowment funds, (3) general economic conditions, (4) the possible effect of inflation and deflation, (5) the expected total return from income and the appreciation of investments, (6) other resources of WMU, and (7) the investment policies of WMU.

The Finance Committee is charged with the fiduciary responsibility of preserving and augmenting the value of the endowments, included in investments, thereby sustaining the ability to generate financial support to further the mission of WMU. The Committee's investment objective is to maximize investment returns consistent with liquidity needs of WMU while protecting principal from value decline due to investment losses or inflation. The spending of earnings on endowed funds is to be monitored by the Finance Committee of WMU to ensure that spending does not exceed actual returns in excess of principal amounts invested and to make any adjustments to spending as deemed necessary. Spending decisions are approved by the Endowment Committee and are based on 5% of the trailing four-quarter average investment values calculated as of September 30 of each year.

Accounts Receivable

Receivables from sales and other activities

WMU reports accounts receivable at net realizable value. Management determines the allowance for doubtful accounts based on historical losses and current economic conditions. On a continuing basis, management analyzes delinquent receivables and, once these receivables are determined to be uncollectible, they are written off through a charge against an existing allowance account or against current earnings. Based on management's review of these receivables, totaling \$2,134 and \$47,692, as of September 30, 2019 and 2018, respectively, no allowance for doubtful accounts was considered necessary.

Receivables from books and periodicals sales

WMU sells books and periodicals to customers, primarily churches, who may charge their purchases using a credit card from LifeWay Christian Resources of the Southern Baptist Convention. Payment of the receivables related to such credit card sales are guaranteed by LifeWay Christian Resources and the receivables totaled \$182,427 and \$131,276 at September 30, 2019 and 2018, respectively.

Inventory

Inventory consists of literature, books, and supplies and is stated at the lower of cost, as determined by the average cost method, or market as of September 30, 2019 and 2018. Management estimated potential obsolescence in inventory held at year end based on knowledge of products, the industry and current market conditions. The allowance for obsolete inventory totaled \$111,000 and \$142,000 at September 30, 2019 and 2018, respectively.

Property and Equipment

Property and equipment is carried at cost less accumulated depreciation and includes expenditures which substantially increase the useful lives of existing property and equipment. Maintenance, repairs, and minor renovations are charged to expense as incurred. When property and equipment is retired or otherwise disposed, the related costs and accumulated depreciation are removed from the respective accounts, and the gain or loss on the disposition is credited or charged to the change in net assets.

WMU provides for depreciation using the straight-line method designed to amortize costs over estimated useful lives as follows:

Estimated Useful Life

Building and improvements	5-40 years
Furniture and fixtures	5-10 years
Equipment	3-10 years

Deferred Revenue

WMU records deferred revenue on subscription income when received. Revenue is recognized ratably over the duration of the subscription period.

Income Taxes

WMU is organized as a not-for-profit corporation under the Alabama Nonprofit Corporation Act. Additionally, the WMU has been granted tax-exempt status by the Internal Revenue Service for income tax purposes. WMU is subject to unrelated business income tax (UBIT) only if it engages in activities subject to the UBIT regulations.

Tax positions are initially recognized in the financial statements when it is more likely than not the position will be sustained upon examination by the tax authorities. WMU had no uncertain tax positions that qualify for either recognition or disclosure in the financial statements as of September 30, 2019 and 2018 based on an assessment of many factors including experience and interpretations of tax laws applied to the facts of each matter.

Donated Materials and Services

In accordance with the ASC 958-605, *Accounting for Contributions Received and Contributions Made*, no amounts have been reflected in the financial statements for donated services from volunteers inasmuch as these materials and services do not create or enhance nonfinancial assets or require specialized skills.

Material gift in-kind donations used by WMU are recorded as income and expensed at the time the items are received. Total in-kind contributions totaled \$2,856 and \$17,080 for the years ended September 30, 2019 and 2018.

Collections of Works of Art and Historical Treasures

WMU holds cultural artifacts and clothing that were contributed to WMU. The collections are held for public education rather than financial gain and thus are not recognized as assets in the accompanying statements of financial position.

Although the financial statements do not disclose the cumulative cost of maintaining these collections, each of the items in the collections are catalogued, preserved, and cared for, and activities verifying their existence and assessing their condition are performed continuously.

Shipping Costs

Shipping costs are generally charged to customers and included in sales and cost of production in the accompanying statements of activities.

Fair Value Measurements

WMU applies fair value measurements and disclosure guidance (ASC 820-10-50), which provides a framework for measuring fair value under GAAP. ASC 820-10-50 applies to all financial instruments that are being measured and reported on a fair value basis.

As defined in ASC 820-50-10, fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. In determining fair value, WMU uses various methods including market, income and cost approaches. Based on these approaches, WMU often utilizes certain assumptions that market participants would use in pricing the assets or liability, including assumptions about risk and or the risks inherent in the inputs to the valuation technique. These inputs can be readily observable, market corroborated, or generally unobservable inputs. WMU utilizes valuation techniques that maximize the use of observable inputs and minimize the use of unobservable inputs. Based on the observability of the inputs used in the valuation techniques WMU is required to provide the following information according to the fair value hierarchy. The fair value hierarchy ranks the quality and reliability of the information used to determine fair values. Financial assets and liabilities carried at fair value will be classified and disclosed in one of the following three categories:

Level 1 – Valuations for assets and liabilities traded in active markets, such as the New York Stock Exchange. Valuations are obtained from readily available pricing sources for market transactions involving identical assets or liabilities.

Level 2 – Valuations for assets and liabilities traded in less active dealer or broker markets. Valuations are obtained from third party pricing services identical to similar assets or liabilities.

Level 3 – Valuations for assets and liabilities that are derived from other valuation methodologies, including option pricing models, discounted cash flow models and similar techniques, and not based on market exchange, dealer, or broker-traded transactions. Level 3 valuations incorporate certain assumptions and projections in determining the fair value assigned to such assets and liabilities.

If listed prices or quotes are not available, fair value is based upon externally developed models that use unobservable inputs due to the limited market activity of these instruments.

The preceding methods described may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, although WMU believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

Reclassifications

Certain reclassifications of amounts previously reported have been made to the accompanying financial statements to maintain consistency between periods presented. The reclassifications had no impact on previously reported net assets.

NOTE 2. LIQUIDITY AND AVAILABILITY

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the balance sheet date, comprise the following:

Cash and cash equivalents	\$ 182,337
Inventory	236,902
Other current assets	103,488
Operating investments	<u>808,937</u>
	<u>\$ 1,331,664</u>

WMU's endowment funds consist of donor-restricted endowments. Income from donor-restricted endowments is restricted for specific purposes, with the exception of the amounts available for general use. Donor-restricted endowment funds are not available for general expenditure.

WMU's board-designated capital reserve fund of \$1,700,000 is held in investments and is available to management as needed for capital repairs and/or improvements. This amount is not included in the liquidity calculation.

As part of their financial management plan, WMU invests cash in excess of daily requirements in short-term investments, certificates of deposit, money market accounts and short-term mutual funds.

NOTE 3. INVESTMENTS

Investments consists of the following:

	<u>September 30.</u>	
	<u>2019</u>	<u>2018</u>
Cash and money market funds	\$ 1,370,684	\$ 583,916
Common stocks	2,157,098	2,683,020
Exchange traded fund	444,367	616,687
Equity mutual funds	2,730,605	2,529,342
Corporate and U.S. government bonds	<u>1,883,679</u>	<u>2,413,464</u>
	<u>\$ 8,586,433</u>	<u>\$ 8,826,429</u>

Investment income consists of the following:

	<u>Years Ended September 30.</u>	
	<u>2019</u>	<u>2018</u>
Interest, fees and dividends, net	\$ 193,912	\$ 83,266
Realized gain on sale of investments, net	271,515	369,116
Unrealized gain (loss) on investments, net	<u>(216,673)</u>	<u>322,858</u>
	<u>\$ 248,754</u>	<u>\$ 775,240</u>

NOTE 4. PROPERTY AND EQUIPMENT

Property and equipment consists of the following:

	<u>September 30.</u>	
	<u>2019</u>	<u>2018</u>
Land	\$ 503,741	\$ 503,741
Buildings and improvements	7,274,996	7,182,178
Furniture and fixtures	1,655,626	1,655,626
Equipment	<u>1,862,138</u>	<u>1,847,963</u>
	11,296,501	11,189,508
Less: Accumulated depreciation	<u>(9,880,752)</u>	<u>(9,701,150)</u>
	<u>\$ 1,415,749</u>	<u>\$ 1,488,358</u>

NOTE 5. NOTE PAYABLE

WMU has a line of credit agreement with a commercial bank, which provides for borrowings at the bank's prime rate less 0.50% (4.50% at September 30, 2019). The line of credit allows for borrowings up to \$750,000 and will expire in February 2020. The line of credit is secured by WMU investments and had no outstanding balance at September 30, 2019 or 2018.

NOTE 6. NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions, as shown on the Statements of Financial Position, were available for the following purposes:

	<u>September 30.</u>	
	<u>2019</u>	<u>2018</u>
Subject to expenditure for a specified purpose:		
Missions	<u>\$ 3,124,480</u>	<u>\$ 3,208,373</u>
Not subject to appropriation or expenditure:		
Endowment for missions education	<u>\$ 959,561</u>	<u>\$ 959,561</u>
Net assets: With donor restrictions	<u>\$ 4,084,041</u>	<u>\$ 4,167,934</u>

NOTE 7. NET ASSETS RELEASED FROM RESTRICTION

Net assets were released from donor restrictions by spending the funds on a specific purpose/program satisfying the restricted purpose specified by the donors. Net assets released from donor restrictions for the years ended September 30, 2019 and 2018 totaled \$552,046 and \$645,746, respectively. Net assets released from restriction and spent in 2019 primarily included \$381,227 for Pure Water/Pure Love grants.

NOTE 8. FAIR VALUE MEASUREMENTS

The following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in the methodologies used during the years ended September 30, 2019 and 2018.

- *Money Market:* Valued at amortized cost which approximates fair value.
- *Common stocks and Mutual Funds:* Valued at the net asset value of shares held at year end.

The preceding methods described may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, although management believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

The following fair value hierarchy table presents information about WMU's investments as reported on the statement of financial position at fair value, as of September 30, 2019 and 2018. As required, assets are classified based on the lowest level of input that is significant to the fair value measurement.

Fair Value Measurements at September 30, 2019 Using				
	Assets Measured at <u>Fair Value</u>	Quoted Prices in Active Markets for Identical Assets <u>(Level 1)</u>	Significant Other Observable Inputs <u>(Level 2)</u>	Significant Unobservable Inputs <u>(Level 3)</u>
Cash and money market funds	\$ 1,370,684	\$ 1,370,684	\$ -	\$ -
Common stocks	2,157,098	2,157,098	-	-
Exchange traded funds	444,367	444,367	-	-
Equity mutual funds	2,730,605	2,730,605	-	-
Corporate and U.S. government bonds and funds	<u>1,883,679</u>	-	<u>1,883,679</u>	-
	<u>\$ 8,586,433</u>	<u>\$ 6,702,754</u>	<u>\$ 1,883,679</u>	<u>\$ -</u>
Fair Value Measurements at September 30, 2018 Using				
	Assets Measured at <u>Fair Value</u>	Quoted Prices in Active Markets for Identical Assets <u>(Level 1)</u>	Significant Other Observable Inputs <u>(Level 2)</u>	Significant Unobservable Inputs <u>(Level 3)</u>
Cash and money market funds	\$ 583,916	\$ 583,916	\$ -	\$ -
Common stocks	2,683,020	2,683,020	-	-
Exchange traded funds	616,687	616,687	-	-
Equity mutual funds	2,529,342	2,529,342	-	-
Corporate and U.S. government bonds and funds	<u>2,413,464</u>	-	<u>2,413,464</u>	-
	<u>\$ 8,826,429</u>	<u>\$ 6,412,965</u>	<u>\$ 2,413,464</u>	<u>\$ -</u>

For fiscal years ended September 30, 2019 and 2018, the application of valuation techniques applied to similar assets has been consistent.

NOTE 9. RELATED PARTY TRANSACTIONS

WMU formed the Woman's Missionary Union Foundation (the "Foundation"), an affiliate nonprofit organization, for the purpose of motivating and facilitating the making of gifts, donations, and benefactions for the advancement, promotion, and maintenance of WMU and the various causes fostered, approved, endorsed, promoted, or officially sanctioned by WMU, including, but not limited to, missions education, and for any other purpose within the scope of the Foundation. The Foundation also manages investments for several other organizations and may make grants to other organizations at its discretion.

WMU received grants from the Foundation totaling \$649,189 and \$644,855 during the years ended September 30, 2019 and 2018, respectively.

WMU charged the Foundation \$1,500 per month for the months of October through December 2018 for the use of shared facilities and personnel. This amount was increased to \$2,500 per month for the months of January through September 2019.

WMU maintains funds with the Foundation which are invested in mutual funds. For its asset management services, the Foundation receives a fee of one percent of total assets under management. WMU had investments under the Foundation's management totaling \$6,562,349 and \$6,881,801 at September 30, 2019 and 2018, respectively.

WMU had a net receivable from the Foundation totaling \$4,848 and \$5,677 as of September 30, 2019 and 2018, respectively.

NOTE 10. RETIREMENT PLAN

WMU participates in the Southern Baptist Protection Program Convention Annuity Plan (the "Plan"), which is a defined contribution 403(b) retirement plan under the Internal Revenue Code. Eligible employees may contribute a portion of their salaries on a tax deferred basis up to prescribed limits. Employee contributions are not required; however, voluntary contributions are allowed. WMU matches between one percent and five percent of the voluntary contributions depending on years of service by the employee. WMU contributions to the Plan totaled \$85,808 and \$110,879 during the years ended September 30, 2019 and 2018, respectively.

NOTE 11. ENDOWMENTS

WMU's endowments consist of individual funds established for a variety of purposes. The endowments include donor-restricted endowment funds. As required by GAAP, net assets associated with endowment funds, including funds designated by the Board of Directors to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

Interpretation of Relevant Law

The State of Alabama adopted the Uniform Prudent Management of Institutional Funds Act (UPMIFA) effective January 1, 2009. The Board of Directors of WMU has interpreted the UPMIFA as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, WMU classifies as permanently restricted net assets (a) the original value of the gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment (if any), and (c) accumulation to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by WMU in a manner consistent with the donor's stipulations or the standard of prudence prescribed by UPMIFA. In accordance with UPMIFA, WMU considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- (1) The duration and preservation of the fund
- (2) The purpose of the donor-restricted endowment fund
- (3) General economic conditions
- (4) The possible effect of inflation and deflation
- (5) The expected total return from income and the appreciation of investments
- (6) Other resources of WMU
- (7) The investment policies of WMU

Endowment Net Assets

Changes in endowment net assets consist of the following during the years ended September 30, 2019 and 2018:

	<u>With Donor Restrictions</u>
Endowment net assets – September 30, 2017	\$ 1,171,596
Realized and unrealized losses, net	82,470
Appropriation of endowment assets for expenditure	<u>(41,840)</u>
Endowment net assets – September 30, 2018	1,212,226
Realized and unrealized gains, net	24,374
Appropriation of endowment assets for expenditure	<u>(95,820)</u>
Endowment net assets – September 30, 2019	<u>\$ 1,140,780</u>

Endowment net assets with donor restrictions includes the remaining portion of WMU's endowment funds for which the donor-imposed purpose restrictions have been met but the amounts have yet to be expended. It also includes the portion of the endowment funds that is deemed to be permanently restricted by donor stipulation. WMU's endowment funds were not underwater as of September 30, 2019 or 2018. WMU did not have Board-designated endowment funds at September 30, 2019 or 2018.

Return Objectives and Risk Parameters

WMU has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by the endowments while seeking to maintain the purchasing power of the endowment assets. WMU's spending and investment policies work together to achieve this objective.

NOTE 12. FUNCTIONAL EXPENSES

The financial statements contain certain categories of expenses that are attributed to more than one program or supporting function. Therefore, expenses require allocation on a reasonable basis that is consistently applied. The expenses that are allocated include salaries and employee benefits, promotion and public relations, depreciation, building operations and maintenance, office expenses, meetings and travel expenses and other expenses. Due to the nature of our business and organization structure, it was determined that the principal expense driver is personnel costs. Therefore, personnel cost, based on time and effort, is used as the basis for allocating these expenses.

INDEPENDENT AUDITOR'S REPORT

To the Finance Committee

**Woman's Missionary Union, Auxiliary to Southern Baptist Convention
Birmingham, Alabama**

We have audited the accompanying financial statements of **Woman's Missionary Union, Auxiliary to Southern Baptist Convention** (a nonprofit organization), which comprise the statements of financial position as of September 30, 2019 and 2018, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Woman's Missionary Union, Auxiliary to Southern Baptist Convention as of September 30, 2019 and 2018, and the changes in its net assets and its cash flows for the years then ended, in accordance with accounting principles generally accepted in the United States of America.

Mauldin & Jenkins, LLC
Birmingham, Alabama
January 8, 2020