

IOWA ANNUAL CONFERENCE OF THE UNITED METHODIST CHURCH
CONSOLIDATED FINANCIAL STATEMENTS AND
INDEPENDENT AUDITOR'S REPORT
DECEMBER 31, 2020 AND 2019

TABLE OF CONTENTS

Independent Auditor's Report	1
Consolidated Statements of Financial Position	2
Consolidated Statement of Activities - 2020	3
Consolidated Statement of Activities - 2019	4
Consolidated Statement of Functional Expenses - 2020	5
Consolidated Statement of Functional Expenses - 2019	6
Consolidated Statements of Cash Flows	7
Notes to Consolidated Financial Statements	8
Supplementary Information:	
Consolidating Statement of Financial Position	32
Consolidating Statement of Activities - Net Assets without Donor Restrictions	33
Consolidating Statement of Activities - Net Assets with Donor Restrictions	34
Statements of Cash Receipts and Disbursements - Episcopal Fund - Cash Basis of Accounting (Unaudited)	35



1601 West Lakes Parkway, Suite 300
West Des Moines, Iowa 50266
515-288-3279 • Fax: 515-280-1490

106 E. Jefferson Street, P.O. Box 312
Winterset, Iowa 50273-0312
515-462-1882 • Fax: 515-462-1577

MHCScpa.com

INDEPENDENT AUDITOR'S REPORT

To the Audit Committee of the
Iowa Annual Conference of The United Methodist Church

We have audited the accompanying consolidated financial statements 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), which comprise the consolidated statements of financial position as of December 31, 2020 and 2019, and the related consolidated statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Consolidated 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 Conference'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 Conference's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

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

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Iowa Annual Conference of The United Methodist Church and its affiliate as of December 31, 2020 and 2019, 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.

Report on Supplementary Information

Our audits were conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The consolidating schedules on pages 32 to 34, which are the responsibility of management, are presented for purposes of additional analysis and are not a required part of the consolidated financial statements. Such information was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information on pages 32 to 34 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 on pages 32 to 34 is fairly stated in all material respects in relation to the consolidated financial statements as a whole.

Disclaimer of Opinion on Other Supplementary Information

Our audits were conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The other supplementary information, the Statements of Cash Receipts and Disbursements-Episcopal Fund-Cash Basis marked unaudited, is the responsibility of management, is presented for purposes of additional analysis and is not a required part of the consolidated financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the consolidated financial statements and, accordingly, we do not express an opinion or provided any assurance on it.

McGowen, Hurst, Clark + Smith, P.C.

McGowen, Hurst, Clark & Smith, P.C.

May 27, 2021

IOWA ANNUAL CONFERENCE OF THE UNITED METHODIST CHURCH
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2020 AND 2019

ASSETS

	2020	2019
Cash and cash equivalents	\$ 10,249,303	\$ 8,718,800
Receivables:		
Apportionment receivables, net	772,011	759,181
Other receivables, net	168,489	303,369
Total receivables	940,500	1,062,550
Receivable from sale of abandoned or closed church	-	225,000
Investments	73,397,585	60,179,463
Property and equipment, net	8,215,004	9,206,239
Beneficial interests	3,439,105	3,242,291
Other assets	96,882	73,907
TOTAL ASSETS	\$ 96,338,379	\$ 82,708,250

LIABILITIES AND NET ASSETS

LIABILITIES

Accounts payable, accrued expenses and deferred revenue	\$ 2,231,033	\$ 1,056,068
Pass-through liabilities	330,290	109,943
Notes payable	1,941,807	2,300,945
Accrued postretirement benefit obligation	5,957,386	5,888,517
TOTAL LIABILITIES	10,460,516	9,355,473

NET ASSETS

Net assets without donor restrictions		
Funds available for operations	2,780,630	1,985,546
Funds board designated for specific purposes	74,149,511	63,097,520
	76,930,141	65,083,066
Net assets with donor restrictions	8,947,722	8,269,711
TOTAL NET ASSETS	85,877,863	73,352,777
TOTAL LIABILITIES AND NET ASSETS	\$ 96,338,379	\$ 82,708,250

The accompanying notes are an integral part of these consolidated financial statements

IOWA ANNUAL CONFERENCE OF THE UNITED METHODIST CHURCH
CONSOLIDATED STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2020

	Without Donor Restrictions	With Donor Restrictions	Total
REVENUE, GAINS, AND OTHER SUPPORT			
Apportionments, net	\$ 7,406,370	\$ -	\$ 7,406,370
District askings	11,338	240,235	251,573
Charitable contributions and grants	42,816	1,702,851	1,745,667
Registration fees	103,471	-	103,471
Dividends and interest	1,105,598	33,326	1,138,924
Sale of goods and services	3,260	-	3,260
Other revenue	427,584	-	427,584
Net assets released from restrictions, satisfaction of program restrictions	1,794,672	(1,794,672)	-
Total revenue, gains, and other support	10,895,109	181,740	11,076,849
EXPENSES			
Program services			
Clergy support ministries	2,430,669	-	2,430,669
Local church support ministries	3,092,154	-	3,092,154
Institutional support ministries	226,573	-	226,573
Other ministries	1,093,158	-	1,093,158
	<u>6,842,554</u>	<u>-</u>	<u>6,842,554</u>
Support services			
General and administrative	2,552,166	-	2,552,166
Fund raising	19,183	-	19,183
	<u>2,571,349</u>	<u>-</u>	<u>2,571,349</u>
Total expenses	9,413,903	-	9,413,903
Changes in net assets, before other changes	1,481,206	181,740	1,662,946
Net realized and unrealized gain on investments, net of fees	10,571,340	299,456	10,870,796
Change in valuation of beneficial interests, net of fees	-	196,815	196,815
Gain on sale of property and equipment	151,186	-	151,186
Pension and postretirement health benefit plan changes other than net periodic post retirement benefit service cost	(356,657)	-	(356,657)
CHANGE IN NET ASSETS	11,847,075	678,011	12,525,086
Net assets, beginning of year	65,083,066	8,269,711	73,352,777
Net assets, end of year	<u>\$ 76,930,141</u>	<u>\$ 8,947,722</u>	<u>\$ 85,877,863</u>

The accompanying notes are an integral part of these consolidated financial statements

IOWA ANNUAL CONFERENCE OF THE UNITED METHODIST CHURCH
CONSOLIDATED STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2019

	Without Donor Restrictions	With Donor Restrictions	Total
REVENUE, GAINS, AND OTHER SUPPORT			
Apportionments, net	\$ 7,349,843	\$ -	\$ 7,349,843
District askings	-	260,403	260,403
Charitable contributions and grants	720,137	1,952,346	2,672,483
Registration fees	1,005,456	-	1,005,456
Dividends and interest	1,209,702	42,838	1,252,540
Sale of goods and services	37,054	-	37,054
Other revenue	449,325	5,123	454,448
Net assets released from restrictions, satisfaction of program restrictions	2,172,057	(2,172,057)	-
Total revenue, gains, and other support	12,943,574	88,653	13,032,227
EXPENSES			
Program services			
Clergy support ministries	3,047,330	-	3,047,330
Local church support ministries	4,379,985	-	4,379,985
Institutional support ministries	815,443	-	815,443
Other ministries	1,375,483	-	1,375,483
	9,618,241	-	9,618,241
Support services			
General and administrative	2,984,381	-	2,984,381
Fund raising	51,733	-	51,733
	3,036,114	-	3,036,114
Total expenses	12,654,355	-	12,654,355
Changes in net assets, before other changes	289,219	88,653	377,872
Net realized and unrealized gain on investments, net of fees	9,209,576	342,885	9,552,461
Change in valuation of beneficial interests, net of fees	-	411,194	411,194
Gain on sale of property and equipment	1,008,371	-	1,008,371
Pension and postretirement health benefit plan changes other than net periodic post retirement benefit service cost	716,538	-	716,538
CHANGE IN NET ASSETS	11,223,704	842,732	12,066,436
Net assets, beginning of year	53,859,362	7,426,979	61,286,341
Net assets, end of year	<u>\$ 65,083,066</u>	<u>\$ 8,269,711</u>	<u>\$ 73,352,777</u>

The accompanying notes are an integral part of these consolidated financial statements

IOWA ANNUAL CONFERENCE OF THE UNITED METHODIST CHURCH
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED DECEMBER 31, 2020

	Program Services				Supporting Services				Totals
	Clergy Support Ministries	Local Church Support Ministries	Institutional Support Ministries	Other Ministries	Total Program Services	General and Administrative	Fund Raising	Total Supporting Services	
Salaries and benefits									
Salaries and wages	\$ 1,126,703	\$ 1,350,730	\$ -	\$ 382,033	\$ 2,859,466	\$ 1,145,074	\$ -	\$ 1,145,074	\$ 4,004,540
Fringe benefits	420,380	523,228	-	159,912	1,103,520	318,338	-	318,338	1,421,858
Total salaries and benefits	<u>1,547,083</u>	<u>1,873,958</u>	<u>-</u>	<u>541,945</u>	<u>3,962,986</u>	<u>1,463,412</u>	<u>-</u>	<u>1,463,412</u>	<u>5,426,398</u>
Other expenses									
Occupancy	99,381	108,910	-	38,394	246,685	186,422	-	186,422	433,107
Office	10,123	61,947	-	30,998	103,068	40,547	1,518	42,065	145,133
Program supplies and materials	-	24,812	-	-	24,812	-	-	-	24,812
Professional fees and contract services	38,642	151,993	2,748	13,749	207,132	326,817	-	326,817	533,949
Insurance	-	650	-	-	650	168,986	-	168,986	169,636
Staff and volunteer hotel, travel, meals, and entertainment	24,602	21,945	-	7,032	53,579	4,579	-	4,579	58,158
Clergy moving	340,632	-	-	-	340,632	-	-	-	340,632
Conferences, meetings, and retreat	58,627	70,273	-	206	129,106	18,349	97	18,446	147,552
Expendable equipment	50,112	58,310	-	7,018	115,440	35,461	-	35,461	150,901
Depreciation	77,009	195,551	-	867	273,427	178,951	-	178,951	452,378
Cost of goods and services	-	-	-	-	-	292	-	292	292
Bad debt expense	-	-	-	-	-	8,019	-	8,019	8,019
Miscellaneous	4,301	13,225	-	4,116	21,642	120,331	3	120,334	141,976
Net periodic post retirement benefit service cost	49,749	-	-	-	49,749	-	-	-	49,749
Grants to local church ministries	130,408	510,580	223,825	448,833	1,313,646	-	17,565	17,565	1,331,211
Total other expenses	<u>883,586</u>	<u>1,218,196</u>	<u>226,573</u>	<u>551,213</u>	<u>2,879,568</u>	<u>1,088,754</u>	<u>19,183</u>	<u>1,107,937</u>	<u>3,987,505</u>
Total expenses	<u>\$ 2,430,669</u>	<u>\$ 3,092,154</u>	<u>\$ 226,573</u>	<u>\$ 1,093,158</u>	<u>\$ 6,842,554</u>	<u>\$ 2,552,166</u>	<u>\$ 19,183</u>	<u>\$ 2,571,349</u>	<u>\$ 9,413,903</u>

The accompanying notes are an integral part of these consolidated financial statements

IOWA ANNUAL CONFERENCE OF THE UNITED METHODIST CHURCH
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED DECEMBER 31, 2019

	Program Services				Supporting Services				Totals
	Clergy Support Ministries	Local Church Support Ministries	Institutional Support Ministries	Other Ministries	Total Program Services	General and Administrative	Fund Raising	Total Supporting Services	
Salaries and benefits									
Salaries and wages	\$ 1,211,818	\$ 1,818,808	\$ -	\$ 359,480	\$ 3,390,106	\$ 1,171,753	\$ -	\$ 1,171,753	\$ 4,561,859
Fringe benefits	477,555	658,404	-	169,240	1,305,199	339,711	-	339,711	1,644,910
Total salaries and benefits	1,689,373	2,477,212	-	528,720	4,695,305	1,511,464	-	1,511,464	6,206,769
Other expenses									
Occupancy	203,406	203,493	-	36,944	443,843	170,832	-	170,832	614,675
Office	31,493	93,185	-	30,376	155,054	71,367	2,242	73,609	228,663
Program supplies and materials	-	157,809	-	-	157,809	-	-	-	157,809
Professional fees and contract services	91,838	182,800	2,930	11,904	289,472	345,664	-	345,664	635,136
Insurance	-	1,451	-	-	1,451	177,789	-	177,789	179,240
Staff and volunteer hotel, travel, meals, and entertainment	108,751	83,920	-	19,076	211,747	46,962	-	46,962	258,709
Clergy moving	399,036	-	-	-	399,036	-	-	-	399,036
Conferences, meetings, and retreat	73,603	146,312	-	16,886	236,801	277,150	1,086	278,236	515,037
Expendable equipment	52,539	103,278	-	6,283	162,100	53,241	-	53,241	215,341
Depreciation	84,320	239,995	-	867	325,182	182,712	-	182,712	507,894
Cost of goods and services	-	26,302	-	-	26,302	608	-	608	26,910
Bad debt expense	-	-	-	-	-	22,621	-	22,621	22,621
Miscellaneous	3,193	18,685	-	1,500	23,378	123,971	8	123,979	147,357
Net periodic post retirement benefit service cost	46,368	-	-	-	46,368	-	-	-	46,368
Grants to local church ministries	263,410	645,543	812,513	722,927	2,444,393	-	48,397	48,397	2,492,790
Total other expenses	1,357,957	1,902,773	815,443	846,763	4,922,936	1,472,917	51,733	1,524,650	6,447,586
Total expenses	\$ 3,047,330	\$ 4,379,985	\$ 815,443	\$ 1,375,483	\$ 9,618,241	\$ 2,984,381	\$ 51,733	\$ 3,036,114	\$12,654,355

The accompanying notes are an integral part of these consolidated financial statements

IOWA ANNUAL CONFERENCE OF THE UNITED METHODIST CHURCH
CONSOLIDATED STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2020 AND 2019

	2020	2019
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 12,525,086	\$12,066,436
Adjustments to reconcile change in net assets to net change in cash from operating activities		
Net realized and unrealized gain on investments	(10,870,796)	(9,552,461)
Bad debt expense	8,019	22,621
Gain on sale of property and equipment	(151,186)	(1,008,371)
Depreciation expense	452,378	507,894
Donated property and equipment	-	(671,195)
Contributions restricted for long-term investments	(565)	(3,000)
Investment gain on beneficial interests	(287,709)	(509,052)
Accrued postretirement benefit obligation	68,869	(327,803)
Changes in assets and liabilities:		
Apportionment receivables, net	(12,830)	61,007
Other receivables, net	126,861	(81,315)
Receivable from sale of abandoned or closed church	225,000	(225,000)
Other assets	(22,975)	33,640
Accounts payable, accrued expenses and deferred revenue	1,174,965	56,019
Pass-through liabilities	220,347	(132,313)
Net change in cash from operating activities	3,455,464	237,107
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of property and equipment	(39,847)	(133,486)
Proceeds from sales of property and equipment	729,890	1,507,974
Purchases of investments	(5,495,962)	(4,527,071)
Proceeds from sales of investments	3,148,636	3,742,204
Net change in cash from investing activities	(1,657,283)	589,621
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from contributions restricted for long-term investments	565	3,000
Principal payments on notes payable	(359,138)	(114,727)
Distributions from beneficial interests	90,895	97,860
Net change in cash from financing activities	(267,678)	(13,867)
NET CHANGE IN CASH AND CASH EQUIVALENTS	1,530,503	812,861
CASH AND CASH EQUIVALENTS		
Beginning of year	8,718,800	7,905,939
End of year	\$ 10,249,303	\$ 8,718,800
Supplemental Disclosures of Cash Flow Information		
Cash paid for interest	\$ 108,768	\$ 103,140
Non-cash investing and financing activity: acquisition of building and land with note payable	\$ -	\$ 586,705
Non-cash investing activity: purchase of property and equipment in accounts payable	\$ -	\$ 11,100

The accompanying notes are an integral part of these consolidated financial statements

IOWA ANNUAL CONFERENCE OF THE UNITED METHODIST CHURCH
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE A - NATURE OF ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES

Nature of Organization - The Iowa Annual Conference of The United Methodist Church and affiliate, the Board of Pensions of the Iowa Annual Conference of The United Methodist Church (collectively, the Conference) is a not-for-profit organization representing approximately 750 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 control of, and an economic interest in, 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 services provided by the Conference to the Board of Pensions, and therefore consolidates the Board of Pensions. All significant intercompany balances and transactions have been eliminated in consolidation.

COVID-19 - Beginning in March 2020, there was a global outbreak of coronavirus (COVID-19). The full extent of the outbreak and changes to behavior intended to reduce its spread are uncertain as of May 27, 2021, as the pandemic continues to evolve globally. The Conference believes it understands the risk associated with COVID-19. The Conference has implemented risk mitigation tactics and continues to reassess the risk of the impact of COVID-19 related to all aspects of the Conference's business transactions with members, suppliers, donors, and employees. In response to the uncertainty of the effects of COVID-19, the Conference's member churches were closed for a period of time, summer residence camps for 2020 were canceled, and limited in-person events were held during 2020 and virtual events were instead held. This resulted in a decrease in charitable contributions and grants and registration fees on the 2020 Consolidated Statement of Activities. At this point, the extent to which COVID-19 may impact the financial condition or results of operations in the future is uncertain.

Basis of Accounting - The Conference's consolidated 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).

IOWA ANNUAL CONFERENCE OF THE UNITED METHODIST CHURCH
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE A - NATURE OF ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES -
Continued

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. Uninsured balances totaled approximately \$2,006,300 at December 31, 2020. The Conference believes it is not exposed to any significant credit risk on cash and cash equivalents as the risks are managed by maintaining all deposits in high quality financial institutions. The Conference has funds totaling \$7,957,170 in a sweep account at December 31, 2020 that is not insured by the National Credit Union Share Insurance Fund; however, a financial institution obtained a letter of credit as collateral for these deposits.

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. Allowance for doubtful accounts at December 31, 2020 and 2019 is \$18,580 and \$18,046, respectively.

Investments and Related Income, Gains, and Losses - Investments are reported at fair value, except for certain investments in certificates of participation, which are reported at cost. Investments carried at fair value consist primarily of pooled investments, 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 net assets without donor restrictions in the Consolidated Statements of Activities unless their use is restricted by explicit donor stipulations. Investment earnings on the Consolidated Statements of Activities represents interest and dividends earned on the investments.

Property and Equipment - Property and equipment have been recorded at cost or fair value at the date of purchase or 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. The estimated useful lives for building and improvements range from 10 to 30 years and the estimated useful lives for furniture and equipment range from 2 to 30 years.

Donations of property and equipment are recorded as contributions at fair value at the date of donation. Such donations are reported as increases in net assets without donor restrictions unless the donor has restricted the donated asset to a specific purpose. Assets donated with explicit restrictions regarding their use and contributions of cash that must be used to acquire property and equipment are reported as restricted contributions. Absent donor stipulations regarding how long those donated assets must be maintained, the Conference reports expirations of donor restrictions when the donated or acquired assets are placed in service. The Conference reclassifies net assets with donor restrictions to net assets without donor restrictions at that time. At December 31, 2020 and 2019, contribution income includes approximately \$-0- and \$671,000, respectively, for donated property and equipment received in 2020 and 2019.

IOWA ANNUAL CONFERENCE OF THE UNITED METHODIST CHURCH
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE A - NATURE OF ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES -

Continued

Property and Equipment - Continued - During the year ended December 31, 2019, the Conference sold the Picture Rocks Camp for \$1,500,000. The Conference recognized a gain on the sale of the property of approximately \$1,000,000 and the gain is included in the gain on sale of property and equipment on the 2019 Consolidated Statement of Activities.

Impairment of Long-Lived Assets - The carrying value of the Conference's long-lived assets are 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. Management has not identified any such impaired assets at December 31, 2020 or 2019.

Receivable From Sale of Abandoned or 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 held for use, sold based on a bidding 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. One abandoned church was held for sale at December 31, 2020 and had no value. On April 14, 2021 the abandoned church was sold for \$51,000.

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 is 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. Apportionment receivables represents management's estimate of remaining outstanding apportionments to be collected. Apportionments are considered contributions and are not subject to the requirements of Accounting Standards Codification 606.

Charitable Contributions and Grants - The Conference records contributions, including promises to give, when the contribution is deemed unconditional. Contributions are reflected in the consolidated 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 will is validated after the donor's death, provided the bequest is unconditional. When a restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, donor restricted net assets are reclassified to net assets without donor restrictions and reported in the Consolidated Statement of Activities as net assets released from restrictions.

IOWA ANNUAL CONFERENCE OF THE UNITED METHODIST CHURCH
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE A - NATURE OF ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES -

Continued

Charitable Contributions and Grants - Continued - 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 event, are not recorded as contributions until the condition is substantially met. At December 31, 2020 and 2019, conditional promises to give totaled \$1,381,833 and \$368,550, respectively, of which \$1,257,383 and \$-0-, respectively, is recorded in deferred revenue. At December 31, 2020 and 2019, \$124,450 and \$368,500, respectively required eligible expenses to be incurred before the funds are released. At December 31, 2020 and 2019, \$1,257,383 and \$-0-, respectively, requires legal forgiveness of the Paycheck Protection Program loan from the U.S. Small Business Administration (SBA (see Note F).

Registration Fee Income - Registration fee income is primarily composed of registration fees for camp events and fees for hosting events. A performance obligation is created when registration for camps are received or contracts for the events are signed. Registration fees for camp events are recognized as the Conference provides the camp events. Fees for hosting events are recognized when the performance obligation of providing space for the event is satisfied. As of December 31, 2020 and 2019, the Conference received registration fees for camp events and fees for hosting events in advance of \$44,778 and \$29,831, respectively, and are included in accounts payable and accrued expenses on the Consolidated Statements of Financial Position. The registration fees for camp events and fees for hosting events received in advance at December 31, 2019 were either recognized as revenue in 2020, refunded to the customer or deferred until 2021 due to camp events being canceled in 2020 in response to COVID-19.

Accounting Estimates and Assumptions - The preparation of consolidated 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 consolidated financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

Functional Expenses - Allocations of functional expenses were made by direct assignment of costs to functional categories where a direct relationship exists. Costs directly related to program services are for clergy support ministries, local church support ministries, institutional support ministries, and other ministries. Costs directly related to supporting services are for general and administrative purposes and fundraising. Other common expenses, including salaries and related expenses, and depreciation expense, have been allocated to functional categories based on time and effort estimates.

Classification of Net Assets - The Conference reports information regarding its financial position and activities according to two classes of net assets - net assets without donor restrictions and net assets with donor restrictions.

Pass-through Liabilities - 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. 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. Cash receipts and disbursements related to pass-through liabilities are not included in the Conference's revenue and expenses.

IOWA ANNUAL CONFERENCE OF THE UNITED METHODIST CHURCH
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE A - NATURE OF ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES -

Continued

Taxes - 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. Management believes the Conference had no significant unrelated business income during 2020 and 2019. The Conference pays property taxes on the Marion land and building as the land and building are not primarily used for religious purposes. All other Conference property has been granted exempt status from real estate tax payments.

Pending Accounting Pronouncements - In February 2016, the Financial Accounting Standards Board issued Accounting Standards Update (ASU) 2016-02, Leases. The standard requires all leases with terms over 12 months to be capitalized as a right-of-use asset and lease liability on the Consolidated Statements of Financial Position at the date of lease commencement. Leases will be classified as either finance or operating. This distinction will be relevant for the pattern of expense recognition in the Consolidated Statement of Activities. This standard will be effective for the year ending December 31, 2022. The Conference is currently in the process of evaluating the effect of adoption of this ASU on the consolidated financial statements.

Reclassifications - Certain prior year amounts have been reclassified to conform to the current year presentation. Such reclassifications have no effect on total net assets or changes in net assets previously reported.

Subsequent Events - Management has evaluated subsequent events through May 27, 2021, the date the financial statements were available to be issued.

NOTE B - LIQUIDITY AND AVAILABILITY

The Conference strives to maintain liquid financial assets sufficient to cover a minimum of 90 days and a maximum of 180 days of general operating expense. General operating expenses for this purpose includes salaries and benefits, payroll taxes, occupancy expenses and monthly grants to agencies. Financial assets in excess of daily cash requirements are held in cash and cash equivalents and investments. Receivables are net of reserves for receivables not expected to be collected.

IOWA ANNUAL CONFERENCE OF THE UNITED METHODIST CHURCH
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE B - LIQUIDITY AND AVAILABILITY - Continued

The following table reflects the Conference's financial assets as of December 31, 2020 and 2019, reduced by amounts that are not available to meet general expenditures within one year of December 31, 2020 and 2019 because of donor restrictions or internal board designations. Receivables are subject to implied time restrictions; however, the balance is expected to be collected within one year except as shown in the table below. Amounts not available to meet general expenditures within one year also include net assets with donor restrictions.

	<u>2020</u>	<u>2019</u>
Cash and cash equivalents	\$ 10,249,303	\$ 8,718,800
Receivables, net	940,500	1,062,550
Investments in marketable securities	<u>73,397,585</u>	<u>60,179,463</u>
Total financial assets	84,587,388	69,960,813
Add: distribution from beneficial interest during first quarter 2021 and 2020, respectively	75,984	72,476
Less: receivables to be collected after 2021 and 2020, respectively	(2,778)	(5,000)
Less: pass-through liabilities	(330,290)	(109,943)
Less: donor-restricted net assets*	(5,508,617)	(5,027,420)
Less: board designated net assets	<u>(74,149,511)</u>	<u>(63,097,520)</u>
Financial assets available to meet general expenditures within one year	<u>\$ 4,672,176</u>	<u>\$ 1,793,406</u>

* Total donor restricted net assets as of December 31, 2020, per the Consolidated Statements of Financial Position, is \$8,947,722, which includes \$3,439,105 of beneficial interests not available for use to meet general operating expenses. Total donor restricted net assets as of December 31, 2019, per the Consolidated Statements of Financial Position, is \$8,269,711, which includes \$3,242,291 of beneficial interests not available for use to meet general operating expenses.

NOTE C - INVESTMENTS

The Conference has agreements with the Iowa United Methodist Foundation (the Foundation) and Wespath Benefits and Investments (Wespath), in which the Foundation and Wespath 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 Wespath. Investments are comprised primarily of approved equity securities, fixed income and money market instruments in accordance with investment objectives.

IOWA ANNUAL CONFERENCE OF THE UNITED METHODIST CHURCH
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE C - INVESTMENTS - Continued

Investments as of December 31, 2020 and 2019 are as follows:

	Fair Value	
	2020	2019
Wespath:		
Pooled deposit investment fund	\$ 311,895	\$ 32,701
Pooled retirees benefit investment fund	24,072,399	20,114,467
Pooled permanent investment fund	10,438,189	8,722,391
Pooled retirees medical investment fund	15,493,978	12,962,324
Pooled operating investment fund	14,805,528	12,628,572
Iowa United Methodist Foundation:		
Pooled investment fund	4,495,934	3,920,165
Pooled corporate bonds	609,586	605,046
Pooled equity fund	1,964,534	-
Certificate of participation at cost	1,205,542	1,193,797
	<u>\$ 73,397,585</u>	<u>\$ 60,179,463</u>

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 Consolidated Statements of Financial Position. As of March 31, 2021, the Conference had experienced market increases on investments totaling approximately \$2,623,000.

NOTE D - PROPERTY AND EQUIPMENT

As of December 31, 2020 and 2019, property and equipment consisted of the following:

	2020	2019
Land and improvements	\$ 2,082,124	\$ 2,168,166
Buildings and improvements	12,564,964	13,379,174
Furniture and equipment	2,284,576	2,289,688
Construction in process	18,437	18,437
	<u>16,950,101</u>	<u>17,855,465</u>
Less accumulated depreciation	8,735,097	8,649,226
Net property and equipment	<u>\$ 8,215,004</u>	<u>\$ 9,206,239</u>

IOWA ANNUAL CONFERENCE OF THE UNITED METHODIST CHURCH
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE E - NOTES PAYABLE AND PLEDGED ASSETS

	2020	2019
Note payable to Iowa United Methodist Foundation, due in monthly installments of \$7,361, including interest at 4.25%, with the balance due on January 7, 2031. The note is secured by the Conference headquarters located in Des Moines, Iowa with a carrying value of \$2,766,560 at December 31, 2020.	\$ 723,403	\$ 779,690
Note payable to Hills Bank and Trust that was refinanced during 2020 to reduce the interest rate. Note is due in monthly installments of \$3,236, including interest at 4.35% with the remaining principal balance due June 15, 2024 with a balloon payment. The note is secured by Marion Living Waters' Church building and land with a total carrying value of \$1,205,773 at December 31, 2020.	567,372	579,695
Mortgage note payable, Iowa United Methodist Church Loan Program, payable in monthly installments of \$1,810, including interest at 4.87%, with the balance due on December 1, 2025. The note is secured by the Wesley Woods Camp located in Indianola, Iowa with a carrying value of \$1,355,038 at December 31, 2020. In March 2021 the loan was paid off in full.	95,359	113,267
Note payable to Iowa United Methodist Foundation, due in monthly installments of \$4,108, including interest at 4.5%, with the remaining principal balance due on June 30, 2023. The note is secured by two district parsonages located in Des Moines and Webster City, Iowa with carrying values totaling \$327,385 at December 31, 2020.	110,886	373,388
Note payable to Hills Bank and Trust that was refinanced during 2020 to reduce the interest rate. Note is due in monthly installments of \$2,622, including interest at 4.5% with the remaining principal balance due August 10, 2025 with a balloon payment. The note is secured by Coralville's Church building and land with a total carrying value of \$1,031,999 at December 31, 2020.	444,787	454,905
	\$ 1,941,807	\$ 2,300,945

Interest costs incurred during the years ended December 31, 2020 and 2019 totaled \$108,768 and \$104,460, respectively.

Year ending December 31:	
2021	\$ 212,498
2022	106,188
2023	110,971
2024	623,292
2025	485,929
Thereafter	402,929
	\$ 1,941,807

IOWA ANNUAL CONFERENCE OF THE UNITED METHODIST CHURCH
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE F - PAYCHECK PROTECTION PROGRAM

On May 7, 2020, the Company received proceeds of \$1,257,383 under the Paycheck Protection Program (the PPP loan). The Paycheck Protection program (PPP) was established under the congressionally-approved Coronavirus Aid, Relief, and Economic Security Act (the CARES Act) and is administered by the SBA.

The original term of the PPP loan was two years. The loan accrues interest at a rate of 1% and payments are deferred until the SBA determines the amount to be forgiven. PPP loans are subject to audit and acceptance by the SBA, or lender; as a result of such audit, adjustments could be required to the forgiveness of the PPP loan.

Under the terms of the CARES Act, PPP loan recipients may apply for and be granted forgiveness for all or a portion of the loans granted under the PPP. Such forgiveness will be determined, subject to limitations, based on the use of loan proceeds for payroll costs and mortgage interest, rent or utility costs and the maintenance of employee and compensation levels during a designated twenty-four week period.

The Company has elected to account for the PPP loan as a conditional contribution by applying Accounting Standards Codification Topic 958-605, Revenue Recognition. Revenue is recognized when all the conditions of forgiveness have been satisfied. Management believes the Company has not satisfied the criteria for recognition as of December 31, 2020 as legal forgiveness from the SBA has not yet been received and the entire amount is included in accounts payable, accrued expenses and deferred revenue on the Consolidated Statements of Financial Position. At December 31, 2020, the Company has applied for formal forgiveness. Formal forgiveness was received on May 7, 2021 from the SBA.

On April 7, 2021, the Organization received loan proceeds of \$1,135,624 pursuant to the PPP second round of funding. The note bears interest at a rate of 1% through maturity on April 7, 2026. The note follows the previously mentioned requirements and may be forgiven by the SBA if certain requirements are satisfied.

NOTE G - PASS-THROUGH LIABILITIES

Pass-through liabilities at December 31 are as follows:

	<u>Year Ended December 31, 2020</u>			<u>December 31,</u> <u>2020</u>
	<u>January 1,</u> <u>2020</u>	<u>Receipts</u>	<u>Disbursements</u>	
General church agencies	\$ 78,816	\$ 2,242,094	\$ 2,020,423	\$ 300,487
North central jurisdiction	-	13,722	11,415	2,307
Heifer Project International	9,339	34,097	37,190	6,246
Conference advance specials	8,240	59,297	61,099	6,438
Other benevolences	13,219	70,689	70,008	13,900
Institutional gifts	329	1,354	771	912
	<u>\$ 109,943</u>	<u>\$ 2,421,253</u>	<u>\$ 2,200,906</u>	<u>\$ 330,290</u>

IOWA ANNUAL CONFERENCE OF THE UNITED METHODIST CHURCH
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE G - PASS-THROUGH LIABILITIES - Continued

	Year Ended December 31, 2019			
	January 1, 2019	Receipts	Disbursements	December 31, 2019
General church agencies	\$ 107,649	\$ 2,527,922	\$ 2,556,755	\$ 78,816
North central jurisdiction	5,706	14,170	19,876	-
Heifer Project International	13,746	48,434	52,841	9,339
Conference advance specials	11,067	63,326	66,153	8,240
Other benevolences	10,463	74,292	71,536	13,219
Institutional gifts	343	1,638	1,652	329
	\$ 148,974	\$ 2,729,782	\$ 2,768,813	\$ 109,943

NOTE H - RETIREMENT BENEFITS

The Conference participates in various pension and disability benefit programs administered by Wespath. Annual contributions to the programs are funded through direct billing to the various member churches of the Conference and from earnings on investments.

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

- Clergy Retirement Security Program (CRSP) for service beginning January 1, 2007,
- Ministerial Pension Plan (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 consists of two components:

- A multiemployer 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 total plan 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 are determined by Wespath actuaries, as defined in the plan agreement. The Conference was responsible for a contribution of \$2,090,300 and \$2,196,065 for the years ended December 31, 2020 and 2019, respectively. Contributions of \$2,059,818 and \$1,940,734 are required for 2021 and 2022, respectively. The Conference billed member churches 15% of compensation in 2020 and 2019 to fund required contributions to the Plan. In 2021 and 2022, the Conference plans to bill member churches 15% of compensation. The Conference's contributions do not represent more than 5% of all contributions made to the Plan.

IOWA ANNUAL CONFERENCE OF THE UNITED METHODIST CHURCH
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE H - RETIREMENT BENEFITS - Continued

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 65% 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 2020 and 2019. No contribution is required for 2021 or 2022. 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 multiemployer 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 2019 annuity rate was \$650, the 2020 annuity rate was \$654, and the 2021 annuity rate will be \$674, 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 2020 and 2019. No contribution is required in 2021. Future contributions will depend on the funded status of the plan and is determined on a year-to-year basis.

The 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 the Employee Retirement Income Security Act of 1974 (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, 2020, the date for which the most current information is available, the Pre-1982 plan had assets of \$2,105,340,576 and liabilities of \$2,296,353,878 for a net unfunded status of \$191,013,302. As of January 1, 2020, the date for which the most current information is available, the CRSP and MPP plans had assets of \$6,384,481,393 and liabilities of \$5,796,867,586 for a net funded status of \$587,613,807.

The Plan (EIN 56-6658844) is administered by Wespeth. The Conference’s participation in this Plan covers 439 clergy in the Pre-82 plan, 1,247 clergy in the MPP Annuities plan, and 855 clergy in the CRSP plan. There have been no significant changes that affect the comparability of 2020 and 2019 contributions.

This Plan covers three service periods and is therefore managed as three sub-plans (Pre-1982, MPP Annuities, and CRSP) 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 under U.S. GAAP definition. 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 August 2021.

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 may be used to provide benefits to clergy of other U.S. United Methodist 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.

IOWA ANNUAL CONFERENCE OF THE UNITED METHODIST CHURCH
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE H - RETIREMENT BENEFITS - Continued

United Methodist Personal Investment Plan (UMPIP) - The Conference participates in the UMPIP. This plan allows both the employer and the employee to make contributions. 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.

NOTE I - 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 Wespath definition of disability. The plan includes a death benefit for qualified active and retired clergy, spouses and dependent children. In 2020 the premium expense was 504,594. In 2019, no premium was required.

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. In 2020 and 2019, the Conference paid premiums of \$46,710 and \$48,190, respectively.

NOTE J - 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. 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, the Board of Directors of the Board of Pensions has designated \$15,493,978 at December 31, 2020 and \$12,962,323 at December 31, 2019 towards the funding of the obligations, plus earnings thereon, which is included in the Board of Pension board designated net assets (see Note L).

In 2009, the Conference amended its postretirement health plan to reduce its contribution from two-thirds of total premiums to a flat monthly contribution of \$100 per person. The Conference further amended its postretirement plan in 2011. Any person retiring after July 1, 2011 will be eligible for the step-down funding plan and they will receive \$20 less each year until they are no longer eligible for funding. Retired participants over age 65 on July 1, 2011 will continue to receive the \$100 per month for their lifetime. In 2014, the Conference amended its active health plan to eliminate coverage for retired persons under the age of 65, which became effective January 1, 2015.

IOWA ANNUAL CONFERENCE OF THE UNITED METHODIST CHURCH
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE J - HEALTH AND POSTRETIREMENT HEALTH INSURANCE PLAN - Continued

Total contributions to retirement, disability and health benefit plans are as follows:

	<u>2020</u>	<u>2019</u>
CRSP	\$ 2,778,112	\$ 2,913,111
UMPIP	106,740	122,986
Health, current and retired employees	7,142,277	7,440,919
CPP	504,594	664
BPP	46,707	48,194
	<u>10,578,430</u>	<u>10,525,874</u>
Less amount reimbursed through direct billing to member churches	(10,240,892)	(10,868,242)
Actuarial adjustments to health plan	<u>68,869</u>	<u>(327,803)</u>
Total amount paid by (reimbursed to) the Conference	<u>\$ 406,407</u>	<u>\$ (670,171)</u>

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

	<u>2020</u>	<u>2019</u>
Changes in benefit obligations:		
Obligation at beginning of year	\$ (5,888,517)	\$ (6,216,320)
Service cost	(49,749)	(46,638)
Interest cost	(167,797)	(238,727)
Actuarial gains (losses)	(441,889)	(30,730)
Benefit payments, net	<u>590,566</u>	<u>643,628</u>
Obligation at end of year	(5,957,386)	(5,888,517)
Fair value of plan assets at end of year	<u>-</u>	<u>-</u>
Funded status	<u>\$ (5,957,386)</u>	<u>\$ (5,888,517)</u>
Amounts recognized in net assets without donor restrictions but not yet realized as components of net periodic postretirement benefit cost:		
Unamortized prior service credit	\$ (1,498,413)	\$ (2,824,336)
Unamortized actuarial loss	<u>3,582,555</u>	<u>3,409,918</u>
Total recognized in net assets without donor restrictions	<u>\$ 2,084,142</u>	<u>\$ 585,582</u>
Components of net periodic postretirement benefit income:		
Service cost	\$ 49,749	\$ 46,368
Interest cost	167,797	238,727
Amortization of prior service credit	(1,325,923)	(1,405,345)
Amortization of net loss	<u>269,252</u>	<u>274,995</u>
Net periodic postretirement benefit income	<u>\$ (839,125)</u>	<u>\$ (845,255)</u>
Assumptions used in computations:		
Discount rate	2.05%	3.00%

IOWA ANNUAL CONFERENCE OF THE UNITED METHODIST CHURCH
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE J - HEALTH AND POSTRETIREMENT HEALTH INSURANCE PLAN - Continued

The following approximate annual benefit payments are expected to be paid:

Year ended December 31:		
2021	\$	559,458
2022	\$	526,826
2023	\$	507,346
2024	\$	484,341
2025	\$	460,556
2026-2030	\$	1,887,654

NOTE K - 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 totaled \$2,029 and the leases expire from April 2021 through March 2023.

The Conference leases cars for eligible employees under noncancelable operating leases requiring monthly lease payments totaling \$3,606. The leases expire in March 2023.

The Conference also leases office space for one district office and one Conference ministry. These noncancelable leases have terms ranging from one to five years with monthly lease payments totaling \$2,750 and include utilities and general building repairs. The termination dates for these leases go through February 2021. Additionally, the Conference has month-to-month lease arrangements for one district office and three Conference ministries.

As of December 31, 2020, future minimum lease payments required under the leases described above are as follows:

Year ending December 31:	Operating Leases		
	Property	Equipment	Total
2021	\$ 4,500	\$ 65,684	\$ 70,184
2022	-	62,795	62,795
2023	-	12,690	12,690
Total future minimum lease payments	<u>\$ 4,500</u>	<u>\$ 141,169</u>	<u>\$ 145,669</u>

Rent expense for operating lease commitments totaled approximately \$148,800 and \$309,500 for the years ended December 31, 2020 and 2019, respectively.

NOTE L - NET ASSETS

Net assets without donor restrictions or board designations as of December 31, 2020 and 2019, are as follows:

	<u>2020</u>	<u>2019</u>
Funds available for operations	<u>\$ 2,780,630</u>	<u>\$ 1,985,546</u>

IOWA ANNUAL CONFERENCE OF THE UNITED METHODIST CHURCH
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE L - NET ASSETS - Continued

Net assets without donor restrictions, designated by the Board for specific purposes as of December 31, 2020 and 2019, are as follows:

	<u>2020</u>	<u>2019</u>
Board of Camps	\$ 2,636,927	\$ 1,693,368
Board of Global Ministries	774,780	644,091
Board of Church and Society	2,895	-
Board of Higher Education	71,010	-
Board of Laity	-	7,314
Board of Ordained Ministry	364,070	323,532
Board of Pensions: including unamortized prior service cost and actuarial gains and losses on health benefit liability of \$2,084,142 and \$585,582 at December 31, 2020 and 2019, respectively	61,081,932	51,084,925
Board of Trustees - congregational development and other church assistance	12,055,860	12,384,568
Commission on Archives and History	4,974	6,002
Committee on Pastoral Care and Counseling	64,397	-
Council on Finance and Administration, includes adjustments for accounting principles generally accepted in the United States of America. Year-end cash to accrual adjustments are not recorded in other board designated funds.	(3,126,037)	(3,392,188)
Council on Connectional Ministries	9,924	10,111
Episcopal Funds	28,781	29,480
District Councils on Ministires	38,946	-
Other District Program Funds	45,598	203,585
Westmar Scholarship Fund	17,500	18,000
Women at the Well	66,204	75,757
Dawson Trust Scholarship Fund	1,100	550
College Scholarship Endowment Fund	9,750	7,500
Louise Reep Endowment Fund	900	925
Total net assets without donor restrictions designated for specific purposes	<u>\$ 74,149,511</u>	<u>\$ 63,097,520</u>

Designations listed above describe the specific purpose for which the funds are designated.

IOWA ANNUAL CONFERENCE OF THE UNITED METHODIST CHURCH
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE L - NET ASSETS - Continued

Net assets with donor restrictions for purpose as of December 31, 2020 and 2019 are as follows:

	<u>2020</u>	<u>2019</u>
Board of Camps (including \$610,748 and \$549,357 recorded with beneficial interests in 2020 and 2019, respectively)	\$ 1,139,571	\$ 935,612
Board of Church and Society	41,937	39,696
Board of Discipleship	49,039	44,916
Board of Global Ministries	1,039,337	989,447
Board of Higher Education	1,343	1,343
Board of Trustees	435,144	448,884
Commission on Archives and History	23,495	27,716
Commission on Ministry with Persons with Disabilities	12,599	9,291
Commission on Religion and Race	250	225
Council on Finance and Administration, includes adjustments for accounting principles generally accepted in the United States of America. Year-end cash to accrual adjustments are not recorded in other donor restricted funds.	(18,329)	(5,157)
Committees on Annual Conference Administration	726	-
Council on Connectional Ministries	264,306	186,447
Council on Youth Ministries	2,725	2,518
Episcopal Funds	52,474	43,029
District Administration	-	200
District Connectional Ministries Councils	26,699	3,830
Other District Program Funds	553,501	491,155
Other Program and Investment Funds	954,871	818,514
Total net assets with donor restrictions for purpose*	<u>\$ 4,579,688</u>	<u>\$ 4,037,666</u>

Net assets with donor restrictions to be held in perpetuity as of December 31, 2020 and 2019 are as follows:

	<u>2020</u>	<u>2019</u>
Endowments:		
Westmar college scholarship endowment (a)	\$ 859,021	\$ 859,021
College scholarship endowments (a)	287,369	287,369
Campership endowments (b)	74,011	73,445
Camp's maintenance/operating endowments (c)	182,856	182,856
Board of Global Ministries endowments (d)	101,336	101,336
Partners in Leadership scholarship endowment (e)	35,084	35,084
Total endowments	<u>1,539,677</u>	<u>1,539,111</u>
Beneficial interests:		
Garland Estate Trust (f)	2,532,807	2,415,852
Beneficial interest in perpetual trusts (g)	295,550	277,082
Total beneficial interests	<u>2,828,357</u>	<u>2,692,934</u>
Total net assets with donor restrictions to be held in perpetuity*	<u>\$ 4,368,034</u>	<u>\$ 4,232,045</u>
Total net assets with donor restrictions (sum of *)	<u>\$ 8,947,722</u>	<u>\$ 8,269,711</u>

IOWA ANNUAL CONFERENCE OF THE UNITED METHODIST CHURCH
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE L - NET ASSETS - Continued

- (a) Disbursements from the college scholarship endowments are donor restricted and used to provide scholarships to attend various United Methodist affiliated colleges.
- (b) Disbursements from the campership endowments are donor restricted funds that are used to provide assistance to individuals who might not be able to otherwise attend United Methodist camps.
- (c) Disbursements from the camp's maintenance endowment are donor restricted funds that are used for the maintenance of camp buildings constructed with campaign funds. Disbursements from the camp's operating endowment funds are donor restricted for the camp's operational use.
- (d) Disbursements from the Board of Global Ministries endowment for congregational development are donor restricted funds to help churches with new church development. Disbursements from the Hispanic ministry endowment, included in the Board of Global Ministries endowment, are donor restricted funds for the development of Hispanic Ministries.
- (e) Disbursements from the Partners in Leadership scholarship endowment are donor restricted and are used as scholarships for Iowa resident United Methodist students attending one of our four Iowa United Methodist related colleges.
- (f) Disbursements from the Garland Estate Trust are without donor restrictions and have been board designated for the expenses of the Episcopal Residence.
- (g) Disbursements from the perpetual trusts of the Iowa Annual Conference are donor restricted funds that are used to provide assistance to individuals who might not otherwise be able to attend United Methodist camps. Disbursements from the perpetual trusts of the Board of Pensions are donor restricted funds to be used to supplement the pension fund.

NOTE M - APPORTIONMENTS, NET

At December 31, 2020 and 2019, apportionments, net consisted of the following items:

	<u>2020</u>	<u>2019</u>
Budgeted Apportionments	\$ 13,127,917	\$ 14,288,285
Less:		
Apportionments Recognized as Revenue in the Consolidated Statement of Activities	7,406,370	7,349,843
Passthrough Apportionments Not Recognized in the Consolidated Statement of Activities	<u>1,925,338</u>	<u>1,992,125</u>
Budgeted Apportionments Not Received	<u>\$ 3,796,209</u>	<u>\$ 4,946,317</u>

NOTE N - CONTINGENCIES

The Board of Global Ministries of the Conference has provided the following guarantees as of December 31, 2020 and 2019, for no consideration:

IOWA ANNUAL CONFERENCE OF THE UNITED METHODIST CHURCH
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE N - CONTINGENCIES - Continued

Christ Community United Methodist Church, Marion, Iowa - 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, 2020, was approximately \$239,000. 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 2032.

Faith United Methodist Church, Centerville, Iowa - The Conference provided a limited guarantee up to \$150,000 of indebtedness on behalf of the member church for a loan provided by the Iowa 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. The guarantee is provided until the loan matures in June 2029. The Conference has designated a \$150,000 Certificate of Participation to cover the guarantee. The Certificate of Participation is held at the Foundation and will be renewed annually until June 2029.

Des Moines Bloomfield - The Conference provided a limited guarantee up to \$100,000 of indebtedness on behalf of the member church for a loan provided by the Iowa 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. The guarantee is provided until the loan matures in February 2027. The Conference has designated a \$100,000 Certificate of Participation to cover the guarantee. The Certificate of Participation is held at the Foundation and will be renewed annually until October 2026.

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, 2020 and 2019. If the Conference is required to perform on the guarantees, it has designated funds from investments of approximately \$250,000, as indicated above.

The Conference assumes assets and liabilities associated with churches that were abandoned or closed during the year. The Conference recorded no net expenses associated with assets and liabilities assumed related to abandoned churches for the years ended December 31, 2020 and 2019. There were no liabilities included in accounts payable associated with abandoned churches for the years ended December 31, 2020 and 2019. The Conference entered into a note payable for an abandoned church as discussed in Note E during the year ended December 31, 2019.

NOTE O - 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 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.

IOWA ANNUAL CONFERENCE OF THE UNITED METHODIST CHURCH
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE O - ENDOWMENT - Continued

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 donor restricted net assets to be held in perpetuity (a) the original value of gifts donated to the endowment, (b) the original value of subsequent gifts to the endowment, and (c) accumulations to the endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the endowment fund that is not classified in donor restricted net assets to be held in perpetuity is classified as donor restricted net assets until those amounts are appropriated for expenditure by the Conference in a manner consistent with the standard of prudence prescribed by UPMIFA. All board-designated endowments are classified as net assets without donor restrictions.

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:

	2020		
	Without Donor Restrictions	With Donor Restrictions	Total
Donor-restricted endowment funds	\$ 28,152	\$ 3,106,115	\$ 3,134,267
Board-designated endowment funds	12,255,972	-	12,225,972
	\$ 12,284,124	\$ 3,106,115	\$ 15,390,239
	2019		
	Without Donor Restrictions	With Donor Restrictions	Total
Donor-restricted endowment funds	\$ 26,425	\$ 2,894,365	\$ 2,920,790
Board-designated endowment funds	10,392,182	-	10,392,182
	\$ 10,418,607	\$ 2,894,365	\$ 13,312,972

IOWA ANNUAL CONFERENCE OF THE UNITED METHODIST CHURCH
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE O - ENDOWMENT - Continued

Changes in endowment net assets for the years ended December 31, 2020 and 2019, are as follows:

	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets, January 1, 2019	\$ 8,399,405	\$ 2,572,963	\$ 10,972,368
Investment return:			
Investment income	189,314	34,993	224,307
Net realized and unrealized gain on investments	1,698,410	337,322	2,035,732
Total investment loss	1,887,724	372,315	2,260,039
Contributions	-	3,800	3,800
Appropriation of endowment assets for expenditure	54,713	(54,713)	-
Expenditures	(63,981)	-	(63,981)
Transfers in from other funds	140,746	-	140,746
Endowment net assets, December 31, 2019	10,418,607	2,894,365	13,312,972
Investment return:			
Investment income	170,627	28,132	198,759
Net realized and unrealized gain on investments	1,696,744	243,803	1,940,547
Total investment gain	1,867,371	271,935	2,139,306
Contributions	3,210	563	3,773
Appropriation of endowment assets for expenditure	60,748	(60,748)	-
Expenditures	(65,812)	-	(65,812)
Endowment net assets, December 31, 2020	\$ 12,284,124	\$ 3,106,115	\$ 15,390,239

All donor restricted endowments, including amounts to be held in perpetuity, are purpose restricted and included in the amounts disclosed in Note L.

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 (underwater endowments). In accordance with U.S. GAAP, deficiencies of this nature are reported in net assets with donor restrictions. The spending policies for underwater endowments would follow the spending policy established for each endowment fund. There were no deficiencies as of December 31, 2020 and 2019.

Return Objectives and Risk Parameters - The Conference has adopted investment and spending policies for endowment assets and other invested funds that attempt to (1) preserve principal 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.

IOWA ANNUAL CONFERENCE OF THE UNITED METHODIST CHURCH
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE O - ENDOWMENT - Continued

Return Objectives and Risk Parameters - Continued - 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 endowments held in perpetuity. The board-designated pension and post-retirement funds are determined on a per fund basis.

NOTE P - 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. U.S. GAAP 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, accounting standards established 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.

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.

IOWA ANNUAL CONFERENCE OF THE UNITED METHODIST CHURCH
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE P - FAIR VALUE FINANCIAL INSTRUMENTS - Continued

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 pools:* The Conference's pooled investments are invested in the investment pools of the Wespath Benefits and Investments and the Iowa United Methodist Foundation. The fair value of each of the Conference's portfolios is measured using a net asset value, 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 net asset value that is assigned to the Conference's units (measured at net asset value).
- *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).

The following tables summarize assets measured at fair value on a recurring basis, except for certificates of participation which are measured at cost, as of December 31, 2020 and 2019, segregated by the level of valuation inputs within the fair value hierarchy:

	2020			Total
	Level 1	Level 2	Level 3	
Investments measured at cost				\$ 1,205,542
Investments measured at net asset value				<u>72,192,043</u>
Total investments				<u>\$ 73,397,585</u>
Other assets, beneficial Interests	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,439,105</u>	<u>\$ 3,439,105</u>
	2019			
	Level 1	Level 2	Level 3	Total
Investments measured at cost				\$ 1,193,797
Investments measured at net asset value				<u>58,985,666</u>
Total investments				<u>\$ 60,179,463</u>
Other assets, beneficial interests	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,242,291</u>	<u>\$ 3,242,291</u>

IOWA ANNUAL CONFERENCE OF THE UNITED METHODIST CHURCH
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE P - 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, 2019	\$ 2,831,099
Distributions	(97,860)
Unrealized gains	509,052
Ending balance, December 31, 2019	3,242,291
Distributions	(90,895)
Unrealized gains	287,709
Ending balance, December 31, 2020	<u>\$ 3,439,105</u>

Gains and losses are reported in change in valuation of beneficial interests in the Consolidated Statements 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, 2020.

	Fair Value	Unfunded Commitment	Redemption Frequency	Redemption Notice Period
Pooled investment funds:				
International equity fund (a)	\$ 9,918,351	\$ -	Immediate	None
U.S. equity fund (b)	36,769,626	-	Immediate	None
Fixed income fund (c)	18,122,116	-	Immediate	None
Short-term investment fund (d)	311,895	-	Immediate	None
Balanced fund (e)	4,495,934	-	Immediate	None
Bond fund (f)	609,586	-	Immediate	None
Equity fund (g)	1,964,535	-	Immediate	None
Total pooled investment funds	<u>\$ 72,192,043</u>			

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, 2019.

	Fair Value	Unfunded Commitment	Redemption Frequency	Redemption Notice Period
Pooled investment funds:				
International equity fund (a)	\$ 8,288,350	\$ -	Immediate	None
U.S. equity fund (b)	29,142,619	-	Immediate	None
Fixed income fund (c)	16,996,785	-	Immediate	None
Short-term investment fund (d)	32,701	-	Immediate	None
Balanced fund (e)	3,920,165	-	Immediate	None
Bond fund (f)	605,046	-	Immediate	None
Total pooled investment funds	<u>\$ 58,985,666</u>			

IOWA ANNUAL CONFERENCE OF THE UNITED METHODIST CHURCH
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE P - FAIR VALUE FINANCIAL INSTRUMENTS - Continued

- (a) The international equity fund seeks to maximize long-term capital appreciation from a 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 with investments located in developed and developing countries. It also holds equity index futures of stock indexes in non-U.S. markets.
- (b) The U.S. equity fund seeks to earn long-term capital appreciation from a broadly diversified portfolio of primarily U.S. domiciled publicly owned companies and to a lesser extent U.S. Private Equity and U.S. Private Real Estate.
- (c) The fixed income fund invests in a diversified 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 Positive Social Purpose (PSP) Lending Program.
- (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, securitized products commercial paper, certificates of deposit and other similar types of investments.
- (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's primary investment objective is to maximize present income. The fund's holdings will consist primarily of fixed income securities. Rounding out the portfolio is a small allocation to cash and cash-equivalents.
- (g) The equity fund's investment is to seek long-term capital appreciation. Current income is a secondary objective. The fund pursues its objectives by investing primarily in common stocks and securities convertible or exchangeable into common stocks, including warrants and rights.

SUPPLEMENTARY INFORMATION

IOWA ANNUAL CONFERENCE OF THE UNITED METHODIST CHURCH
CONSOLIDATING STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2020

ASSETS

	Iowa Annual Conference	Board of Pensions	Eliminations	Consolidated Total
Cash and cash equivalents	\$ 7,999,750	\$ 2,249,553	\$ -	\$ 10,249,303
Receivables:				
Apportionment receivables, net	772,011	-	-	772,011
Other receivables, net	80,714	87,568	207	168,489
Total receivables	852,725	87,568	207	940,500
Investments	8,275,597	65,121,988	-	73,397,585
Property and equipment, net	8,215,004	-	-	8,215,004
Beneficial interests	3,391,458	47,647	-	3,439,105
Other assets	96,882	-	-	96,882
TOTAL ASSETS	\$ 28,831,416	\$ 67,506,756	\$ 207	\$ 96,338,379

LIABILITIES AND NET ASSETS

LIABILITIES

Accounts payable, accrued expenses and deferred revenue	\$ 1,811,735	\$ 419,797	\$ (499)	\$ 2,231,033
Pass-through liabilities	329,584	-	706	330,290
Notes payable	1,941,807	-	-	1,941,807
Accrued postretirement benefit obligation	-	5,957,386	-	5,957,386
TOTAL LIABILITIES	4,083,126	6,377,183	207	10,460,516

NET ASSETS

Net assets without donor restrictions				
Funds available for operations	2,780,630	-	-	2,780,630
Funds board designated for specific purposes	13,067,587	61,081,924	-	74,149,511
	15,848,217	61,081,924	-	76,930,141
Net assets with donor restrictions	8,900,073	47,649	-	8,947,722
TOTAL NET ASSETS	24,748,290	61,129,573	-	85,877,863

TOTAL LIABILITIES AND NET ASSETS	\$ 28,831,416	\$ 67,506,756	\$ 207	\$ 96,338,379
---	----------------------	----------------------	---------------	----------------------

IOWA ANNUAL CONFERENCE OF THE UNITED METHODIST CHURCH
CONSOLIDATING STATEMENT OF ACTIVITIES - NET ASSETS WITHOUT DONOR RESTRICTIONS
YEAR ENDED DECEMBER 31, 2020

	<u>Iowa Annual Conference</u>	<u>Board of Pensions</u>	<u>Eliminations</u>	<u>Consolidated Total</u>
REVENUE, GAINS, AND OTHER SUPPORT				
Apportionments, net	\$ 7,406,370	\$ -	\$ -	\$ 7,406,370
District askings	11,338	-	-	11,338
Charitable contributions and grants	42,816	-	-	42,816
Registration fees	103,471	-	-	103,471
Dividends and interest	205,439	900,159	-	1,105,598
Sale of goods and services	210,260	-	(207,000)	3,260
Other revenue	440,279	10,244,705	(10,257,400)	427,584
Net assets released from restrictions, satisfaction of program restrictions	1,794,672	-	-	1,794,672
Total revenue, gains, and other support	10,214,645	11,144,864	(10,464,400)	10,895,109
EXPENSES				
Program services				
Clergy support ministries	2,357,909	10,235,006	(10,162,246)	2,430,669
Local church support ministries	3,100,134	-	(7,980)	3,092,154
Institutional support ministries	226,573	-	-	226,573
Other ministries	1,114,548	-	(21,390)	1,093,158
	<u>6,799,164</u>	<u>10,235,006</u>	<u>(10,191,616)</u>	<u>6,842,554</u>
Support services				
General and administrative	2,484,099	340,851	(272,784)	2,552,166
Fund raising	19,183	-	-	19,183
	<u>2,503,282</u>	<u>340,851</u>	<u>(272,784)</u>	<u>2,571,349</u>
Total expenses	9,302,446	10,575,857	(10,464,400)	9,413,903
Changes in net assets, before other changes	912,199	569,007	-	1,481,206
Net realized and unrealized gain on investments, net of fees	786,691	9,784,649	-	10,571,340
Gain on sale of property and equipment	151,186	-	-	151,186
Pension and postretirement health benefit plan changes other than net periodic post retirement benefit service cost	-	(356,657)	-	(356,657)
CHANGE IN NET ASSETS	1,850,076	9,996,999	-	11,847,075
Net assets, beginning of year	<u>13,998,141</u>	<u>51,084,925</u>	<u>-</u>	<u>65,083,066</u>
Net assets, end of year	<u><u>\$ 15,848,217</u></u>	<u><u>\$ 61,081,924</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 76,930,141</u></u>

IOWA ANNUAL CONFERENCE OF THE UNITED METHODIST CHURCH
CONSOLIDATING STATEMENT OF ACTIVITIES - NET ASSETS WITH DONOR RESTRICTIONS
YEAR ENDED DECEMBER 31, 2020

	<u>Iowa Annual Conference</u>	<u>Board of Pensions</u>	<u>Eliminations</u>	<u>Consolidated Total</u>
REVENUE, GAINS, AND OTHER SUPPORT				
District askings	\$ 240,235	\$ -	\$ -	\$ 240,235
Charitable contributions and grants	1,702,851	-	-	1,702,851
Dividends and interest	33,326	-	-	33,326
Net assets released from restrictions, satisfaction of program restrictions	<u>(1,794,672)</u>	<u>-</u>	<u>-</u>	<u>(1,794,672)</u>
Total revenue, gains, and other support	<u>181,740</u>	<u>-</u>	<u>-</u>	<u>181,740</u>
Changes in net assets, before other changes	181,740	-	-	181,740
Net realized and unrealized gain on investments, net of fees	299,456	-	-	299,456
Change in valuation of beneficial interests, net of fees	<u>192,620</u>	<u>4,195</u>	<u>-</u>	<u>196,815</u>
CHANGE IN NET ASSETS	673,816	4,195	-	678,011
Net assets, beginning of year	<u>8,226,257</u>	<u>43,454</u>	<u>-</u>	<u>8,269,711</u>
Net assets, end of year	<u>\$ 8,900,073</u>	<u>\$ 47,649</u>	<u>\$ -</u>	<u>\$ 8,947,722</u>

IOWA ANNUAL CONFERENCE OF THE UNITED METHODIST CHURCH
STATEMENTS OF CASH RECEIPTS AND DISBURSEMENTS - EPISCOPAL FUND - CASH BASIS OF ACCOUNTING (UNAUDITED)
YEARS ENDED DECEMBER 31, 2020 AND 2019

	2020			2019		
	Episcopal Funds	Area Funds	Total	Episcopal Funds	Area Funds	Total
Cash receipts:						
Episcopal Fund	\$ 83,071	\$ -	\$ 83,071	\$ 86,252	\$ -	\$ 86,252
Annual Conference apportionments	-	161,669	161,669	-	197,857	197,857
Contribution income	-	876	876	-	-	-
Investment income	-	49,990	49,990	-	44,928	44,928
Total cash receipts	<u>83,071</u>	<u>212,535</u>	<u>295,606</u>	<u>86,252</u>	<u>242,785</u>	<u>329,037</u>
Cash disbursements:						
Support staff salaries	83,071	92,789	175,860	86,252	87,030	173,282
Support staff benefits	-	55,994	55,994	-	57,131	57,131
Support staff payroll taxes	-	4,655	4,655	-	4,636	4,636
Hotel, travel, meals and entertainment	-	255	255	-	13,102	13,102
Legal and professional fees	-	52,324	52,324	-	70,009	70,009
Rent and utilities	-	2,400	2,400	-	2,400	2,400
Office supplies	-	2,159	2,159	-	4,821	4,821
Postage	-	217	217	-	490	490
Printing and copying	-	941	941	-	1,610	1,610
Capital asset	-	-	-	-	1,155	1,155
Miscellaneous	-	3,938	3,938	-	3,096	3,096
Total cash disbursements	<u>83,071</u>	<u>215,672</u>	<u>298,743</u>	<u>86,252</u>	<u>245,480</u>	<u>331,732</u>
Cash receipts over (under) cash disbursements	-	(3,137)	(3,137)	-	(2,695)	(2,695)
Cash balance, beginning of year	<u>78,600</u>	<u>35,713</u>	<u>114,313</u>	<u>78,600</u>	<u>38,408</u>	<u>117,008</u>
Cash balance, end of year	<u>\$ 78,600</u>	<u>\$ 32,576</u>	<u>\$ 111,176</u>	<u>\$ 78,600</u>	<u>\$ 35,713</u>	<u>\$ 114,313</u>