IOWA ANNUAL CONFERENCE OF THE UNITED METHODIST CHURCH AND AFFILIATE

CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2012 and 2011

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METHODIST CHURCH AND AFFILIATE

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Crowe Horwath LLP
Independent Member Crowe Horwath International

INDEPENDENT AUDITOR'S REPORT

The Audit Committee
Iowa Annual Conference of the United Methodist Church
Des Moines, Iowa

Report on the Financial Statements

We have audited the accompanying consolidated statements of financial position of the Iowa Annual Conference of the United Methodist Church and its affiliate, the Board of Pensions of the Iowa Annual Conference of the United Methodist Church (collectively, the Conference) as of December 31, 2012 and 2011, and the related consolidated 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 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 audit to obtain reasonable assurance about whether the consolidated financial statements are free from 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 the entity'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 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 consolidated financial statements.

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

(Continued)

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Iowa Annual Conference of the United Methodist Church and its Affiliate as of December 31, 2012 and 2011, 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 Matter

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The consolidating schedules and other supplementary material are presented for purposes of additional analysis and is not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audits of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the consolidated financial statements as a whole.

Crowe Horwath LLP

Crowe Horwath LLP

Chicago, Illinois
September 11, 2013

IOWA ANNUAL CONFERENCE OF THE UNITED
METHODIST CHURCH AND AFFILIATE
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
December 31, 2012 and 2011

	2012	2011
ASSETS		
Cash and cash equivalents	$ 3,842,768	$ 2,820,561
Receivables		
Apportionment receivables, net	1,434,006	1,551,277
Loans receivable, net (Note 2)	271,364	360,252
Other receivables	155,161	210,106
	1,860,531	2,121,635
Investments (Notes 3 and 16)	36,278,327	32,998,930
Assets held for sale	512,000	231,360
Property and equipment, net (Note 4)	10,103,467	10,055,008
Other assets	2,873,304	2,706,919
Total assets	$ 55,470,397	$ 50,934,413
LIABILITIES AND NET ASSETS		
Liabilities		
Accounts payable and accrued expenses	$ 1,301,300	$ 560,641
Obligations under capital leases (Note 10)	177,545	218,641
Notes payable (Note 5)	2,092,823	2,062,531
Pass-through liabilities (Note 6)	305,987	102,895
Accrued postretirement benefit obligation (Note 8)	17,470,182	17,201,662
Total liabilities	21,347,837	20,146,370
Net assets (Note11)		
Unrestricted		
Funds available for current operations	2,059,246	1,407,237
Funds designated for specific purposes	25,260,947	22,916,966
	27,320,193	24,324,203
Temporarily restricted	3,066,478	2,924,744
Permanently restricted	3,735,889	3,539,096
Total net assets	34,122,560	30,788,043
Total liabilities and net assets	$ 55,470,397	$ 50,934,413

See accompanying notes to consolidated financial statements.

IOWA ANNUAL CONFERENCE OF THE UNITED
METHODIST CHURCH AND AFFILIATE
CONSOLIDATED STATEMENT OF ACTIVITIES
Year ended December 31, 2012

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Revenue, gains and other support				
Apportionments, net (Note 13)	$ 10,980,189	$ -	$ -	$ 10,980,189
District askings	-	245,386	-	245,386
Charitable contributions and grants	49,947	1,921,307	29,068	2,000,322
Registration fees	1,255,019	-	-	1,255,019
Investment earnings	390,731	50,655	-	441,386
Sale of goods and services	50,992	591	-	51,583
Other revenue	271,463	9,315	-	280,778
Net assets released from restrictions, satisfaction of program restrictions	2,231,084	(2,231,084)	-	-
Total revenue, gains and other support	15,229,425	(3,830)	29,068	15,254,663
Expenses				
Program services				
Clergy support ministries	1,219,175	-	-	1,219,175
Local church support ministries	4,752,385	-	-	4,752,385
Institutional support ministries	1,211,363	-	-	1,211,363
Other ministries	1,459,785	-	-	1,459,785
	8,642,708	-	-	8,642,708
Supporting services				
General and administrative	3,661,720	-	-	3,661,720
Fund raising	97,271	-	-	97,271
	3,758,991	-	-	3,758,991
Total expenses	12,401,699	-	-	12,401,699
Changes in net assets before non-operating	2,827,726	(3,830)	29,068	2,852,964
Net realized and unrealized gain on investments	3,390,367	145,564	167,725	3,703,656
Gain on sale of property and equipment	22,277	-	-	22,277
Unrelated business income tax	(606,723)	-	-	(606,723)
Pension and post retirement health benefit plan changes other than net periodic benefit costs (Notes 7 and 8)	(2,637,657)	-	-	(2,637,657)
Changes in net assets	2,995,990	141,734	196,793	3,334,517
Net assets, beginning of year	24,324,203	2,924,744	3,539,096	30,788,043
Net assets, end of year	$ 27,320,193	$ 3,066,478	$ 3,735,889	$ 34,122,560

See accompanying notes to consolidated financial statements.

IOWA ANNUAL CONFERENCE OF THE UNITED
METHODIST CHURCH AND AFFILIATE
CONSOLIDATED STATEMENT OF ACTIVITIES
Year ended December 31, 2011

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Revenue, gains and other support				
Apportionments, net (Note 13)	$ 10,854,288	$ -	$ -	$ 10,854,288
District askings	-	228,533	-	228,533
Charitable contributions and grants	15,366	1,733,485	9,770	1,758,621
Registration fees	1,334,635	-	-	1,334,635
Investment earnings	376,955	60,057	-	437,012
Sale of goods and services	57,480	-	-	57,480
Other revenue	444,585	11,279	-	455,864
Net assets released from restrictions, satisfaction of program restrictions	2,115,924	(2,115,924)	-	-
Total revenue, gains and other support	15,199,233	(82,570)	9,770	15,126,433
Expenses				
Program services				
Clergy support ministries	1,468,832	-	-	1,468,832
Local church support ministries	4,896,985	-	-	4,896,985
Institutional support ministries	1,185,828	-	-	1,185,828
Other ministries	1,415,937	-	-	1,415,937
	8,967,582	-	-	8,967,582
Supporting services				
General and administrative	3,703,226	-	-	3,703,226
Fund raising	83,004	-	-	83,004
	3,786,230	-	-	3,786,230
Total expenses	12,753,812	-	-	12,753,812
Changes in net assets before non-operating	2,445,421	(82,570)	9,770	2,372,621
Net realized and unrealized gain (loss) on investments	164,739	(59,724)	(110,785)	(5,770)
Gain on sale of property and equipment	31,481	-	-	31,481
Transfer of net assets (Note 11)	(45,478)	(20,000)	65,478	-
Pension and post retirement health benefit plan changes other than net periodic benefit costs (Notes 7 and 8)	(5,717,062)	-	-	(5,717,062)
Changes in net assets	(3,120,899)	(162,294)	(35,537)	(3,318,730)
Net assets, beginning of year	27,445,102	3,087,038	3,574,633	34,106,773
Net assets, end of year	$ 24,324,203	$ 2,924,744	$ 3,539,096	$ 30,788,043

See accompanying notes to consolidated financial statements.

IOWA ANNUAL CONFERENCE OF THE UNITED METHODIST CHURCH AND AFFILIATE
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
Year ended December 31, 2012

	Program Services					Supporting Services			
	Clergy Support Ministries	Local Church Support Ministries	Institutional Support Ministries	Other Ministries	Total Program Services	General and Administrative	Fund Raising	Total Supporting Services	Totals
Salaries and benefits									
Salaries and wages	$ 1,059,432	$ 1,780,066	$ -	$ 222,210	$ 3,061,708	$ 1,190,930	$ 6,299	$ 1,197,229	$ 4,258,937
Fringe benefits	400,390	575,939	-	71,281	1,047,610	406,793	5,122	411,915	1,459,525
Total salaries and benefits	1,459,822	2,356,005	-	293,491	4,109,318	1,597,723	11,421	1,609,144	5,718,462
Other expenses									
Occupancy	219,059	218,447	-	4,800	442,306	160,220	-	160,220	602,526
Office	57,470	96,331	-	8,597	162,398	167,272	25,321	192,593	354,991
Program supplies and materials	-	203,880	-	-	203,880	-	-	-	203,880
Professional fees and contract services	40,069	43,162	-	450	83,681	353,552	25,355	378,907	462,588
Insurance	25,455	9,966	-	-	35,421	377,076	-	377,076	412,497
Staff and volunteer hotel, travel, meals and entertainment	87,291	108,262	-	15,923	211,476	126,279	5,752	132,031	343,507
Clergy moving	319,962	-	-	-	319,962	-	-	-	319,962
Conferences, meetings and retreat	52,735	269,562	-	2,177	324,474	326,541	6,308	332,849	657,323
Expendable equipment	89,333	149,644	-	1,613	240,590	111,715	-	111,715	352,305
Depreciation	93,495	250,659	-	4,927	349,081	281,304	-	281,304	630,385
Cost of goods and services	-	25,035	-	-	25,035	2,333	-	2,333	27,368
Bad debts	-	-	-	-	-	(72,316)	-	(72,316)	(72,316)
Miscellaneous	8,337	3,448	-	205	11,990	230,021	23,114	253,135	265,125
Net periodic benefit cost (Note 8)	(1,535,959)	-	-	-	(1,535,959)	-	-	-	(1,535,959)
Grants to local church ministries	302,106	1,017,984	1,211,363	1,127,602	3,659,055	-	-	-	3,659,055
Total other expenses	(240,647)	2,396,380	1,211,363	1,166,294	4,533,390	2,063,997	85,850	2,149,847	6,683,237
Total expenses	$ 1,219,175	$ 4,752,385	$ 1,211,363	$ 1,459,785	$ 8,642,708	$ 3,661,720	$ 97,271	$ 3,758,991	$ 12,401,699

See accompanying notes to consolidated financial statements.

IOWA ANNUAL CONFERENCE OF THE UNITED
METHODIST CHURCH AND AFFILIATE
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
Year ended December 31, 2011

	Program Services					Supporting Services			
	Clergy Support Ministries	Local Church Support Ministries	Institutional Support Ministries	Other Ministries	Total Program Services	General and Administrative	Fund Raising	Total Supporting Services	Totals
Salaries and benefits									
Salaries and wages	$ 1,025,406	$ 1,750,198	$ -	$ 255,624	$ 3,031,228	$ 1,127,814	$ -	$ 1,127,814	$ 4,159,042
Fringe benefits	424,950	583,908	-	90,828	1,099,686	374,819	-	374,819	1,474,505
Total salaries and benefits	1,450,356	2,334,106	-	346,452	4,130,914	1,502,633	-	1,502,633	5,633,547
Other expenses									
Occupancy	248,078	169,405	-	4,900	422,383	158,164	-	158,164	580,547
Office	55,628	112,588	470	11,497	180,183	263,171	17,324	280,495	460,678
Program supplies and materials	-	239,437	-	-	239,437	-	-	-	239,437
Professional fees and contract services	54,266	62,335	-	1,000	117,601	365,077	33,657	398,734	516,335
Insurance	28,429	11,278	-	207	39,914	372,601	-	372,601	412,515
Staff and volunteer hotel, travel,								-	
meals and entertainment	109,732	102,495	5,242	10,404	227,873	122,876	3,470	126,346	354,219
Clergy moving	507,023	-	-	-	507,023	-	-	-	507,023
Conferences, meetings and retreat	45,838	338,012	4,649	7,630	396,129	314,755	5,382	320,137	716,266
Expendable equipment	79,100	178,353	-	8,394	265,847	96,495	-	96,495	362,342
Depreciation	170,583	251,628	-	2,945	425,156	298,160	-	298,160	723,316
Cost of goods and services	-	22,802	-	-	22,802	976	-	976	23,778
Bad debts	-	-	-	-	-	32,744	-	32,744	32,744
Miscellaneous	14,434	88,763	550	907	104,654	175,574	23,171	198,745	303,399
Net periodic benefit cost (Note 8)	(1,617,194)	-	-	-	(1,617,194)	-	-	-	(1,617,194)
Grants to local church ministries	322,559	985,783	1,174,917	1,021,601	3,504,860	-	-	-	3,504,860
Total other expenses	18,476	2,562,879	1,185,828	1,069,485	4,836,668	2,200,593	83,004	2,283,597	7,120,265
Total expenses	$ 1,468,832	$ 4,896,985	$ 1,185,828	$ 1,415,937	$ 8,967,582	$ 3,703,226	$ 83,004	$ 3,786,230	$ 12,753,812

See accompanying notes to consolidated financial statements.

IOWA ANNUAL CONFERENCE OF THE UNITED
METHODIST CHURCH AND AFFILIATE
CONSOLIDATED STATEMENTS OF CASH FLOWS
Years ended December 31, 2012 and 2011

	2012	2011
Cash flows from operating activities		
Change in net assets	$ 3,334,517	$ (3,318,730)
Adjustments to reconcile change in net assets to net cash from operating activities:		
Change in postretirement benefit obligation not yet recognized in periodic pension cost	5,717,062	5,589,190
Net realized and unrealized (gain) loss on investments	(3,703,656)	5,770
Recovery of bad debt	(60,000)	(52,191)
Bad debt expense	15,575	-
Loss on sale of property and equipment	22,277	31,481
Depreciation expense	630,385	723,316
Contributions restricted for long-term investments	(29,068)	(9,770)
In-kind contribution	(280,640)	(231,360)
Changes in assets and liabilities:		
Apportionment receivables, net	117,271	(14,107)
Other receivables	54,945	167,744
Other assets	(166,385)	(363,390)
Accounts payable and accrued expenses	740,659	(373,911)
Pass-through liabilities	203,092	(412,363)
Accrued postretirement benefit obligation	(5,448,542)	(4,009,327)
Net cash from operating activities	1,147,492	(2,267,648)
Cash flows from investing activities		
Purchases of property and equipment	(678,844)	(699,041)
Proceeds from sale of property and equipment	(22,277)	(2,600)
Loans made	-	(225,000)
Principal payments received on loans receivable	133,313	198,017
Purchase of investments	(6,187,546)	(2,382,736)
Proceeds from sale of investments	6,611,805	3,093,174
Net cash from investing activities	(143,549)	(18,186)
Cash flows from financing activities		
Proceeds from notes payable	230,810	301,453
Principal payments on notes payable	(200,518)	(488,505)
Proceeds from new capital leases	44,332	3,673
Principal payments on capital leases	(85,428)	(72,792)
Proceeds from contributions restricted for long-term investments	29,068	9,770
Net cash from financing activities	18,264	(246,401)
Net change in cash and cash equivalents	1,022,207	(2,532,235)
Cash and cash equivalents		
Beginning of year	2,820,561	5,352,796
End of year	$ 3,842,768	$ 2,820,561
Supplemental disclosure of cash flow information		
Cash paid for interest	$ 96,848	$ 99,672
Supplemental disclosure of noncash investing		
Equipment purchased through capital lease	$ 44,332	$ 3,673

See accompanying notes to consolidated financial statements.

NOTE 1 - NATURE OF ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES

Nature of Organization: The Iowa Annual Conference of the United Methodist Church and affiliate (collectively, the Conference) is a not-for-profit organization representing approximately 800 member churches throughout the state of Iowa. The Conference provides various services to its member churches including administration of health benefits and retirement plans available to member clergy and lay employees and collection of funds for remittance to various regional, national and global benevolences. The program areas of the Conference are as follows:

- Clergy support ministries, which include the credentialing, appointment, supervision, nurturing and caring for active and retired clergy within the Conference.

- Local church support ministries, which include grants given to local churches to help them fulfill their mission and ministry within a local congregation and to assist them in connecting with the broader mission within the state, nation and world.

- Institutional support ministries, which include grants provided to institutions that have a historic and covenant relationship with the Conference.

- Other ministries, which include all other programs and ministries that do not fall under one of the categories listed above.

Principles of Consolidation: The Iowa Annual Conference of the United Methodist Church has an economic interest in, and control of, the Board of Pensions of the Iowa Annual Conference of the United Methodist Church (the Board of Pensions) through a majority voting interest in the Board of Directors, and therefore consolidates the Board of Pensions. All significant intercompany balances and transactions have been eliminated in consolidation.

Basis of Accounting: The Conference financial statements are presented on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP).

Cash and Cash Equivalents: The Conference considers all highly liquid investments available for current use with an initial maturity of three months or less to be cash equivalents. The Conference maintains its cash in bank deposit accounts which at times may exceed the federally insured limits. The Conference has not experienced any losses in such accounts. The Conference believes it is not exposed to any significant credit risk on cash and cash equivalents.

Receivables: Apportionment receivables are carried at the estimated net amount collectible. Other receivables are carried at original invoice amount or contract amount less an estimate made for doubtful receivables. Management determines the allowance for doubtful accounts by identifying delinquent accounts and by using historical experience applied to an aging of accounts. An allowance for uncollectible contributions receivable is provided based on management's judgment, including such factors as prior collection history, type of contribution and nature of fund raising activity. Receivables are written off when deemed uncollectible. Recoveries of receivables previously written off are recorded when received.

(Continued)

NOTE 1 - NATURE OF ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

Loans Receivable: The Conference provides building loans to congregations on a periodic basis. Loans receivable are stated at the amount of unpaid principal and interest. The Conference reviews loan activity on a periodic basis and considers current economic conditions, historical loss experience and review of specific problem loans and other factors in determining the necessity of an allowance for loan loss. Loans are considered impaired when, based on all current information and events, it is probable the Conference will not be able to collect all amounts due.

Interest on loans is accrued daily on the outstanding balances. Accrual of interest is discontinued on a loan when the Board of Global Ministries Parish Development Committee believes, after considering collection efforts and other factors, that the borrower's financial condition is such that collection of interest is doubtful. As of December 31, 2012 and 2011, loans not accruing interest totaled approximately $61,000 and $232,000, respectively.

Investments and Related Income, Gains, and Losses: Investments are reported at fair value, except for certain investments in certificates of participation and farmland, which are reported at cost. Investments carried at fair value consist primarily of stocks, corporate and government obligations, and mutual funds. The cost of securities sold is based on either the specific identification or average-cost method. Investment income, gains and losses, and any investment-related expenses are recorded as changes in unrestricted net assets in the statement of activities unless their use is temporarily or permanently restricted by explicit donor stipulations.

Farmland: The Conference records farmland at fair value as of the date of donation to the Conference, establishing the historical cost basis to the Conference, plus the carrying value of crop inventory as of December 31, 2012 and 2011. The initial value of the farmland property is based on management's estimate of fair value taking into consideration appraisals of the property made as of the date of donation to the Conference. On an ongoing basis, subsequent to donation, farmland is recorded at cost and any changes in the fair value of the farmland are not recognized in the financial statements subsequent to initial measurement.

Property and Equipment: Property and equipment have been recorded at cost or fair value at the date of donation. Assets with a cost greater than $1,000 individually and $3,000 in a group are capitalized. Major renovations that extend an asset's useful life with a cost of $5,000, or greater, are also capitalized. Depreciation is provided over the estimated useful lives of the respective assets on a straight-line basis. These assets are reviewed for impairment when events indicate their carrying amount may not be recoverable. If impaired, the assets are recorded at fair value.

Impairment of Long-Lived Assets: The carrying value of the Conference's long-lived assets is reviewed to determine if facts or circumstances suggest that the assets may be impaired or that the remaining useful, depreciable life may need to be changed. The Conference considers internal and external factors related to each asset, including future asset utilization and business climate. If these factors and the projected undiscounted cash flows of the asset over the remaining life indicate that the asset will not be recoverable, the carrying value will be adjusted down to the estimated fair value, if less than book value.

Abandoned and Closed Churches: Abandoned or closed churches become the property of the Conference. The Conference also assumes any liabilities that an abandoned or closed congregation is unable to pay, such as loans payable. Any liabilities that revert to the Conference are recorded at fair value as of the date the church closes and are classified within accounts payable and accrued expenses. Losses associated with assumed liabilities are recorded as miscellaneous general and administrative expense. Churches that become the property of the Conference are either sold based on a bidding

(Continued)

NOTE 1 - NATURE OF ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

process, or, if no bids are received, the property will be demolished with the vacant lot offered to adjacent land owners in exchange for the legal fees associated with transferring the title. Abandoned or closed churches are recorded at fair value less costs to dispose on the date the church becomes the property of the Conference. Any gain from the sale of an abandoned church is recorded as miscellaneous revenue. Fair value is determined based on the intended disposition of the church and available market data. As of December 31, 2012, two abandoned churches are held for sale at year-end.

Revenue Recognition:

Apportionment Revenue: The principal source of revenue and support is apportionments received from the member churches of the Conference. Apportionments are the recommended levels of support assigned to the churches each year. A significant dollar amount of member church apportionments are received close to year-end, and member churches are provided a cutoff date subsequent to year-end in order for churches to fulfill their annual apportionments. Accounts receivable are recognized at the dollar amount of annual apportionments not received by year-end.

Contributions: The Conference records contributions, including promises to give, when the contribution is deemed unconditional. Contributions are reflected in the financial statements at the earlier of the transfer of assets or at the time the unconditional promise to give is made and are reported as increases in the appropriate category of net assets in accordance with donor imposed restrictions. Bequests are recognized as a contribution at the time the estate is settled, provided the bequest is unconditional. When a restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

Contributions to be received in excess of one year are discounted at an appropriate discount rate commensurate with the risks involved. Amortization of discounts is recorded as additional contribution revenue in accordance with donor-imposed restrictions, if any.

Conditional promises to give, where the donor has placed a condition on the gift that the ultimate transfer of assets or promise to give is contingent on a future and uncertain event, are not recorded as contributions until the condition is substantially met. There are no material amounts of conditional promises to give as of December 31, 2012.

Registration Fee Income: Registration fee income is recorded as revenue when the activities are performed. Amounts received in advance of an activity are reported as deferred revenue.

Accounting Estimates and Assumptions: The preparation of financial statements in conformity with U.S. 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 date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

Classification of Net Assets: The Conference reports information regarding its financial position and activities according to three classes of net assets, defined as:

Unrestricted – net assets that are neither permanently restricted nor temporarily restricted by donor-imposed stipulations. The Conference may designate portions of its unrestricted net assets as board-designated for various purposes.

(Continued)

NOTE 1 - NATURE OF ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

Temporarily restricted – net assets resulting from contributions whose use by the Conference is limited by donor imposed stipulations that either expire by passage of time or can be fulfilled by actions of the Conference meeting the purpose of the restriction.

Permanently restricted – net assets resulting from contributions whose use by the Conference is limited by donor-imposed stipulations that neither expire by passage of time nor can be fulfilled or otherwise removed by actions of the Conference. Although such assets cannot be expended, the investment income earned on them is generally to be expended for a specific purpose.

<u>Pass-through Liabilities</u>: Pass-through liabilities represent amounts received that have not been passed on to certain charities specified by the donor. The Conference remits such funds to the various charities within thirty days of each month-end. Because the Conference does not have variance power over how these funds are disbursed and serves only an administrative function in collecting and disbursing the funds, these funds are not included in the Conference's revenue and expenses.

<u>Reclassification</u>: Certain prior year amounts have been reclassified to conform to the current year presentation. Such reclassifications did not affect the change in net assets or total net assets.

<u>Income Taxes</u>: The United Methodist Church has received a determination letter from the Internal Revenue Service indicating that the United Methodist Church and its affiliated entities, including the Conference, is a tax-exempt religious organization under the provisions of 501(c)(3) and is not subject to federal and state income taxes on related income. The Conference is subject to federal and state income taxes to the extent it has unrelated business income.

The Conference follows guidance issued by the Financial Accounting Standards Board (FASB) with respect to accounting for uncertainty in income taxes. A tax position is recognized as a benefit only if it is more likely than not that the tax position would be sustained in a tax examination, with a tax examination being presumed to occur. The amount recognized is the largest amount of tax benefit that is greater than 50% likely of being realized on examination. For tax positions not meeting the more likely than not test, no tax benefit is recorded.

During 2012, management became aware that income earned on farming operations is considered unrelated business income and therefore is subject to federal and state income taxes. Subsequent to year end, management submitted tax returns to report the unrelated business income for the past ten years. Approximately $606,000 is recorded within accounts payable and accrued liabilities as of December 31, 2012. The Conference recognizes interest and penalties related to unrecognized tax benefits in unrelated business income tax expense. The Conference recognized and accrued approximately $100,000 and $0 for interest or penalties as of and for the years ended December 31, 2012 and 2011.

Due to its tax-exempt status, the Conference is not subject to U.S. federal income tax or state income tax. The Conference is no longer subject to examination by U.S. federal or state taxing authorities for years before December 31, 2009. The Conference does not expect the total amount of unrecognized tax benefits to significantly change in the next 12 months.

(Continued)

NOTE 1 - NATURE OF ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

Subsequent Events: Management has performed an analysis of the activities and transactions subsequent to December 31, 2012, to determine the need for any adjustments to and/or disclosures within the audited financial statements for the year ended December 31, 2012. Management has performed their analysis through September 11, 2013, the date the financial statements were available to be issued. Activities subsequent to this date have not been evaluated by management.

During February 2013, management sold the farm investment for approximately $6,380,000. As disclosed in Note 7, the proceeds of this farm have been designated to support the unfunded benefit obligation of the postretirement health benefit.

NOTE 2 - LOANS RECEIVABLE

Congregational and Employee Loans: Loans to local United Methodist congregations originate primarily through the Rotating Loan Fund. Loan applications for growth and revitalization are submitted to the Conference Board of Global Ministry's Parish Development Committee by new and existing churches. The loans, which are unsecured, carry an interest rate at an established number of points above the prime rate at the date the loan is approved by the Parish Development Committee, and payment terms are negotiated on an individual loan basis. Zero percent interest rate loans may be requested for the first three to five years by new congregations. Generally, the loans range from 10 to 15 years with current loan interest rates of 2% - 6.50%.

Because of the financial uniqueness of this market, the Conference's relationship with its borrowers is unlike that of a typical commercial lender. The Conference may make loans to borrowers which would be unable to secure financing from commercial sources. The ability of each borrower congregation to pay the Conference may depend on the contributions the congregation receives from its members. Therefore, payments to the Conference may depend on the continued growth in membership of the borrower congregations, and on the maintenance of adequate contributions by individual members to their congregations, as well as on prudent management by those congregations of their finances. The Conference may also accommodate partial, deferred, or late payments more readily than commercial lenders. Such loan practices may result in less money being collected on delinquent loans than a commercial lender would normally collect and may result in a higher loan delinquency rate.

The Conference offers loans to certain staff members for the purpose of purchasing a principal residence. The loans cannot exceed 25% of the appraised value of the property and must be paid through payroll withholdings. Interest rates and terms are determined on an individual basis. Current loans outstanding are for 15 years with an interest rate of 8% per annum.

Loans receivable at December 31, 2012 and 2011 are as follows:

	2012	2011
United Methodist congregations	$ 316,990	$ 556,122
Employee mortgage loans	15,506	35,903
	332,496	592,025
Allowance for doubtful loans	(61,132)	(231,773)
Total loans receivable, net	$ 271,364	$ 360,252

(Continued)

NOTE 2 - LOANS RECEIVABLE (Continued)

Allowance for Loan Losses and Related Loans: The loan portfolio consists of one segment – related party loans with two classes of loans – United Methodist Congregation loans and employee loans. The allowance for loan losses entirely relates to congregational loans as of December 31, 2012 and 2011. A summary of the activity in the allowance for loan losses for congregational loans is as follows:

	2012	2011
Allowance for doubtful loans, beginning of year	$ (231,773)	$ (283,964)
Recoveries	60,000	52,191
Write offs	110,641	-
Allowance for doubtful loans, end of year	$ (61,132)	$ (231,773)

A summary of loans receivable, as of December 31, 2012 and 2011, is as follows:

	2012	2011
Current (Accruing)	$ 271,364	$ 360,252
180 Days and Over (Non-Accruing)	61,132	231,773
	$ 332,496	$ 592,025

The allowance for doubtful loans represents the balance of all United Methodist congregation loans that are past due, which were assessed individually for impairment. Management has not entered into any troubled debt restructuring related to the loans. The portfolio can be divided into two categories, performing and non-performing loans. Accrual of interest is discontinued on a loan when management believes, after considering collection efforts and other factors that the borrower's financial condition is such that the collection of interest is doubtful. Non-performing notes are those in the non-accrual status.

(Continued)

NOTE 3 - INVESTMENTS

The Conference has agreements with the Iowa United Methodist Foundation (the Foundation) and the General Board of Pensions and Health Benefits of the United Methodist Church (the General Board) in which the Foundation and the General Board act as agents and investment managers of the Conference's investments as well as other organizations related to the United Methodist churches. These investments are pooled into larger investment funds at the Foundation and the General Board. Investments are comprised primarily of approved equity securities, fixed income and money market instruments in accordance with investment objectives.

Investments as of December 31, 2012 and 2011, are as follows:

	Fair Value	
	2012	2011
General Board of Pensions and Health Benefits of the United Methodist Church:		
Pooled deposit investment fund	$ 248,971	$ 455,370
Pooled retirees benefit investment fund	13,435,565	11,195,064
Pooled permanent investment fund	6,289,777	5,560,788
Pooled retirees medical investment fund	9,500,387	8,394,582
Iowa United Methodist Foundation:		
Pooled investment fund	2,073,089	1,928,400
Corporate Bonds	631,810	129,666
Certificate of participation at cost, which approximates fair value	849,494	2,085,273
Independent investment managers:		
Legacy fund	928,856	908,395
Priscilla investment fund	112,256	102,087
Conference center investment fund	78,404	93,069
Beinke Trust	25,507	24,401
Future Budget Fund	648,421	645,261
Investment in farm operations, at cost	1,455,790	1,476,574
	$ 36,278,327	$ 32,998,930

The Conference 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 change could materially affect the amounts reported in the statements of financial position.

(Continued)

NOTE 4 - PROPERTY AND EQUIPMENT

As of December 31, 2012 and 2011, property and equipment consisted of the following:

	2012	2011
Land and improvements	$ 1,322,762	$ 1,322,762
Buildings and improvements	12,042,614	11,741,871
Furniture and equipment	2,283,831	2,171,859
Construction in progress	394,444	157,998
	16,043,651	15,394,490
Less accumulated depreciation	5,940,184	5,339,482
Net property and equipment	$ 10,103,467	$ 10,055,008

NOTE 5 - NOTES PAYABLE AND PLEDGED ASSETS

Notes payable consist of mortgages on certain properties owned by the Conference. During January 2012 the Conference refinanced three of its notes payable to obtain lower interest rates. Notes payable as of December 31, 2012 and 2011, consisted of the following:

	2012	2011
Note payable to bank, due in monthly installments of $21,375, including interest at a fixed rate of 5.75%, with the remaining principal balance due April 2020. Effective January 2012, the loan was amended to require monthly installments of $20,352, including interest at a fixed rate of 4.65%, with the remaining principal due January 15, 2017. The note is secured by the Conference property located in Des Moines, Iowa.	$ 1,514,410	$ 1,683,985
Note payable to bank, due in monthly installments of $1,300, including interest at 5.45%, maturing in May 2020. In January 2012, the loan was amended to require monthly installments of $1,326, including interest at a fixed rate of 4.65%, with the remaining principal due January 9, 2017. The note is secured by the director's residence located at the Okoboji Camp and Retreat Center.	77,315	89,220
Note payable to bank, due in monthly installments of $3,383, including interest at 7.25%, with the remaining principal balance due in September 2021. Effective January 2012, the loan was amended to require monthly installments of $2,349, including interest at a fixed rate of 4.65%, with the remaining principal due on January 7, 2017. The note is secured by the Episcopal residence located in Norwalk, Iowa.	274,688	289,326

(Continued)

NOTE 5 - NOTES PAYABLE AND PLEDGED ASSETS (Continued)

	2012	2011
Mortgage note payable, Iowa United Methodist Church Loan Program, payable in 180 monthly installments of $1,810, including interest at 4.87% with the balance due on July 7, 2027. The note is secured by the Wesley Woods Camp located in Indianola, Iowa.	$ 226,410	$ -
	$ 2,092,823	$ 2,062,531

Aggregate maturities of long-term debt by year, which reflect the amendments made in January 2012, are as follows:

Year ending December 31:	
2013	$ 215,650
2014	226,058
2015	236,968
2016	248,245
2017	999,872
Thereafter	166,030
	$ 2,092,823

The interest cost incurred during the years ended December 31, 2012 and 2011, totaled approximately $99,000 and $102,000, respectively. Interest costs incurred to the Iowa United Methodist Church Loan Program during the years ended December 31, 2012 and 2011, totaled $4,648 and $2,297, respectively.

NOTE 6 - PASS-THROUGH LIABILITIES

Pass-through liabilities at December 31 are as follows:

		Year Ended December 31, 2012		
	January 1, 2012	Receipts	Disbursements	December 31, 2012
General church agencies	$ 38,584	$ 3,605,898	$ 3,391,506	$ 252,976
North central jurisdiction	1,089	22,859	25,036	(1,088)
Heifer Project International	32,838	83,466	102,649	13,655
Conference advance specials	28,789	159,909	160,799	27,899
Other benevolences	(588)	122,882	110,240	12,054
Institutional gifts	2,183	5,535	7,227	491
	$ 102,895	$ 4,000,549	$ 3,797,457	$ 305,987

(Continued)

NOTE 6 - PASS-THROUGH LIABILITIES (Continued)

		Year Ended December 31, 2011		
	January 1, 2011	Receipts	Disbursements	December 31, 2011
General church agencies	$ 570,143	$ 3,486,775	$ 4,018,334	$ 38,584
North central jurisdiction	5,448	21,450	25,809	1,089
Heifer Project International	(7,418)	127,590	87,334	32,838
Conference advance specials	435	128,600	100,246	28,789
Other benevolences	2,481	75,873	78,942	(588)
Institutional gifts	(55,831)	61,083	3,069	2,183
	$ 515,258	$ 3,901,371	$ 4,313,734	$ 102,895

NOTE 7 - RETIREMENT BENEFITS

The Conference participates in various pension and disability benefit programs administered by the General Board of Pensions and Health Benefits of the United Methodist Church (General Board) incorporated in the State of Illinois. Annual contributions to the programs are funded through a combination of direct billing and apportionments to the various member churches of the Conference and from earnings on investments.

The pension plan (the "Plan") consists of three parts covering the three different service periods:

- CRSP for service beginning January 1, 2007
- MPP for service from January 1, 1982 through December 31, 2006, and
- Supplement One to the MPP (as of January 1, 2007 Supplement One to the CRSP) for service prior to 1982 (Pre-1982 Pension Plan).

Clergy Retirement Security Program (CRSP): Effective January 1, 2007, eligible clergy are provided pension coverage under the CRSP. The CRSP is an amendment to and restatement of the Ministerial Pension Plan (MPP) in effect prior to 2007.

Benefits to be provided under the CRSP consist of two components:

- A multi-employer defined benefit component based on the Denominational Average Compensation (DAC) and
- A defined contribution component providing for a contribution of at least 3% of actual compensation.

NOTE 7 - RETIREMENT BENEFITS (Continued)

Benefits to be provided under the CRSP starting January 1, 2014 will consist of two components:

- A multi-employer defined benefit component based on the Denominational Average Compensation (DAC) and
- A defined contribution (DC) component providing for a contribution of 2% of actual compensation into the Revised CRSP DC account. In addition, the Conference will match a participant's contributions to the United Methodist Personal Investment Plan (UMPIP) – up to 1% of actual compensation – and deposit those matching funds into the participants DC account. Therefore, if a participant contributes at least 1% of their actual compensation to UMPIP, his or her CRSP DC contributions will be 3%.

Annual contributions by the Conference will be determined by General Board actuaries as defined in the plan agreement. The Conference was responsible for a contribution of $3,308,400 and $3,596,335 for the years ended December 31, 2012 and 2011, respectively. A $3,263,204 contribution is required for 2013 and $2,373,460 is required for 2014. The Conference billed member churches 15% of compensation in 2012 and 17% of compensation in 2011 to fund required contributions to the Plan. In 2013, the Conference plans to bill member churches 13%.

Ministerial Pension Plan (MPP): This plan provided benefits for clergy from January 1, 1982 through December 31, 2006. It was primarily a defined contribution retirement plan with the requirement that at retirement clergy must convert at least 75% of his or her total account balance to an annuity. This annuity is a defined benefit feature. This plan was frozen effective December 31, 2006; no contribution was required in 2012. No contribution is required for 2013 or 2014. Future contributions will depend on the funded status of the plan and is determined on a year-to-year basis.

Pre-1982 Pension Plan (Pre-1982): Prior to January 1, 1982, eligible clergy were provided pension benefits under the Ministers Reserve Pension Fund which was operated as a multi-employer defined benefit plan. Clergy were entitled to a monthly pension benefit calculated as years of service times the annuity rate divided by twelve. Each year, the Conference sets the annuity rate. The 2012 annuity rate was $600 and in 2013 the annuity rate will be $601, which represents 1% of Conference Annual Compensation (CAC). Each year, the Board of Pensions consults with plan actuaries to determine the funding status of this plan. No contribution was required in 2012. No contribution is required in 2013 or 2014. Future contributions will depend on the funded status of the plan and is determined on a year-to-year basis.

The Plan, a multiemployer plan, is a non-electing church plan under Internal Revenue Code §414(e) and §410(d). As such, it is exempt from the minimum funding requirements of ERISA, the Pension Protection Act of 2006 (PPA), and Internal Revenue Code §§412 and 430-436 (see §412(e)(2)(D)). Accordingly, no PPA funding improvement plan or "zoning" funding requirements apply. Further, the Plan is exempt from filing a Form 5500. As of January 1, 2012, the date for which the most current information is available, the Pre-1982 plan had assets of $2,402,241,892 and liabilities of $3,028,372,575 for a net unfunded status of $(626,130,683). As of January 1, 2012, the date for which the most current information is available, the CRSP-DB and MPP plans had assets of $3,383,292,090 and liabilities of $3,274,761,575 for a net funded status of $108,530,515.

(Continued)

NOTE 7 - RETIREMENT BENEFITS (Continued)

The Plan described above is administered by the General Board and is considered a multiemployer plan (EIN 56-6658844). The Conference's participation in this plan covers 639 clergy in the Pre-82 plan, 1,434 clergy in the MPP Annuities plan, and 667 clergy in the CRSP-DB plan. There have been no significant changes that affect the comparability of 2012 and 2011 contributions.

This Plan covers three service periods and is therefore managed as three sub-plans (Pre-1982, MPP Annuities, and CRSP-DB) since the benefit structure differs for each of the service periods, although the funding for any of the sub-plans can, under certain circumstances, cover any of the other sub-plans. This Plan is a multiemployer plan only under the FASB Accounting Standards Codification's Master Glossary definition. It is not a multiemployer plan under Internal Revenue Code §414(f) (i.e., a Taft-Hartley union-management plan) because no unions or union contracts are involved. The Plan's provisions are governed by the General Conference, a United Methodist Church-wide decision-making body composed of 50% clergy and 50% lay delegates that meets once every four years. Changes to Plan provisions are not allowed between General Conferences except to the extent they are required to maintain compliance with secular law. The next meeting of the General Conference is in April 2016.

The risks of participating in these multiemployer sub-plans are different from single-employer plans in the following respects:

a) Assets contributed to the multiemployer plan by one annual conference (aka, conference) may be used to provide benefits to clergy of other US UMC annual conferences.

b) If an annual conference stops contributing to the plan, the unfunded obligations of the plan may be borne by the remaining participating annual conferences.

In addition to contributions to multiemployer retirement plans, the Conference provides severance benefits for eligible employees. Severance benefits are based on a combination of wages and length of service.

United Methodist Personal Investment Plan (UMPIP): The Conference participates in the UMPIP. The plan allows both the employer and the employee to make contributions into this plan. The Conference contributes 6% of a lay employee's compensation into this plan for permanent and full-time or part-time employees provided the part-time employee works at least 1,000 hours per year. Clergy and lay employees may choose to participate in this plan as either a before-tax or after-tax payroll deduction. Contributions are limited for both clergy and lay employees to the Internal Revenue Code requirements of section 403(b) plans.

(Continued)

NOTE 8 - HEALTH AND POSTRETIREMENT HEALTH INSURANCE PLAN

The Conference provides health benefits (medical, hospital, surgical and major medical) to full-time and part-time clergy and Conference lay employees who are employed no less than 30 hours per week. The health insurance contract consists of mandatory single coverage for all clergy of the Conference and all lay employees of the Conference who are employed at least three-quarter time. In 2011, participants had only a High Deductible Insurance Plan. The plans are administered by Wellmark Blue Cross/Blue Shield of Iowa.

The Conference sponsors a postretirement health benefit for all retired clergy and lay employees that meet the eligibility requirements. The plan is contributory with retiree contributions that are adjustable annually based on various factors – some of which are discretionary. The plan is unfunded; however, during the year ended December 31, 2006, the Board of Directors of the Board of Pensions designated approximately $7,250,000 plus earnings thereon (fair value of $9,500,387 as of December 31, 2012) and a farm (estimated fair value of $6,380,000) owned by the Board of Pensions for the payment of the unfunded benefit obligation of the postretirement health benefit plan (see Note 3).

In 2009, the Conference amended its health plan to reduce its contribution from two-thirds of total premiums to a flat monthly contribution of $100 per person. In 2010, the Conference further amended its health plan beginning January 2012 in which Conference contributions will decrease annually by $20 per month for any person retiring after January 1, 2012 and will cease at the end of five years. Retired participants over age 65 on January 1, 2012 will continue to receive the $100 per month for their lifetime.

During 2012, retired clergy and their spouses could select from a variety of Medicare Supplement Plans. The Conference Board of Pensions contracted with Extend Health to administer the plans.

Total contributions to retirement plans and health benefits are as follows:

	2012	2011
CRSP (Note 7)	$ 4,114,643	$ 6,186,832
MPP (Note 7)	-	-
Pre-1982 (Note 7)	-	-
UMPIP (Note 7)	126,405	127,872
Health, current and retired employees (Note 8)	7,431,524	7,803,572
CPP (Note 9)	-	-
BPP (Note 9)	31,850	32,314
	11,704,422	14,150,590
Less amount reimbursed through direct billing to member churches	(10,871,244)	(11,630,585)
Actuarial adjustments to health plan (Note 8)	268,520	1,579,863
Total amount paid by (reimbursed to) the Conference	$ 1,101,698	$ 4,099,868

(Continued)

NOTE 8 - HEALTH AND POSTRETIREMENT HEALTH INSURANCE PLAN (Continued)

Information relative to the Conference's postretirement health benefit plan is presented below:

	2012	2011
Changes in benefit obligations:		
Obligation at beginning of year	$ (17,201,662)	$ (15,621,799)
Service cost	(349,985)	(310,509)
Interest cost	(622,559)	(750,795)
Benefit payments, net	1,200,196	1,211,812
Actuarial losses	(496,172)	(1,730,371)
Plan amendment	-	-
Obligation at end of year	(17,470,182)	(17,201,662)
Fair value of plan assets at end of year	-	-
Funded status	$ (17,470,182)	$ (17,201,662)
Amounts recognized in unrestricted net assets but not yet realized as components of net periodic postretirement benefit cost:		
Unamortized prior service cost	$ (13,075,586)	$ (15,952,687)
Unamortized actuarial loss	5,334,680	5,207,106
Total recognized in unrestricted net assets	$ (7,740,906)	$ (10,745,581)
Components of net periodic pension cost:		
Service cost	$ 349,985	$ 310,509
Interest cost	622,559	750,795
Amortization of prior service cost	(2,877,101)	(2,877,103)
Amortization of net loss	368,598	198,605
	$ (1,535,959)	$ (1,617,194)

	2012	2011
Assumptions used in computations:		
Discount rate	3.50%	3.75%

The Conference measures plan obligations as of the year end statement of financial position date. For measurement purposes, a 7.5% and 8% annual rate of increase in the per capita costs of covered health care benefits was assumed for 2012 and 2011, respectively; the rate was assumed to decrease gradually to 5% in 2018 and remain at 5% thereafter. If the assumed rate increased by one percentage point, it would increase the benefit obligation as of December 31, 2012, by approximately $935,000. A one-percentage-point decrease would decrease the benefit obligation by approximately $819,000. The Conference expects to contribute approximately $187,850 to its postretirement health plan in 2013.

(Continued)

NOTE 8 - HEALTH AND POSTRETIREMENT HEALTH INSURANCE PLAN (Continued)

The following approximate benefit payments are expected to be paid as follows:

	Expected Future Annual Payments
Year ended December 31:	
2013	$ 1,261,910
2014	1,348,552
2015	1,403,798
2016	1,495,626
2017	1,525,556
Years 2018 - 2021	5,676,043

NOTE 9 - DISABILITY AND LIFE INSURANCE PLANS

Comprehensive Protection Plan (CPP): The Conference participates in the CPP for all clergy who are eligible and participate in the CRSP. The plan provides disability benefits for those clergy who meet the General Board definition of disability. The plan includes a death benefit for qualified active and retired clergy, spouses and dependent children. The General Board offered a premium holiday to Annual Conferences, which the Conference accepted for the years 2011, and 2012. Beginning in 2013, premiums of 3% of compensation will be required. Estimated contributions of $820,000 and $845,000 will be required for 2013 and 2014, respectively.

Lay Long-Term Disability and Life Insurance Plan formally known as the Basic Protection Plan (BPP): The Conference participates in the BPP which provides disability and death benefits for Conference lay employees that meet the eligibility requirements.

NOTE 10 - LEASE COMMITMENTS

The Conference leases several of its copy machines with accessory attachments and mailing equipment machines under noncancelable agreements as operating leases. Monthly rent for the equipment totals $2,672 and the leases expire from May 2012 through September 2016. The Conference leases cars for eligible employees that total $10,948 per month and the leases expire from March 2013 to March 2015.

The Conference leases office space for the Office of Pastoral Care and Counseling, Justice for Our Neighbors program and seven district offices as of December 31, 2012. These leases are for terms ranging from one to five years totaling $15,799 per month and include utilities and general building repairs. The termination dates for these leases range from April 2013 to October 2017. Additionally, the Conference has a month-to-month lease arrangement for two district offices. One of the seven district office leases is a carryover from restructuring from 12 to 8 districts.

During 2011 and 2012, the Conference entered into noncancelable leases of office equipment under capital lease agreements with a cost of $408,521 and accumulated depreciation of $371,845 as of December 31, 2012. The office equipment and related liability under the leases are recorded at the present value of the future minimum lease payments.

(Continued)

NOTE 10 - LEASE COMMITMENTS (Continued)

As of December 31, 2012, minimum lease payments required under the leases described above are as follows:

	Capital Leases	Operating Leases		
	Equipment	Property	Equipment	Total
Year ending December 31:				
2013	$ 89,833	$ 128,384	$ 117,034	$ 335,251
2014	56,605	103,772	58,991	219,368
2015	27,089	88,153	29,377	144,619
2016	8,915	85,361	20,700	114,976
2017	1,975	46,420	-	48,395
Total minimum lease payments	184,417	$ 452,090	$ 226,102	$ 862,609
Less amounts representing interest	(6,872)			
Present value of future minimum lease payments	$ 177,545			

Rent expense related to above lease commitments totaled $407,535 and $409,346 for the years ended December 31, 2012 and 2011, respectively.

NOTE 11 - NET ASSETS

Unrestricted and undesignated net assets as of December 31, 2012 and 2011, are as follows:

	2012	2011
Working capital reserve	$ 2,059,246	$ 1,407,237

(Continued)

NOTE 11 - NET ASSETS (Continued)

Unrestricted funds, designated for specific purposes as of December 31, 2012 and 2011, are as follows:

	2012	2011
Board of Camps	$ 307,584	$ 399,440
Board of Church and Society	1,077	2,581
Board of Discipleship	43,599	28,755
Board of Global Ministries	894,567	888,276
Board of Higher Education	3,169	36,886
Board of Laity	44,906	58,438
Board of Ordained Ministry	215,238	186,437
Board of Pensions: including unamortized prior service cost and actuarial gains on health benefit liability (Note 8) of $7,740,182 and $10,745,581 at December 31, 2012 and 2011, respectively	15,855,403	13,281,192
Board of Trustees	9,603,090	9,650,177
Commission on Archives and History	33,061	29,589
Commission on Christian Unity and Interreligious Concerns	3,229	2,487
Commission on Equitable Compensation	262,761	326,450
Commission on Ministry with Persons with Disabilities	(379)	(277)
Commission on Religion and Race	58,099	28,445
Commission on Status and Role of Women	305	(788)
Committees on Annual Conference Administration	(104,051)	(59,961)
Committee on Pastoral Care and Counseling	43,403	39,066
Council on Finance and Administration, adjustments for accounting principles generally accepted in the United States of America, cash to accrual adjustment	(2,134,085)	(2,348,773)
Connectional Ministries Council	34,059	32,702
Council on Youth Ministries	23,934	43,559
Council on Young and Older Adults	23,801	16,537
Council on Older Adults	10,484	-
Episcopal Funds	67,313	129,073
District Administrative Funds	(466,876)	(196,512)
District Councils on Ministries	198,266	177,749
Other District Program Funds	108,824	119,653
Westmar Scholarship Fund	5,000	-
Clergy Support Programs	10,362	14,536
Other Program and Investment Funds	114,804	31,249
Total unrestricted funds designated for specific purposes	$ 25,260,947	$ 22,916,966

(Continued)

NOTE 11 - NET ASSETS (Continued)

Temporarily restricted net assets as of December 31, 2012 and 2011, are as follows:

	2012	2011
Board of Camps	$ 127,279	$ 91,750
Board of Church and Society	39,526	37,165
Board of Discipleship	30,913	30,754
Board of Global Ministries	1,396,276	1,311,968
Board of Higher Education	3,243	3,135
Board of Laity	230	295
Board of Ordained Ministries	2,000	-
Board of Trustees	402,787	414,738
Commission on Archives and History	57,263	60,612
Commission on Ministry with Persons with Disabilities	6,795	14,219
Commission on Religion and Race	11,521	11,271
Committees on Annual Conference Administration	14,059	13,189
Council on Finance and Administration, adjustments for accounting principles generally accepted in the United States of America, cash to accrual adjustment	(113,751)	(13,607)
Council on Connectional Ministries	138,272	173,289
Council on Youth Ministries	379	1,164
Councils on Young and Older Adults	274	2,500
Episcopal Funds	78,605	69,946
District Connectional Ministries Councils	1,018	575
Other District Program Funds	385,865	306,494
Other Program and Investment Funds	483,924	395,287
Total temporarily restricted net assets	$ 3,066,478	$ 2,924,744

Permanently restricted net assets as of December 31, 2012 and 2011, are as follows:

	2012	2011
Westmar college scholarship endowment	$ 843,375	$ 842,375
College scholarship endowments (a)	328,127	327,290
Garland Estate Trust	2,040,077	1,888,246
Beneficial interest in perpetual trusts (b)	231,135	215,241
Campership endowments (c)	73,446	73,446
Camp's maintenance/operating endowments (d)	126,506	99,506
Board of Global Ministries endowments (e)	58,150	57,919
Partners in Leadership scholarship endowment (f)	35,073	35,073
	$ 3,735,889	$ 3,539,096

(Continued)

NOTE 11 - NET ASSETS (Continued)

(a) Earnings from the college scholarship endowments are temporarily restricted and used to provide scholarships to attend various United Methodist affiliated colleges.

(b) Earnings from the perpetual trusts of the Iowa Annual Conference are temporarily restricted funds that are used to provide assistance to individuals who might not otherwise be able to attend United Methodist camps. Earnings from the perpetual trusts of the Board of Pensions are temporarily restricted funds to be used to supplement the pension fund.

(c) Earnings from the campership endowments are temporarily restricted funds that are used to provide assistance to individuals who might not be able to otherwise attend United Methodist camps.

(d) Earnings from the camp's maintenance endowment are temporarily restricted funds that are used for the maintenance of camp buildings constructed with campaign funds. Earnings from the camp's operating endowment funds are temporarily restricted for the camp's operational use.

(e) Earnings from the Board of Global Ministries endowment for congregational development are temporarily restricted funds to help churches with new church development. Earnings from the Hispanic ministry endowment are temporarily restricted funds for the development of Hispanic Ministries.

(f) Earnings from the Partners in Leadership scholarship endowment are temporarily restricted and are used as scholarships for Iowa resident United Methodist students attending one of our four Iowa United Methodist related colleges.

During 2011, management identified certain funds that required reclassification between net asset categories. These are shown as a reclassification of net assets.

NOTE 12 - RELATED-PARTY TRANSACTIONS

In 2011, the Conference approved a 2012 apportionment request of $34,000 to support activities of the Foundation. During 2012, the local United Methodist Churches remitted $27,540 for payment to the Foundation.

The Conference received from the Foundation $12,994 and $11,908 in administrative services such as rent, telephone, postage and printing for the years ended December 31, 2012 and 2011, respectively.

In 2012, the Conference received a loan from the Iowa United Methodist Church Loan Program in the amount of $230,810 to pay for the maintenance of the Wesley Woods camp. There was $226,410 outstanding on this loan at December 31, 2012 (Note 5).

NOTE 13 - APPORTIONMENTS, NET

Apportionments (including pass-through amounts not recognized in the statement of activities of $2,391,480 and $2,270,363 for the years ended December 31, 2012 and 2011, respectively) totaled $15,624,566 and $15,938,274 for the years ended December 31, 2012 and 2011, respectively. Of these amounts, $2,252,897 and $2,813,623, respectively, were not received and are netted against apportionment revenue.

(Continued)

NOTE 14 - CONTINGENCIES

The Board of Global Ministries of the Conference has provided the following guarantees as of December 31, 2012 and 2011, for no consideration:

<u>Christ Community United Methodist Church, Marion, Iowa:</u> The Conference has provided a guarantee of a loan balance on behalf of the member church and United Methodist Development Fund. The maximum amount of the guarantee by the Conference is equal to the loan balance. The loan balance at December 31, 2012, was approximately $331,000. The Conference would be required to perform under the guarantee if the member church was in default in accordance with the loan agreement. The loan guarantee expires July 2014.

<u>Faith United Methodist Church, Centerville, Iowa:</u> The Conference provided a limited guarantee up to $150,000 of indebtedness on behalf of the member church for a loan provided by the United Methodist Foundation. The Conference would be required to perform under the guarantee if the member church was in default in accordance with the loan agreement. As collateral for the loan guarantee, the Conference invested in a $150,000 Certificate of Participation held by the Foundation. The loan guarantee was scheduled to expire September 2010; however, the guarantee was extended by board resolution indefinitely.

Management evaluates the Conference’s exposure to loss at each financial position date and provides accruals for such loss as deemed necessary. No accruals were deemed necessary as of December 31, 2012 and 2011. If the Conference is required to perform on the guarantees, it has designated funds from investments of approximately $150,000.

The Conference assumes assets and liabilities associated with churches that were abandoned or closed during the year. The Conference recorded net expenses of $49,307 and $77,798 associated with assets and liabilities assumed related to abandoned churches for the years ended December 31, 2012 and 2011, respectively. Included in accounts payable are liabilities associated with abandoned churches of $193,363 and $49,307 for the years ended December 31, 2012 and 2011, respectively.

NOTE 15 - ENDOWMENT

The Conference has established 15 individual endowment funds consisting of cash, securities and other assets for the purposes of maintaining a variety of programs. The endowment funds include both donor-restricted endowment funds (permanent endowment) and funds designated by various Conference Boards to function as endowments. As required by U.S. GAAP, net assets associated with these funds, are classified and reported based on the existence or absence of donor-imposed restrictions.

The Conference has interpreted the Iowa 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 for all donor-restricted endowment funds, absent explicit donor stipulations to the contrary. As a result, the Conference classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations 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 permanent 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 the Conference

(Continued)

NOTE 15 - ENDOWMENT (Continued)

in a manner consistent with the standard of prudence prescribed by UPMIFA. All board-designated endowments are classified as unrestricted net assets. In accordance with UPMIFA, the Conference 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 the organization and 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 the Conference
(7) The Conference's investment policies

Endowment net asset composition by type of fund as of December 31 is as follows:

	2012			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor-restricted endowment funds	$ 20,136	$ 294,414	$ 1,464,677	$ 1,779,227
Board-designated endowment funds	7,391,383	455,245	-	7,846,628
	$ 7,411,519	$ 749,659	$ 1,464,677	$ 9,625,855

	2011			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor-restricted endowment funds	$ (42,078)	$ 199,855	$ 1,435,609	$ 1,593,386
Board-designated endowment funds	6,630,642	453,417	-	7,084,059
	$ 6,588,564	$ 653,272	$ 1,435,609	$ 8,677,445

(Continued)

NOTE 15 - ENDOWMENT (Continued)

Changes in endowment net assets for the years ended December 31, 2012 and 2011, are as follows:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, January 1, 2011	$ 6,993,707	$ 617,071	$ 1,360,361	$ 8,971,139
Investment return:				
Investment income	132,676	36,537	-	169,213
Net realized and unrealized loss on investments	(11,845)	(59,892)	-	(71,737)
Total investment return	120,831	(23,355)	-	97,476
Contributions	9,150	2,017	9,770	20,937
Appropriation of endowment assets for expenditure	11,635	(11,635)	-	-
Expenditures	(526,281)	-	-	(526,281)
Transfers to create board-designated	-	69,174	-	69,174
Transfers of net assets	(20,478)	-	65,478	45,000
Endowment net assets, December 31, 2011	6,588,564	653,272	1,435,609	8,677,445
Investment return:				
Investment income	392,059	33,377	-	425,436
Net realized and unrealized gain on investments	382,333	141,767	-	524,100
Total investment return	774,392	175,144	-	949,536
Contributions	-	169	29,068	29,237
Appropriation of endowment assets for expenditure	78,926	(78,926)	-	-
Expenditures	(30,363)	-	-	(30,363)
Endowment net assets, December 31, 2012	$ 7,411,519	$ 749,659	$ 1,464,677	$ 9,625,855

(Continued)

NOTE 15 - ENDOWMENT (Continued)

All temporarily restricted endowments are purpose restricted and included in the amounts disclosed in Note 9.

Funds with Deficiencies: From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor or state law requires the Conference to retain as a fund of perpetual duration. In accordance with U.S. GAAP, deficiencies of this nature that are reported in unrestricted net assets are $0 and approximately $42,000 as of December 31, 2012 and 2011, respectively. These deficiencies resulted from unfavorable market fluctuations and continued appropriation for certain programs that was deemed prudent by the Board of Trustees.

Return Objectives and Risk Parameters: The Conference has adopted investment and spending polices for endowment assets and other invested funds that attempt to (1) preserve principle and purchasing power; (2) achieve a greater return than the rate of inflation, consistent with the fiduciary character of the fund; and (3) maintain a level of liquidity that is sufficient to meet the need for timely payments of designated projects. Endowment assets include those assets of donor-restricted funds that the organization must hold in perpetuity or for a donor-specified period as well as board-designated funds. Under this policy, as approved by the various governing boards, the endowment assets are invested in a manner that intends to produce results over a five year market cycle that exceeds the price and yield results of 60%-70% of the S&P 500 stock index and 30%-40% of an Intermediate Government/Corporate Bond Index. Depending on the nature of the fund, the Conference expects its endowment funds, over time, to provide an average rate of return of approximately 5-7% annually. Actual returns in any given year may vary from this amount. The board-designated endowment fund, maintained to provide pension and other post-retirement benefits for retired clergy, is currently invested to satisfy a growth objective while assuming a moderate level of investment risk.

Strategies Employed for Achieving Objectives: To satisfy its long-term rate-of-return objectives, the Conference 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). The Conference targets a diversified asset allocation that balances fixed income investments and equity securities to achieve its long-term objectives within prudent risk constraints.

Spending Policy and How the Investment Objectives Relate to Spending Policy: The spending policy is determined by the Iowa United Methodist Foundation who manages the distribution of the donor-restricted permanent endowments. The board-designated pension and post-retirement funds are determined on a per fund basis.

NOTE 16 - FAIR VALUE FINANCIAL INSTRUMENTS

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants. The FASB requires the use of valuation techniques that are consistent with the market approach, the income approach and/or the cost approach. Inputs to valuation techniques refer to the assumptions that market participants would use in pricing the asset or liability. Inputs may be observable, meaning those that reflect the assumptions market participants would use in pricing the asset or liability developed based on market data obtained from independent sources, or unobservable, meaning those that reflect the Conference’s own assumptions about the assumptions market participants would use in pricing the asset or liability developed based on the best information available in the circumstances. In that regard, the Topic establishes a fair value hierarchy for valuation inputs that give the highest priority to quoted prices in active markets for identical assets or liabilities and the lowest priority to unobservable inputs.

(Continued)

NOTE 16 - FAIR VALUE FINANCIAL INSTRUMENTS (Continued)

The fair value hierarchy is as follows:

Level 1: Quoted prices for identical assets or liabilities in active markets as of the report date.

Level 2: Pricing inputs other than quoted prices in active markets, which are either directly or indirectly observable as of the report date. This includes valuations based on available quoted market prices, but traded less frequently and values derived by reference to other securities, the fair value of which can be directly observed.

Level 3: Significant unobservable inputs that reflect management's judgment about the assumptions that market participants would use in pricing an asset or liability.

The Conference records certain financial assets at fair value on a recurring basis. A description of the valuation methodologies used for assets and liabilities measured at fair value is set forth below.

- *Investment in equity securities and money markets*: The Conference's equity securities are readily marketable and have fair values which are determined by obtaining quoted market prices in active markets (Level 1 inputs). These securities include highly liquid government bonds and exchange traded equities. If quoted market prices are not available, then fair values are estimated by using the quoted price of securities in an inactive market to which the Conference has access.

- *Investment in fixed income securities*: Fair values of corporate bonds are determined based on quoted prices for similar instruments in active markets, quoted prices for identical or similar instruments in markets that are not active and other market-corroborated sources, such as indices, yield curves and matrix pricing (Level 2 inputs) [market approach].

- *Investment in pools*: The Conference's pooled investments are invested in the investment pools of the General Board of Pensions and the Iowa United Methodist Foundation. The fair value of each of the Conference's portfolios is measured using a unitization method, with values differing according to the underlying securities of each pool. Security prices are based on quotes that are obtained from an independent pricing service. Fair values of securities for which market prices are not readily available are determined based upon quoted market close prices for similar issues, dealer quotes, or pricing models utilizing market observable inputs from comparable securities. This total fair value is divided by the total number of units in the pool to determine the per-share value that is assigned to the Trust's units. (Level 2 inputs) [market approach].

- *Beneficial interests in perpetual trusts*: The fair value of beneficial interests in trusts is determined based upon the Conference's proportional interest in the fair value of the underlying trust assets. The underlying trust assets are readily marketable and have fair values which are determined by obtaining quoted market prices in active markets. This valuation method has been estimated to represent the present value of future distributed income. The liquidation of these assets is contingent upon circumstances that are out of the Conference's control and cannot be liquidated on a periodic basis (Level 3 inputs) [income approach].

(Continued)

NOTE 16 - FAIR VALUE FINANCIAL INSTRUMENTS (Continued)

The following tables summarize assets measured at fair value on a recurring basis as of December 31, 2012 and 2011, segregated by the level of valuation inputs within the fair value hierarchy:

	December 31, 2012			
	Level 1	Level 2	Level 3	Total
General Board,				
pooled investment funds:				
International equity fund	$ -	$ 4,439,030	$ -	$ 4,439,030
US equity fund	-	11,736,220	-	11,736,220
Fixed income fund	-	13,050,479	-	13,050,479
Short-term investment fund	-	248,971	-	248,971
Iowa United Methodist Foundation,				
pooled investment fund:				
Balance fund	-	2,073,089	-	2,073,089
Bond fund	-	631,810	-	631,810
Independent investment managers:				
Equity securities	342,426	-	-	342,426
Fixed income securities	-	917,995	-	917,995
Money market funds	533,023	-	-	533,023
Total investments recorded at fair value	$ 875,449	$ 33,097,594	$ -	33,973,043
Investments held at cost				2,305,284
Total investments				$ 36,278,327
Other assets, beneficial interests in perpetual trusts	$ -	$ -	$ 2,271,212	$ 2,271,212

(Continued)

NOTE 16 - FAIR VALUE FINANCIAL INSTRUMENTS (Continued)

	December 31, 2011			
	Level 1	Level 2	Level 3	Total
General Board,				
pooled investment funds:				
Multiple asset fund	$ -	$ 15,662,628	$ -	$ 15,662,628
US equity fund	-	3,276,425	-	3,276,425
Fixed income fund	-	6,211,381	-	6,211,381
Short-term investment fund	-	455,370	-	455,370
Iowa United Methodist Foundation,				
pooled investment fund:				
Balance fund	-	1,928,400	-	1,928,400
Bond Fund	-	129,666	-	129,666
Independent investment managers:				
Equity securities	343,445	-	-	343,445
Fixed income securities	-	860,722	-	860,722
Money market funds	569,046	-	-	569,046
Total investments recorded at fair value	$ 912,491	$ 28,524,592	$ -	29,437,083
Investments held at cost				3,561,847
Total investments				$ 32,998,930
Other assets, beneficial interests in perpetual trusts	$ -	$ -	$ 2,103,487	$ 2,103,487

(Continued)

NOTE 16 - FAIR VALUE FINANCIAL INSTRUMENTS (Continued)

The following table presents additional information about assets measured at fair value on a recurring basis for which the Conference has utilized Level 3 inputs to determine fair value:

	Beneficial Interests in Perpetual Trusts
Beginning balance, January 1, 2011	$ 2,214,272
New beneficial interest	1,978
Unrealized losses	(112,763)
Ending balance, December 31, 2011	2,103,487
New beneficial interest	2,050
Unrealized gains	165,675
Ending balance, December 31, 2012	$ 2,271,212

Gains and losses are reported in net unrealized gain (loss) on investments in the consolidated statement of activities.

The following table sets forth additional disclosures of the Conference's investments whose fair value is estimated using net asset value per share as of December 31, 2012.

	Fair Value	Unfunded Commitment	Redemption Frequency	Redemption Notice Period
Pooled investment funds:				
International equity fund (a)	$ 4,439,030	$ -	Immediate	None
U.S. equity fund (b)	11,736,220	-	Immediate	None
Fixed income fund (c)	13,050,479	-	Immediate	None
Short-term investment fund (d)	248,971	-	Immediate	None
Balanced fund (e)	2,073,089	-	Immediate	None
Bond fund (f)	631,810			
Total pooled investment funds	$ 32,179,599			

(a) The international equity fund seeks to maximize long-term capital appreciation from a broadly diversified portfolio of non-U.S. stocks. Additionally, the fund holds securities of publicly traded non-U.S. real estate investment trusts (REITs) and limited partnership interests in private real estate partnerships and private equity (e.g., buyout funds and venture capital) with investments located in developed and developing countries. It also holds equity index futures of stock indexes in non-U.S. markets. Redemptions over $1 million may be subject to a 15-day processing period to ensure adequate cash is available for distribution.

(Continued)

NOTE 16 - FAIR VALUE FINANCIAL INSTRUMENTS (Continued)

(b) The U.S. equity fund seeks to earn long-term capital appreciation from a broadly diversified portfolio that includes stocks among the 3,000 largest U.S. publicly owned companies, as well as stock index futures. Additionally, the fund holds interests in publicly traded real estate investment trusts (REITs), private real estate partnerships and private equity (e.g., buyout funds and venture capital). Redemptions over $1 million may be subject to a 15-day processing period to ensure adequate cash is available for distribution.

(c) The fixed income fund invests in a broad mix of fixed-income instruments to earn current income. A majority of the fund is invested in publicly traded U.S. fixed-income securities but is also invested in fixed- income instruments denominated in currencies other than the U.S. dollar and the fund holds privately placed loans originated by the General Board's Positive Social Purpose (PSP) Lending Program. Redemptions over $1 million may be subject to a 15-day processing period to ensure adequate cash is available for distribution.

(d) The short-term investment fund is an actively managed bond fund that seeks to maximize current income consistent with preservation of capital. The fund's holdings include government and agency bonds, corporate bonds, international fixed income securities, commercial paper, certificates of deposit and other similar types of investments. Redemptions over $1 million may be subject to a 15-day processing period to ensure adequate cash is available for distribution.

(e) The balanced fund seeks to balance the objectives of long-term capital appreciation and present income. The fund is invested in a portfolio of fixed-income securities, equity securities (including foreign issuers and small capitalization companies), cash and cash equivalents, and other alternative investments.

(f) The bond fund seeks to maximize present income. The fund is invested in a portfolio of fixed income securities (U.S. government notes and bonds, mortgage and asset backed securities, C.D.'s, corporate bonds, mutual funds and municipal bond mutual funds), with up to 15% of fixed income investments in preferred stock, securities convertible to common stock, real estate and other hybrid issues.

(Continued)

NOTE 17 - UNCONSOLIDATED ENTITY

U.S. GAAP requires the Conference to consolidate entities in which it has control and an economic interest when that control is evidenced through majority ownership or voting interests. The Conference has an economic interest in, but does not control, the Foundation through ownership or voting interest. Consolidation is permitted, but not required. Therefore, the Conference has elected not to consolidate the Foundation.

Summarized financial information for the Foundation as of and for the year ended December 31, is as follows:

	2012	2011
ASSETS		
Cash and cash equivalents	$ 83,068	$ 47,487
Receivables	74,218	103,373
Investments	28,965,155	28,420,641
Land, buildings and equipment, net	14,866	5,890
	$ 29,137,307	$ 28,577,391
LIABILITIES AND NET ASSETS		
Accounts payable and accrued expenses	$ 16,812	$ 8,382
Agency payables	23,568,937	23,280,314
Gift annuities payable	898,124	907,213
Total liabilities	24,483,873	24,195,909
Net assets:		
Unrestricted	821,171	738,542
Temporarily restricted	935,196	970,867
Permanently restricted	2,897,067	2,672,073
Total net assets	4,653,434	4,381,482
	$ 29,137,307	$ 28,577,391

(Continued)

NOTE 17 - UNCONSOLIDATED ENTITY (Continued)

	2012	2011
Revenue, gains and other support:		
Contributions	$ 15,481	$ 121,123
Fees for investment services	320,100	295,946
Investment income	209,543	128,271
Net realized gain on investments	44,530	44,242
Unrealized gain (loss) on investments	439,300	(254,982)
Other income	27,500	29,900
Changes in value of split-interest agreements	(9,089)	(34,192)
Total revenue, gains and other support	1,047,365	330,308
Expenses:		
Management and general expenses	354,391	314,424
Beneficiary payments	421,022	217,737
Total expenses	775,413	532,161
Change in net assets	271,952	(201,853)
Net assets, beginning	4,381,482	4,583,335
Net assets, ending	$ 4,653,434	$ 4,381,482

The summary financial information does not eliminate the transactions between the Conference and the constituents, such as investment activity in the Foundation and contributions from the Conference to the districts and other constituents.

SUPPLEMENTARY SCHEDULES

IOWA ANNUAL CONFERENCE OF THE UNITED
METHODIST CHURCH AND AFFILIATE
CONSOLIDATING STATEMENT OF FINANCIAL POSITION
December 31, 2012

	Iowa Annual Conference	Board of Pensions	Eliminations	Consolidated Total
ASSETS				
Cash and cash equivalents	$ 2,007,788	$ 1,834,980	$ -	$ 3,842,768
Receivables				
Apportionment receivables, net	1,327,128	156,680	(49,802)	1,434,006
Loans receivable, net	271,364		-	271,364
Other receivables	75,314	80,933	(1,086)	155,161
	1,673,806	237,613	(50,888)	1,860,531
Investments	4,699,416	31,578,911	-	36,278,327
Assets held for sale	512,000	-	-	512,000
Property and equipment, net	10,103,467	-	-	10,103,467
Other assets	2,339,759	533,545	-	2,873,304
Total assets	$ 21,336,236	$ 34,185,049	$ (50,888)	$ 55,470,397
LIABILITIES AND NET ASSETS				
Liabilities				
Accounts payable and accrued expenses	$ 481,399	$ 820,987	$ (1,086)	$ 1,301,300
Obligations under capital leases	177,545	-	-	177,545
Notes payable	2,092,823	-	-	2,092,823
Pass-through liabilities	355,789	-	(49,802)	305,987
Accrued postretirement benefit obligation	-	17,470,182	-	17,470,182
Total liabilities	3,107,556	18,291,169	(50,888)	21,347,837
Net assets				
Unrestricted	11,464,790	15,855,403	-	27,320,193
Temporarily restricted	3,066,478	-	-	3,066,478
Permanently restricted	3,697,412	38,477	-	3,735,889
Total net assets	18,228,680	15,893,880	-	34,122,560
Total liabilities and net assets	$ 21,336,236	$ 34,185,049	$ (50,888)	$ 55,470,397

See accompanying report of independent auditors.

IOWA ANNUAL CONFERENCE OF THE UNITED
METHODIST CHURCH AND AFFILIATE
CONSOLIDATING STATEMENT OF ACTIVITIES – UNRESTRICTED NET ASSETS
Year ended December 31, 2012

	Iowa Annual Conference	Board of Pensions	Eliminations	Consolidated Total
Revenue, gains and other support				
Apportionments, net	$ 10,174,727	$ 805,462	$ -	$ 10,980,189
Charitable contributions and grants	49,634	313	-	49,947
Registration fees	1,255,318	-	(299)	1,255,019
Investment earnings	107,841	282,890	-	390,731
Sale of goods and services	150,692	300	(100,000)	50,992
Other revenue	282,842	10,899,637	(10,911,016)	271,463
Net assets released from restrictions, satisfaction of program restrictions	2,231,084	-	-	2,231,084
Total revenue, gains and other support	14,252,138	11,988,602	(11,011,315)	15,229,425
Expenses				
Program services				
Clergy support ministries	2,848,489	9,248,867	(10,878,181)	1,219,175
Local church support ministries	4,764,484	-	(12,099)	4,752,385
Institutional support ministries	1,211,363	-	-	1,211,363
Other ministries	1,462,822	-	(3,037)	1,459,785
	10,287,158	9,248,867	(10,893,317)	8,642,708
Supporting services				
General and administrative	3,529,750	249,968	(117,998)	3,661,720
Fund raising	97,271	-	-	97,271
	3,627,021	249,968	(117,998)	3,758,991
Total expenses	13,914,179	9,498,835	(11,011,315)	12,401,699
Changes in net assets before non-operating	337,959	2,489,767	-	2,827,726
Net realized and unrealized gain on investments	61,543	3,328,824	-	3,390,367
Gain on sale of property and equipment	22,277	-	-	22,277
Unrelated business income tax	-	(606,723)	-	(606,723)
Pension and post retirement health benefit plan changes other than net periodic benefit costs	-	(2,637,657)	-	(2,637,657)
Changes in net assets	421,779	2,574,211	-	2,995,990
Net assets, beginning of year	11,043,011	13,281,192	-	24,324,203
Net assets, end of year	$ 11,464,790	$ 15,855,403	$ -	$ 27,320,193

See accompanying report of independent auditors.

IOWA ANNUAL CONFERENCE OF THE UNITED
METHODIST CHURCH AND AFFILIATE
CONSOLIDATING STATEMENT OF ACTIVITIES – TEMPORARILY RESTRICTED NET ASSETS
Year ended December 31, 2012

	Iowa Annual Conference	Board of Pensions	Eliminations	Consolidated Total
Revenue, gains and other support				
District askings	$ 245,386	$ -	$ -	$ 245,386
Charitable contributions and grants	1,921,307	-	-	1,921,307
Investment earnings	50,655	-	-	50,655
Sale of goods and services	591	-	-	591
Other revenue	9,315	-	-	9,315
Net assets released from restrictions, satisfaction of program restrictions	(2,231,084)	-	-	(2,231,084)
Total revenue, gains and other support	(3,830)	-	-	(3,830)
Changes in net assets before non-operating	(3,830)	-	-	(3,830)
Net realized and unrealized gain on investments	145,564	-	-	145,564
Changes in net assets	141,734	-	-	141,734
Net assets, beginning of year	2,924,744	-	-	2,924,744
Net assets, end of year	$ 3,066,478	$ -	$ -	$ 3,066,478

See accompanying report of independent auditors.

CONSOLIDATING STATEMENT OF ACTIVITIES – PERMANENTLY RESTRICTED NET ASSETS
Year ended December 31, 2012

	Iowa Annual Conference	Board of Pensions	Eliminations	Consolidated Total
Revenue, gains and other support				
Charitable contributions and grants	$ 29,068	$ -	$ -	$ 29,068
Investment earnings	-	-	-	-
Net assets released from restrictions, satisfaction of program restrictions	-	-	-	-
Total revenue, gains and other support	29,068	-	-	29,068
Changes in net assets before non-operating	29,068	-	-	29,068
Net realized and unrealized gain on investments	163,810	3,915	-	167,725
Transfer of net assets	-	-	-	-
Changes in net assets	192,878	3,915	-	196,793
Net assets, beginning of year	3,504,534	34,562	-	3,539,096
Net assets, end of year	$ 3,697,412	$ 38,477	$ -	$ 3,735,889

See accompanying report of independent auditors.

IOWA ANNUAL CONFERENCE OF THE UNITED
METHODIST CHURCH AND AFFILIATE
STATEMENTS OF CASH RECEIPTS AND DISBURSEMENTS – EPISCOPAL FUND – CASH BASIS OF ACCOUNTING
Years ended December 31, 2012 and 2011

	2012			2011		
	Episcopal Funds	Area Funds	Total	Episcopal Funds	Area Funds	Total
Cash receipts:						
Episcopal Fund	$ 77,300	$ -	$ 77,300	$ 76,000	$ -	$ 76,000
Annual Conference apportionments	-	249,323	249,323	-	214,844	214,844
Other contribution income	-	12,060	12,060	-	15,035	15,035
Investment income	-	2,387	2,387	-	1,779	1,779
Total cash receipts	77,300	263,770	341,070	76,000	231,658	307,658
Cash disbursements:						
Support staff salaries	77,300	119,839	197,139	76,000	118,733	194,733
Support staff benefits	-	7,473	7,473	-	64,980	64,980
Support staff payroll taxes	-	64,569	64,569	-	7,438	7,438
Hotel, travel, meals and entertainment	-	37,004	37,004	-	45,806	45,806
Legal and professional fees	-	2,729	2,729	-	11,301	11,301
Equipment	-	1,749	1,749	-	2,811	2,811
Rent and utilities	-	2,400	2,400	-	10,719	10,719
Office supplies	-	27,643	27,643	-	13,048	13,048
Postage	-	3,242	3,242	-	2,096	2,096
Printing and copying	-	1,234	1,234	-	917	917
Grants	-	-	-	-	-	-
Miscellaneous	-	8,984	8,984	-	6,008	6,008
Total cash disbursements	77,300	276,866	354,166	76,000	283,857	359,857
Cash disbursements over cash receipts	-	(13,096)	(13,096)		(52,199)	(52,199)
Cash balance, beginning of year	-	(34,356)	(34,356)	-	17,843	17,843
Cash balance, end of year	$ -	$ (47,452)	$ (47,452)	$ -	$ (34,356)	$ (34,356)

See accompanying report of independent auditors.