

IOWA ANNUAL CONFERENCE OF THE UNITED METHODIST CHURCH AND AFFILIATE
CONSOLIDATED FINANCIAL STATEMENTS AND
INDEPENDENT AUDITOR'S REPORT
DECEMBER 31, 2022 AND 2021

TABLE OF CONTENTS

Independent Auditor's Report	1
Consolidated Statements of Financial Position	2
Consolidated Statement of Activities - 2022	3
Consolidated Statement of Activities - 2021	4
Consolidated Statement of Functional Expenses - 2022	5
Consolidated Statement of Functional Expenses - 2021	6
Consolidated Statements of Cash Flows	7
Notes to Consolidated Financial Statements	8
Supplementary Information:	
Consolidating Statement of Financial Position	35
Consolidating Statement of Activities - Net Assets without Donor Restrictions	36
Consolidating Statement of Activities - Net Assets with Donor Restrictions	37
Statements of Cash Receipts and Disbursements - Episcopal Fund - Cash Basis of Accounting (Unaudited)	38



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 and Affiliate

Opinion

We have audited the accompanying consolidated financial statements of the Iowa Annual Conference of The United Methodist Church and Affiliate (a nonprofit organization), which comprise the consolidated statements of financial position as of December 31, 2022 and 2021, 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.

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 Affiliate as of December 31, 2022 and 2021, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are required to be independent of the Iowa Annual Conference of The United Methodist Church and Affiliate and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Consolidated Financial Statements

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

In preparing the consolidated financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Iowa Annual Conference of The United Methodist Church and Affiliate's ability to continue as a going concern within one year after the date that the consolidated financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements, including omissions, are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the consolidated financial statements

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Iowa Annual Conference of The United Methodist Church and Affiliate's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the consolidated financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Iowa Annual Conference of The United Methodist Church and Affiliate's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Change in Accounting Principle

As discussed in Note A to the consolidated financial statements, in 2022, Iowa Annual Conference of The United Methodist Church and Affiliate adopted Financial Accounting Standards Board Accounting Standards Codification 842, *Leases*. Our opinion is not modified with respect to that matter.

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 35 to 37 is 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 audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or 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.

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 Disbursement – 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 provide any assurance on it.



West Des Moines, Iowa
May 25, 2023

IOWA ANNUAL CONFERENCE OF THE UNITED METHODIST CHURCH
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2022 AND 2021

ASSETS

	2022	2021
Cash and cash equivalents	\$ 11,408,370	\$ 11,198,845
Receivables:		
Apportionment receivables, net	247,224	340,207
Other receivables, net	554,838	101,915
Total receivables	802,062	442,122
Investments	67,100,634	82,280,372
Property and equipment, net	7,958,737	7,791,694
Operating lease right-of-use assets, net	40,145	-
Assets held for sale	544,800	-
Beneficial interests	3,233,730	3,810,078
Other assets	157,607	102,581
	\$ 91,246,085	\$ 105,625,692

LIABILITIES AND NET ASSETS

LIABILITIES

Accounts payable, accrued expenses and deferred revenue	\$ 1,699,589	\$ 2,223,146
Pass-through liabilities	259,422	364,799
Notes payable	960,001	986,663
Operating lease liability	40,145	-
Accrued postretirement benefit obligation	3,972,415	5,141,990
TOTAL LIABILITIES	6,931,572	8,716,598

NET ASSETS

Net assets without donor restrictions		
Funds available for operations	5,698,433	5,680,154
Funds board designated for specific purposes	69,432,297	81,791,628
	75,130,730	87,471,782
Net assets with donor restrictions	9,183,783	9,437,312
TOTAL NET ASSETS	84,314,513	96,909,094

TOTAL LIABILITIES AND NET ASSETS	\$ 91,246,085	\$ 105,625,692
---	----------------------	-----------------------

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, 2022

	Without Donor Restrictions	With Donor Restrictions	Total
REVENUE, GAINS, AND OTHER SUPPORT			
Apportionments, net	\$ 4,397,480	\$ -	\$ 4,397,480
District askings	-	239,227	239,227
Charitable contributions and grants - cash	61,040	2,117,382	2,178,422
Charitable contributions and grants - in-kind gifts	-	343,462	343,462
Registration fees	694,139	-	694,139
Dividends and interest	1,200,119	32,548	1,232,667
Sale of goods and services	21,642	-	21,642
Assumed asset held for sale	544,800	-	544,800
Other revenue	307,307	-	307,307
Net assets released from restrictions, satisfaction of program restrictions	1,990,919	(1,990,919)	-
Total revenue, gains, and other support	9,217,446	741,700	9,959,146
EXPENSES			
Program services			
Clergy support ministries	2,019,376	-	2,019,376
Local church support ministries	3,283,716	-	3,283,716
Institutional support ministries	176,313	-	176,313
Other ministries	616,490	-	616,490
	<u>6,095,895</u>	<u>-</u>	<u>6,095,895</u>
Support services			
General and administrative	3,091,078	-	3,091,078
Fund raising	44	-	44
	<u>3,091,122</u>	<u>-</u>	<u>3,091,122</u>
Total expenses	9,187,017	-	9,187,017
Changes in net assets, before other changes	30,429	741,700	772,129
Net realized and unrealized loss on investments, net of fees	(13,882,936)	(418,881)	(14,301,817)
Change in valuation of beneficial interests, net of fees	-	(576,348)	(576,348)
Gain on sale of property and equipment	41,683	-	41,683
Paycheck Protection Program loan forgiveness	1,135,624	-	1,135,624
Clergy benefits paid in excess of member churches' reimbursements	(439,670)	-	(439,670)
Extend health stipendiary payments	(456,427)	-	(456,427)
Other postretirement plan net periodic benefit changes, other than service costs	(165,304)	-	(165,304)
Other postretirement benefit plan changes, other than service costs and net periodic benefit changes	1,395,549	-	1,395,549
CHANGE IN NET ASSETS	(12,341,052)	(253,529)	(12,594,581)
Net assets, beginning of year	87,471,782	9,437,312	96,909,094
Net assets, end of year	<u>\$ 75,130,730</u>	<u>\$ 9,183,783</u>	<u>\$ 84,314,513</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, 2021

	Without Donor Restrictions	With Donor Restrictions	Total
REVENUE, GAINS, AND OTHER SUPPORT			
Apportionments, net	\$ 6,113,305	\$ -	\$ 6,113,305
District askings	5,438	287,906	293,344
Charitable contributions and grants - cash	3,105	1,056,357	1,059,462
Charitable contributions and grants - in-kind gifts	-	328,015	328,015
Registration fees	600,477	-	600,477
Dividends and interest	1,019,282	30,641	1,049,923
Sale of goods and services	20,952	-	20,952
Other revenue	375,001	-	375,001
Net assets released from restrictions, satisfaction of program restrictions	1,925,148	(1,925,148)	-
Total revenue, gains, and other support	10,062,708	(222,229)	9,840,479
EXPENSES			
Program services			
Clergy support ministries	2,081,552	-	2,081,552
Local church support ministries	3,154,865	-	3,154,865
Institutional support ministries	136,896	-	136,896
Other ministries	993,432	-	993,432
	<u>6,366,745</u>	<u>-</u>	<u>6,366,745</u>
Support services			
General and administrative	2,345,675	-	2,345,675
Fund raising	100	-	100
	<u>2,345,775</u>	<u>-</u>	<u>2,345,775</u>
Total expenses	8,712,520	-	8,712,520
Changes in net assets, before other changes	1,350,188	(222,229)	1,127,959
Net realized and unrealized gain on investments, net of fees	7,451,912	340,847	7,792,759
Change in valuation of beneficial interests, net of fees	-	370,972	370,972
Gain on sale of property and equipment	81,007	-	81,007
Paycheck Protection Program loan forgiveness	1,257,383	-	1,257,383
Clergy benefits paid in excess of member churches' reimbursements	52,370	-	52,370
Extend health stipendiend payments	(524,271)	-	(524,271)
Other postretirement plan net periodic benefit changes, other than service costs	934,737	-	934,737
Other postretirement benefit plan changes, other than service costs and net periodic benefit changes	(61,685)	-	(61,685)
CHANGE IN NET ASSETS	10,541,641	489,590	11,031,231
Net assets, beginning of year	76,930,141	8,947,722	85,877,863
Net assets, end of year	<u>\$ 87,471,782</u>	<u>\$ 9,437,312</u>	<u>\$ 96,909,094</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, 2022

	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	\$ 891,183	\$ 1,328,686	\$ -	\$ -	\$ 2,219,869	\$ 976,922	\$ -	\$ 976,922	\$ 3,196,791
Fringe benefits	341,233	503,412	-	-	844,645	287,137	-	287,137	1,131,782
Net periodic post retirement benefit service cost	60,670	-	-	-	60,670	-	-	-	60,670
Total salaries and benefits	1,293,086	1,832,098	-	-	3,125,184	1,264,059	-	1,264,059	4,389,243
Other expenses									
Occupancy	18,413	162,769	-	-	181,182	185,826	-	185,826	367,008
Office	4,669	64,444	-	2,843	71,956	39,436	-	39,436	111,392
Program supplies and materials	-	119,798	-	-	119,798	-	-	-	119,798
Professional fees and contract services	45,948	113,050	-	8,070	167,068	416,501	-	416,501	583,569
Insurance	-	1,900	-	-	1,900	172,415	-	172,415	174,315
Staff and volunteer hotel, travel, meals, and entertainment	61,215	100,092	571	4,103	165,981	30,809	-	30,809	196,790
Clergy moving	354,363	-	-	-	354,363	-	-	-	354,363
Conferences, meetings, and retreat	39,435	53,998	-	5,000	98,433	144,061	-	144,061	242,494
Expendable equipment	21,651	64,740	-	-	86,391	18,644	-	18,644	105,035
Depreciation	44,706	194,293	-	-	238,999	196,175	-	196,175	435,174
Cost of goods and services	-	1,837	-	-	1,837	-	-	-	1,837
Bad debt expense	-	-	-	-	-	32,120	-	32,120	32,120
Boy Scouts of American survivor trust fund funding	-	-	-	-	-	526,252	-	526,252	526,252
Miscellaneous	-	7,562	-	-	7,562	64,780	44	64,824	72,386
Grants to local church ministries	135,890	567,135	175,742	596,474	1,475,241	-	-	-	1,475,241
Total other expenses	726,290	1,451,618	176,313	616,490	2,970,711	1,827,019	44	1,827,063	4,797,774
Total expenses	\$ 2,019,376	\$ 3,283,716	\$ 176,313	\$ 616,490	\$ 6,095,895	\$ 3,091,078	\$ 44	\$ 3,091,122	\$ 9,187,017

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, 2021

	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	\$ 913,498	\$ 1,271,498	\$ -	\$ 104,017	\$ 2,289,013	\$ 1,012,521	\$ -	\$ 1,012,521	\$ 3,301,534
Fringe benefits	354,856	486,350	-	49,985	891,191	297,932	-	297,932	1,189,123
Net periodic post retirement benefit service cost	57,656	-	-	-	57,656	-	-	-	57,656
Total salaries and benefits	1,326,010	1,757,848	-	154,002	3,237,860	1,310,453	-	1,310,453	4,548,313
Other expenses									
Occupancy	31,361	153,098	-	14,676	199,135	211,667	-	211,667	410,802
Office	5,559	52,052	-	5,882	63,493	44,539	-	44,539	108,032
Program supplies and materials	-	108,582	-	-	108,582	-	-	-	108,582
Professional fees and contract services	41,909	159,049	2,938	13,407	217,303	304,595	-	304,595	521,898
Insurance	-	452	-	-	452	163,092	-	163,092	163,544
Staff and volunteer hotel, travel, meals, and entertainment	30,404	27,154	-	779	58,337	8,014	-	8,014	66,351
Clergy moving	400,978	-	-	-	400,978	-	-	-	400,978
Conferences, meetings, and retreat	34,832	57,115	-	-	91,947	3,017	100	3,117	95,064
Expendable equipment	36,683	68,412	-	1,144	106,239	21,418	-	21,418	127,657
Depreciation	48,142	192,663	-	-	240,805	187,126	-	187,126	427,931
Cost of goods and services	-	12,788	-	-	12,788	-	-	-	12,788
Bad debt expense	-	-	-	-	-	3,030	-	3,030	3,030
Miscellaneous	-	30,056	-	633	30,689	88,724	-	88,724	119,413
Grants to local church ministries	125,674	535,596	133,958	802,909	1,598,137	-	-	-	1,598,137
Total other expenses	755,542	1,397,017	136,896	839,430	3,128,885	1,035,222	100	1,035,322	4,164,207
Total expenses	<u>\$ 2,081,552</u>	<u>\$ 3,154,865</u>	<u>\$ 136,896</u>	<u>\$ 993,432</u>	<u>\$ 6,366,745</u>	<u>\$ 2,345,675</u>	<u>\$ 100</u>	<u>\$ 2,345,775</u>	<u>\$ 8,712,520</u>

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, 2022 AND 2021

	2022	2021
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$(12,594,581)	\$ 11,031,231
Adjustments to reconcile change in net assets to net change in cash from operating activities		
Net realized and unrealized loss (gain) on investments	14,301,817	(7,792,759)
Bad debt expense	32,120	3,030
Gain on sale of property and equipment	(41,683)	(81,007)
Amortization of operating lease right-of-use asset	48,436	-
Depreciation expense	435,174	427,931
Contributions restricted for long-term investments	(240)	(3,000)
Contributions to beneficial interests	(18)	(18)
Investment loss (gain) on beneficial interests	474,052	(469,077)
Property assumed and classified as held for sale	(544,800)	-
Accrued postretirement benefit obligation	(1,169,575)	(815,396)
Changes in assets and liabilities:		
Apportionment receivables, net	92,983	431,804
Other receivables, net	(485,043)	63,544
Operating lease liability	(48,436)	-
Other assets	(55,026)	(5,699)
Accounts payable, accrued expenses and deferred revenue	(527,197)	(7,887)
Pass-through liabilities	(105,377)	34,509
Net change in cash from operating activities	(187,394)	2,817,206
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of property and equipment	(598,577)	(155,161)
Proceeds from sales of property and equipment	41,683	231,547
Purchases of investments	(5,815,052)	(4,214,119)
Proceeds from sales of investments	6,692,973	3,124,091
Net change in cash from investing activities	321,027	(1,013,642)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from contributions restricted for long-term investments	240	3,000
Principal payments on notes payable	(26,662)	(955,144)
Distributions from beneficial interests	102,314	98,122
Net change in cash from financing activities	75,892	(854,022)
NET CHANGE IN CASH AND CASH EQUIVALENTS	209,525	949,542
CASH AND CASH EQUIVALENTS		
Beginning of year	11,198,845	10,249,303
End of year	\$ 11,408,370	\$ 11,198,845
Supplemental Disclosures of Cash Flow Information		
Cash paid for interest	\$ 43,630	\$ 70,501
Right-of-use assets acquired through operating leases liabilities	\$ 88,581	\$ -
Non-cash investing and financing activities:		
Acquisition of property, plant and equipment in accounts payable	\$ 3,640	\$ -
Property assumed and classified as assets held for sale	\$ 544,800	\$ -

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

IOWA ANNUAL CONFERENCE OF THE UNITED METHODIST CHURCH AND AFFILIATE
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 724 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.

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).

Recent Accounting Pronouncements - In February 25, 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2016-02, *Leases* and all subsequent amendments to the ASU (collectively, "ASC 842"), which supersedes the lease requirements in ASC 840, *Leases*. The principle of ASC 842 is to improve transparency and comparability in financial reporting related to leasing transactions. It requires lessees to recognize most leases on the statement of financial position as right-of-use assets and lease liabilities, reflecting the lessee's obligation to make lease payments. This replaces the previous lease accounting standard, ASC 840, which allowed leases to be off-statement of financial position operating leases.

The Organization adopted ASC 842 as of January 1, 2022, using the modified retrospective transition method. Under this method, the comparative prior period consolidated financial statements have not been restated and continue to be reported under the previous lease accounting standard, ASC 840 - *Leases*. The adoption of ASC 842 resulted in an operating lease right-of-use asset and operating lease liability of \$88,581 as of January 1, 2022.

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

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

Recent Accounting Pronouncements - Continued - Variable consideration, in which payments incurred for the right to use an asset varies relative to changes occurring throughout the lease term based on usage, are not included within the lease liability and right-of-use asset calculations under ASC 842. As disclosed in Note K, the Organization has certain administrative equipment that require usage fees. Therefore, the recorded operating lease right-of-use assets and operating lease liabilities do not include the fees related to usage.

The adoption of ASC 842 resulted in significant changes to the consolidated financial statements, including but not limited to:

Increase in assets and liabilities: The adoption of ASC 842 resulted in the recognition of operating lease liabilities and operating lease right-of-use assets on the Consolidated Statement of Financial Position for all leases, which were previously classified as operating leases under ASC 840. As a result, the Organization's total assets and liabilities have increased.

New lease disclosures: ASC 842 requires additional disclosures related to leases, including quantitative and qualitative information about the nature, amount, timing, and uncertainty of cash flows arising from leases. See lease disclosures at Note K.

The Organization elected the following practical expedients, as allowed under ASC 842, which must be elected as a package and applied consistently by the Organization to all of its leases:

- a. Not to reassess whether any expired or existing contracts are or contain leases;
- b. Not to reassess the lease classification for any expired or existing leases (e.g., all existing leases that were classified as operating leases in accordance with ASC 840 will be classified as operating leases);
- c. Not to not reassess initial direct costs for any existing leases.

The Organization also made the following accounting policy elections related to ASC 842:

- a. To apply the short-term lease exemption with an original term less than 12 months (see disclosures of amounts within this category in Note K);
- b. To use the risk-free rate as the discount rate. The Organization selected the risk-free discount rate closest to the remaining lease term as of January 1, 2022.

Right-of-use assets are reviewed annually for potential triggering events that may cause impairment. In the opinion of management, there were no impaired right-of-use assets as of December 31, 2022; therefore, no impairment loss was recognized during 2022.

In September 2020, the Financial Accounting Standards Boards (FASB) issued Accounting Standards Update 2020-07, Not-for-Profit Entities (Topic 958): Presentation and Disclosure by Not-for-Profit Entities for Contributed Nonfinancial Assets (ASU 2020-07). The standard requires the presentation of contributed nonfinancial assets as a separate line in the Statements of Activities apart from contributions of cash and other financial assets. The standard also requires enhanced disclosures around the types of contributed nonfinancial assets including information on how the contributed nonfinancial assets were used, description of any donor-imposed restrictions, and valuation techniques used to arrive at a fair value measure. The Organization has adopted ASU 2020-07 as of and for the year ended December 31, 2022 with retrospective application for the 2021 consolidated financial statements.

IOWA ANNUAL CONFERENCE OF THE UNITED METHODIST CHURCH AND AFFILIATE
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 \$2,328,700 at December 31, 2022. 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 \$8,676,988 in a sweep account at December 31, 2022 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, 2022 and 2021 is \$36,949 and \$10,971, respectively. The beginning balance of Accounts Receivables at January 1, 2021 was \$935,500.

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. No property or equipment was donated to the Conference during the years ended December 31, 2022 and 2021.

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

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

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, 2022 or 2021.

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 valued at \$554,800 if held for sale at December 31, 2022. There were no abandoned churches held for sale at December 31, 2021.

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.

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.

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

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

Charitable Contributions and Grants - Continued - At December 31, 2022 and 2021, conditional promises to give totaled \$-0- and \$1,135,624, respectively, of which \$-0- and \$1,135,624, respectively, is recorded in deferred revenue. At December 31, 2022 and 2021, \$-0- and \$1,135,624, 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, 2022 and 2021, the Conference received registration fees for camp events and fees for hosting events in advance of \$33,509 and \$41,874, respectively, and are included in accounts payable, accrued expenses and deferred revenue on the Consolidated Statements of Financial Position. The registration fees for camp events and fees for hosting events received in advance at December 31, 2021 were either recognized as revenue in 2022 or refunded to the customer. Registration fees for camp events and fees for hosting events was \$44,778 as of January 1, 2021.

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.

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.

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.

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.

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 2022 and 2021. 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.

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

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

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 25, 2023, the date the consolidated financial statements were available to be issued.

On January 13, 2023, the Conference entered into a purchase agreement with GreyHawk Retail, LLC, to sell the Marion Living Waters church, including its land, for \$1,086,000. The church and its land are recorded at a carrying value of \$1,153,647 on the December 31, 2022 Statement of Financial Position. The Conference also has a note payable totaling \$538,561 relating to this church and land at December 31, 2022. GreyHawk Retail, LLC has the option to terminate the purchase agreement during the due diligence period before the closing date. A closing date has not been determined as of May 25, 2023.

On May 23, 2023, the Conference approved the disaffiliation of 83 member churches effective June 30, 2023. As part of the disaffiliation the member churches will be required to pay the Conference a total of \$5,347,971, consisting of \$2,255,204 for apportionments and \$3,092,767 for pension. Payments are required to be paid by June 30, 2023.

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.

The following table reflects the Conference’s financial assets as of December 31, 2022 and 2021, reduced by amounts that are not available to meet general expenditures within one year of December 31, 2022 and 2021 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>2022</u>	<u>2021</u>
Cash and cash equivalents	\$ 11,408,370	\$ 11,198,845
Receivables, net	802,062	442,122
Investments in marketable securities	<u>67,100,634</u>	<u>82,280,372</u>
Total financial assets	79,311,066	93,921,339
Add: distribution from beneficial interest during first quarter 2023 and 2022, respectively	70,302	84,080
Less: receivables to be collected after 2022 and 2021, respectively	-	-
Less: pass-through liabilities	(259,422)	(364,799)
Less: donor-restricted net assets*	(5,977,625)	(5,627,234)
Less: board designated net assets	<u>(69,405,264)</u>	<u>(81,791,628)</u>
Financial assets available to meet general expenditures within one year	<u>\$ 3,739,057</u>	<u>\$ 6,221,758</u>

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

NOTE B - LIQUIDITY AND AVAILABILITY - Continued

- * Total donor restricted net assets as of December 31, 2022, per the Consolidated Statements of Financial Position, is \$9,211,355, which includes \$3,233,730 of beneficial interests not available for use to meet general operating expenses. Total donor restricted net assets as of December 31, 2021, per the Consolidated Statements of Financial Position, is \$9,437,312, which includes \$3,810,078 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.

Investments as of December 31, 2022 and 2021 are as follows:

	<u>Fair Value</u>	
	<u>2022</u>	<u>2021</u>
Wespath:		
Pooled deposit investment fund	\$ 11,968	\$ 64,127
Pooled retirees benefit investment fund	22,355,922	26,926,640
Pooled permanent investment fund	9,693,687	11,675,130
Pooled retirees medical investment fund	14,381,316	17,304,904
Pooled operating investment fund	11,867,749	16,887,819
Pooled disaffiliation fund	62,643	-
Iowa United Methodist Foundation:		
Pooled investment fund	4,676,094	5,412,988
Pooled corporate bonds	573,419	604,473
Pooled equity fund	2,363,431	2,293,069
Certificate of participation at cost	1,114,405	1,111,222
	<u>\$ 67,100,634</u>	<u>\$ 82,280,372</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.

NOTE D - PROPERTY AND EQUIPMENT

As of December 31, 2022 and 2021, property and equipment consisted of the following:

	<u>2022</u>	<u>2021</u>
Land and improvements	\$ 2,076,868	\$ 2,076,868
Buildings and improvements	12,723,708	12,359,929
Furniture and equipment	2,238,699	2,190,600
Construction in process	258,836	68,502
	<u>17,298,111</u>	<u>16,695,899</u>
Less accumulated depreciation	9,339,374	8,904,205
Net property and equipment	<u>\$ 7,958,737</u>	<u>\$ 7,791,694</u>

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

NOTE E – NOTES PAYABLE AND PLEDGED ASSETS

	2022	2021
<p>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 \$1,153,647 at December 31, 2022.</p>	538,560	553,283
<p>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 \$986,667 at December 31, 2022.</p>	421,441	433,380
	\$ 960,001	\$ 986,663

Interest costs incurred during the years ended December 31, 2022 and 2021 totaled \$43,572 and \$66,940, respectively.

Anticipated future maturities are as follows:

Year ending December 31:	
2023	\$ 27,880
2024	536,201
2025	395,920
	\$ 960,001

NOTE F - PAYCHECK PROTECTION PROGRAM

On May 7, 2020, the Conference 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. Formal forgiveness was received on May 7, 2021 from the SBA.

On April 7, 2021, the Conference received proceeds of \$1,135,624 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. Formal forgiveness was received on January 26, 2022 from the SBA.

The original term of the PPP loan was five years. The loan accrued interest at a rate of 1% and payments were deferred until the SBA determined 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 Conference received forgiveness on this loan in January, 2022.

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

NOTE F - PAYCHECK PROTECTION PROGRAM - Continued

The Conference has elected to account for the PPP loans 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. Interest expense for the loans was immaterial to the consolidated financial statements as a whole. The entire amount from the loan has been recognized as revenue in 2022.

NOTE G - PASS-THROUGH LIABILITIES

Pass-through liabilities at December 31 are as follows:

	Year Ended December 31, 2022			December 31, 2022
	January 1, 2022	Receipts	Disbursements	
General church agencies	\$ 331,885	\$ 2,223,026	\$ 2,319,700	\$ 235,211
North central jurisdiction	2,412	13,877	14,689	1,600
Heifer Project International	11,155	33,047	37,174	7,028
Conference advance specials	10,682	52,725	54,764	8,643
Other benevolences	7,735	65,911	66,201	7,445
New church starts	-	72,343	73,044	(701)
Institutional gifts	930	2,432	3,166	196
	<u>\$ 364,799</u>	<u>\$ 2,463,361</u>	<u>\$ 2,568,738</u>	<u>\$ 259,422</u>

	Year Ended December 31, 2021			December 31, 2021
	January 1, 2021	Receipts	Disbursements	
General church agencies	\$ 300,487	\$ 2,226,869	\$ 2,195,471	\$ 331,885
North central jurisdiction	2,307	15,628	15,523	2,412
Heifer Project International	6,244	40,710	35,800	11,155
Conference advance specials	6,439	61,663	57,419	10,682
Other benevolences	13,901	89,212	95,378	7,735
Institutional gifts	912	2,232	2,214	930
	<u>\$ 330,290</u>	<u>\$ 2,436,314</u>	<u>\$ 2,401,805</u>	<u>\$ 364,799</u>

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).

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

NOTE H - RETIREMENT BENEFITS - Continued

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 \$1,940,734 and \$2,059,818 for the years ended December 31, 2022 and 2021, respectively. Contributions of \$1,717,443 and \$1,602,431 are required for 2023 and 2024, respectively. The Conference billed member churches 15% of compensation in 2022 and 2021 to fund required contributions to the Plan. In 2022 and 2023, 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.

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 2022 and 2021. No contribution is required for 2023 or 2024. 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 2021 annuity rate was \$674, the 2022 annuity rate was \$700, and the 2023 annuity rate will be \$735, 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 2022 and 2021. No contribution is required in 2023. 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, 2022, the date for which the most current information is available, the Pre-1982 plan had assets of \$2,158,745,848 and liabilities of \$2,006,229,150 for a net funded status of \$152,516,698. As of January 1, 2022, the date for which the most current information is available, the CRSP and MPP plans had assets of \$7,587,882,433 and liabilities of \$5,950,579,387 for a net funded status of \$1,637,303,046.

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

NOTE H - RETIREMENT BENEFITS - Continued

The Plan (EIN 56-6658844) is administered by Wespeth. The Conference's participation in this Plan covers 392 clergy in the Pre-82 plan, 1,209 clergy in the MPP Annuities plan, and 864 clergy in the CRSP plan. There have been no significant changes that affect the comparability of 2022 and 2021 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 2024.

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.

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 Wespeth definition of disability. The plan includes a death benefit for qualified active and retired clergy, spouses and dependent children. In 2022 and 2021 the premium expense was \$624,860 and \$652,002, 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. In 2022 and 2021, the Conference paid premiums of \$45,850 and \$47,610, respectively.

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

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 \$14,381,316 at December 31, 2022 and \$17,304,904 at December 31, 2021 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.

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

	<u>2022</u>	<u>2021</u>
CRSP	\$ 2,557,801	\$ 2,724,242
UMPIP	81,247	80,690
Health, current and retired employees	7,714,127	6,595,212
CPP	624,860	652,002
BPP	45,852	47,608
	<u>11,023,887</u>	<u>10,099,754</u>
Less amount reimbursed through direct billing to member churches	(10,127,790)	(9,627,853)
Actuarial adjustments to health plan	<u>(1,169,575)</u>	<u>(815,396)</u>
Total amount paid by (reimbursed to) the Conference	<u>\$ (273,478)</u>	<u>\$ (343,495)</u>

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

NOTE J - HEALTH AND POSTRETIREMENT HEALTH INSURANCE PLAN - Continued

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

Changes in benefit obligations:	<u>2022</u>	<u>2021</u>
Obligation at beginning of year	\$ (5,141,990)	\$ (5,957,386)
Service cost	(60,670)	(57,656)
Interest cost	(124,078)	(116,392)
Actuarial gains (losses)	801,935	429,986
Benefit payments, net	<u>552,388</u>	<u>559,458</u>
Obligation at end of year	(3,972,415)	(5,141,990)
Fair value of plan assets at end of year	<u>-</u>	<u>-</u>
Funded status	<u>\$ (3,972,415)</u>	<u>\$ (5,141,990)</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	\$ -	\$ (172,490)
Unamortized actuarial loss	<u>1,862,124</u>	<u>2,877,775</u>
Total recognized in net assets without donor restrictions	<u>\$ 1,862,124</u>	<u>\$ 2,705,285</u>
Components of net periodic postretirement benefit income (expense):		
Service cost	\$ 60,670	\$ 57,656
Interest cost	124,078	116,392
Amortization of prior service credit	(172,490)	(1,325,923)
Amortization of net loss	<u>213,716</u>	<u>274,794</u>
Net periodic postretirement benefit income (expense)	<u>\$ 225,974</u>	<u>\$ (877,081)</u>
Assumptions used in computations:		
Discount rate	5.30%	2.55%

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

Year ended December 31:	
2023	\$ 514,726
2024	\$ 477,946
2025	\$ 448,555
2026	\$ 417,426
2027	\$ 393,264
2028-2030	\$ 1,549,309

All benefit payments for other postretirement benefits are voluntary, as the postretirement plan is not funded, and is not subject to any minimum regulatory funding requirements. Benefits payments for each year represents funding the participants of the postretirement plan collected. The Conference anticipates the 2023 postretirement benefit payments will be made from cash generated from operations.

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

NOTE K – LEASE COMMITMENTS

The Conference adopted ASC 842, Leases, effective January 1, 2022, and applied the guidance to all leases within the scope of ASC 842 as of that date. The Conference determined if an arrangement is a lease at inception by assessing whether there is an identified asset and whether the contract conveys the right to control the use of the identified asset for a period of time in exchange for consideration. ASC 842 also requires a lessee to classify a lease as either finance or operating. As of December 31, 2022, the Conference has operating leases for office equipment. Additionally, the Conference has a fleet management agreement with a major vehicle lessor, under which it leases the majority of its vehicles. The vehicle leases are considered operating leases.

Right-of-use assets represent a lessee’s right to use an underlying asset for the lease term and lease liabilities represent a lessee’s obligation to make lease payments arising from the lease. On January 1, 2022, right-of-use assets and lease liabilities were initially recognized based on the present value of the future minimum lease payments over the remaining lease terms. The Conference used the risk-free rate on January 1, 2022 or inception of the lease, to determine the present value of future payments for all office equipment leases. The discount rate implicit in the lease provided by the lessor was used to determine the present value of further payments for vehicle leases. Amortization of the right-of-use assets and interest expense on the lease liabilities are recorded over the related lease terms.

The Conference leases several of its copy machines with accessory attachments under noncancelable agreements as operating leases. Monthly rent for the equipment totaled \$691 and the leases expire from March 2026 through October 2026.

The Conference leases vehicles for eligible employees under noncancelable agreements as operating leases. Monthly required lease payments for the vehicles totaled \$3,535. The leases expire in February 2023 and March 2023.

The Conference also leases office space for one Conference ministry. This lease is month-to-month and requires monthly payments of \$500 and include utilities and general building repairs. Under ASC 842, the Conference has elected to apply the short-term lease measurement and recognition exemption to its month-to-month leases.

Rent expense for operating lease commitments totaled approximately \$57,346 and \$90,982 for the years ended December 31, 2022 and 2021, respectively.

Reconciliation to 2022 Consolidated Statement of Functional Expenses

Operating lease expense included in expendable equipment on the Consolidated Statement of Functional Expenses	\$ 50,719
Short-term lease expense included in occupancy on the Consolidated Statement of Functional Expenses	6,000
Variable lease expense included in expendable equipment on the Consolidated Statement of Functional Expenses	627
Total lease expense	<u>\$ 57,346</u>

Other information:

Cash paid for amounts included in the measurement of lease liabilities:	
Operating cash flows from operating leases	\$ 50,719

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

NOTE K – LEASE COMMITMENTS - Continued

Right-of-use assets obtained in exchange for new operating lease liabilities	\$	88,581
Weighted-average remaining lease term in years for operating leases		2.83
Weighted-average discount rate for operating leases		2.62%

Minimum future payments for leases with initial terms in excess of one year are summarized as follows:

2023	\$	18,547
2024		8,294
2025		8,294
2026		5,813
Total undiscounted cash flows		40,948
Less: present value discount		(803)
Total lease liabilities	\$	<u>40,145</u>

As of December 31, 2021, future minimum lease payments required under the leases described above are as follows:

	<u>Operating Leases</u>		
	<u>Property</u>	<u>Equipment</u>	<u>Total</u>
Year ending December 31:			
2022	\$ -	\$ 78,384	\$ 78,384
2023	-	24,364	24,364
2024	-	8,935	8,935
2025	-	8,935	8,935
2026	-	7,686	7,686
Total future minimum lease payments	<u>\$ -</u>	<u>\$ 128,304</u>	<u>\$ 128,304</u>

NOTE L - NET ASSETS

Net assets without donor restrictions or board designations as of December 31, 2022 and 2021, are as follows:

	<u>2022</u>	<u>2021</u>
Funds available for operations	<u>\$ 5,698,433</u>	<u>\$ 5,680,154</u>

IOWA ANNUAL CONFERENCE OF THE UNITED METHODIST CHURCH AND AFFILIATE
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, 2022 and 2021, are as follows:

	<u>2022</u>	<u>2021</u>
Board of Camps	\$ 1,993,012	\$ 2,636,927
Board of Global Ministries	470,875	606,547
Board of Church and Society	24	-
Board of Higher Education	37,225	49,380
Board of Ordained Ministry	399,247	394,178
Board of Pensions	56,567,140	68,850,988
Board of Trustees - congregational development and other church assistance	11,253,561	11,322,050
Commission on Archives and History	(5,377)	133
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.	(1,680,918)	(2,129,918)
Clergy Support	165,094	-
Episcopal Funds	30,718	30,715
Other District Program Funds	97,083	(7,169)
Westmar Scholarship Fund	17,500	17,500
Women at the Well	75,363	8,547
Dawson Trust Scholarship Fund	1,100	1,100
College Scholarship Endowment Fund	9,750	9,750
Louise Reep Endowment Fund	900	900
Total net assets without donor restrictions designated for specific purposes	<u>\$ 69,432,297</u>	<u>\$ 81,791,628</u>

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

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

NOTE L - NET ASSETS - Continued

Net assets with donor restrictions for purpose as of December 31, 2022 and 2021 are as follows:

	<u>2022</u>	<u>2021</u>
Board of Camps (including \$607,064 and \$688,454 recorded with beneficial interests in 2022 and 2021, respectively)	\$ 1,855,694	\$ 1,227,812
Board of Church and Society	53,386	47,762
Board of Discipleship	53,146	53,020
Board of Global Ministries	852,663	871,662
Board of Higher Education	1,343	1,343
Board of Trustees	408,342	433,880
Commission on Archives and History	22,095	23,290
Commission on Ministry with Persons with Disabilities	14,491	14,231
Commission on Religion and Race	250	250
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.	25,148	17,727
Committees on Annual Conference Administration	726	726
Council on Connectional Ministries	273,457	258,843
Council on Youth Ministries	2,905	2,849
Episcopal Funds	54,552	65,083
Other District Program Funds	565,725	604,331
Other Program and Investment Funds	<u>830,276</u>	<u>1,150,192</u>
Total net assets with donor restrictions for purpose*	\$ 5,014,199	\$ 4,773,011

Net assets with donor restrictions to be held in perpetuity as of December 31, 2022 and 2021 are as follows:

	<u>2022</u>	<u>2021</u>
Endowments:		
Westmar college scholarship endowment (a)	\$ 862,021	\$ 862,021
College scholarship endowments (a)	287,608	287,369
Campership endowments (b)	74,011	74,011
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)	<u>35,084</u>	<u>35,084</u>
Total endowments	1,542,916	1,542,677
Beneficial interests:		
Garland Estate Trust (f)	2,343,397	2,802,655
Beneficial interest in perpetual trusts (g)	<u>283,271</u>	<u>318,969</u>
Total beneficial interests	<u>2,626,668</u>	<u>3,121,624</u>
Total net assets with donor restrictions to be held in perpetuity*	\$ 4,169,584	\$ 4,664,301
Total net assets with donor restrictions (sum of *)	<u>\$ 9,183,783</u>	<u>\$ 9,437,312</u>

IOWA ANNUAL CONFERENCE OF THE UNITED METHODIST CHURCH AND AFFILIATE
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, 2022 and 2021, apportionments, net consisted of the following items:

	2022	2021
Budgeted Apportionments	\$ 8,217,654	\$ 9,724,498
Less:		
Apportionments Recognized as Revenue in the Consolidated Statement of Activities	4,397,480	6,113,305
Passthrough Apportionments Not Recognized in the Consolidated Statement of Activities	1,513,538	1,809,683
Budgeted Apportionments Not Received	\$ 2,306,636	\$ 1,801,510

NOTE N - CONTINGENCIES

The Board of Global Ministries of the Conference has provided the following guarantees as of December 31, 2022 and 2021, for no consideration:

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

NOTE N – CONTINGENCIES AND COMMITMENTS - 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, 2022, was approximately \$210,000. 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, 2022 and 2021. 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, 2022 and 2021. There were no liabilities included in accounts payable associated with abandoned churches for the years ended December 31, 2022 and 2021.

The United Methodist Church reached a settlement, through mediation, in the matter of the Boy Scouts of America bankruptcy proceedings. The United Methodist Church agreed to raise and give \$30 million over a three-year period into a fund that will be utilized to compensate survivors. As part of the settlement the United Methodist congregations that charter boy scout packs will be released from all abuse claims involving scouting activities. The United Methodist Church has allocated the settlement across the conferences in the United States of America. The Conference's share of the settlement is \$526,252 and is recorded in Boy Scouts of America survivor trust fund funding on the Consolidated Statement of Functional Expenses. As of December 31, 2022, the entire balance is included in accounts payable, accrued expenses and deferred revenue as not amounts have been remitted to the United Methodist Church.

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.

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

NOTE O - ENDOWMENT - Continued

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 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:

	2022		
	Without Donor Restrictions	With Donor Restrictions	Total
Donor-restricted endowment funds	\$ 28,152	\$ 2,924,002	\$ 2,952,154
Board-designated endowment funds	11,554,762	-	11,554,762
	\$ 11,582,914	\$ 2,924,002	\$ 14,506,916
	2021		
	Without Donor Restrictions	With Donor Restrictions	Total
Donor-restricted endowment funds	\$ 28,152	\$ 3,387,407	\$ 3,415,559
Board-designated endowment funds	13,766,139	-	13,766,139
	\$ 13,794,291	\$ 3,387,407	\$ 17,181,698

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

NOTE O - ENDOWMENT - Continued

Changes in endowment net assets for the years ended December 31, 2022 and 2021, are as follows:

	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets, January 1, 2021	\$ 12,284,124	\$ 3,106,115	\$ 15,390,239
Investment return:			
Investment income	150,322	26,117	176,439
Net realized and unrealized gain on investments	1,257,030	312,863	1,569,893
Total investment gain	1,407,352	338,980	1,746,332
Contributions	4,615	3,000	7,615
Appropriation of endowment assets for expenditure	60,688	(60,688)	-
Expenditures	(62,488)	-	(62,488)
Transfers	100,000	-	100,000
Endowment net assets, December 31, 2021	13,794,291	3,387,407	17,181,698
Investment return:			
Investment income	176,620	30,397	207,017
Net realized and unrealized loss on investments	(2,344,223)	(384,942)	(2,729,165)
Total investment loss	(2,167,603)	(354,545)	(2,522,148)
Contributions	3,726	240	3,966
Appropriation of endowment assets for expenditure	109,100	(109,100)	-
Expenditures	(156,600)	-	(156,600)
Endowment net assets, December 31, 2022	<u>\$ 11,582,914</u>	<u>\$ 2,924,002</u>	<u>\$ 14,506,916</u>

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, 2022 and 2021.

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 AND AFFILIATE
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 AND AFFILIATE
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, 2022 and 2021, segregated by the level of valuation inputs within the fair value hierarchy:

	2022			Total
	Level 1	Level 2	Level 3	
Investments measured at cost				\$ 1,114,405
Investments measured at net asset value				65,986,229
Total investments				<u>\$ 67,100,634</u>
Other assets, beneficial Interests	\$ -	\$ -	\$ 3,233,730	<u>\$ 3,233,730</u>

	2021			Total
	Level 1	Level 2	Level 3	
Investments measured at cost				\$ 1,111,222
Investments measured at net asset value				81,169,150
Total investments				<u>\$ 82,280,372</u>
Other assets, beneficial interests	\$ -	\$ -	\$ 3,810,078	<u>\$ 3,810,078</u>

IOWA ANNUAL CONFERENCE OF THE UNITED METHODIST CHURCH AND AFFILIATE
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:

	<u>Beneficial Interests in Perpetual Trusts</u>
Beginning balance, January 1, 2021	\$ 3,439,105
Distributions	(98,122)
Unrealized gains	469,077
Contributions	18
Ending balance, December 31, 2021	<u>3,810,078</u>
Distributions	(102,314)
Unrealized losses	(474,052)
Contributions	18
Ending balance, December 31, 2022	<u>\$ 3,233,730</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, 2022.

	<u>Fair Value</u>	<u>Unfunded Commitment</u>	<u>Redemption Frequency</u>	<u>Redemption Notice Period</u>
Pooled investment funds:				
International equity fund (a)	\$ 7,889,494	\$ -	Immediate	None
U.S. equity fund (b)	34,368,778	-	Immediate	None
Fixed income fund (c)	9,217,166	-	Immediate	None
Short-term investment fund (d)	6,897,847	-	Immediate	None
Balanced fund (e)	4,676,094	-	Immediate	None
Bond fund (f)	573,419	-	Immediate	None
Equity fund (g)	2,363,431	-	Immediate	None
Total pooled investment funds	<u>\$ 65,986,229</u>			

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

NOTE P - FAIR VALUE FINANCIAL INSTRUMENTS - Continued

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, 2021.

	<u>Fair Value</u>	<u>Unfunded Commitment</u>	<u>Redemption Frequency</u>	<u>Redemption Notice Period</u>
Pooled investment funds:				
International equity fund (a)	\$ 10,354,732	\$ -	Immediate	None
U.S. equity fund (b)	44,219,345	-	Immediate	None
Fixed income fund (c)	18,220,416	-	Immediate	None
Short-term investment fund (d)	64,127	-	Immediate	None
Balanced fund (e)	5,412,988	-	Immediate	None
Bond fund (f)	604,473	-	Immediate	None
Equity fund (g)	2,293,069	-	Immediate	None
Total pooled investment funds	<u>\$ 81,169,150</u>			

(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.

(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 invests exclusively in units of the sweep account which holds short-term fixed income securities.

(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.

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

NOTE Q - CONTRIBUTED IN-KIND GIFTS

In-kind contributions are used in the Association’s programs or for management and general services and are recorded at their estimated fair value at the time of donation. In-kind contributions for the year ended December 31, 2022 and 2021 were recorded as revenue and expense in the amount of \$343,462 and \$328,015, respectively.

ASC 958 states that for donated services to be recognized in the consolidated financial statements, the services must either (a) create or enhance a nonfinancial asset or (b) be specialized skills, provided by entities or persons possessing those skills that would be purchased if not donated. There were no donated services meeting those criteria for the years ended December 31, 2022 and 2021. The Association also receives donated services from a variety of volunteers assisting with their program services and supporting activities. These amounts have not been recognized in the accompanying Consolidated Statements of Activities because the criteria for recognition of such volunteer efforts have not been satisfied.

In-kind contributions with donor restrictions consist of the following at December 31, 2022 and 2021:

Nonfinancial Asset	2022	2021	Fair Value Techniques
Supplies for ingathering kits	\$ 343,462	\$ 328,015	Estimated wholesale prices of identical or similar products if purchased in the region.

SUPPLEMENTARY INFORMATION

IOWA ANNUAL CONFERENCE OF THE UNITED METHODIST CHURCH
CONSOLIDATING STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2022

ASSETS

	Iowa Annual Conference	Board of Pensions	Eliminations	Consolidated Total
Cash and cash equivalents	\$ 9,405,259	\$ 2,003,111	\$ -	\$ 11,408,370
Receivables:				
Apportionment receivables, net	247,224	-	-	247,224
Other receivables, net	23,618	543,785	(12,565)	554,838
Total receivables	270,842	543,785	(12,565)	802,062
Investments	8,727,350	58,373,284	-	67,100,634
Property and equipment, net	7,956,564	2,173	-	7,958,737
Operating lease right-of-use assets, net	40,145	-	-	40,145
Assets held for sale	544,800	-	-	544,800
Beneficial interests	3,187,256	46,474	-	3,233,730
Other assets	137,971	19,636	-	157,607
TOTAL ASSETS	\$ 30,270,187	\$ 60,988,463	\$ (12,565)	\$ 91,246,085

LIABILITIES AND NET ASSETS

LIABILITIES

Accounts payable, accrued expenses and deferred revenue	\$ 1,309,722	\$ 402,432	\$ (12,565)	\$ 1,699,589
Pass-through liabilities	259,422	-	-	259,422
Notes payable	960,001	-	-	960,001
Operating lease liability	40,145	-	-	40,145
Accrued postretirement benefit obligation	-	3,972,415	-	3,972,415
TOTAL LIABILITIES	2,569,290	4,374,847	(12,565)	6,931,572

NET ASSETS

Net assets without donor restrictions				
Funds available for operations	5,698,433	-	-	5,698,433
Funds board designated for specific purposes	12,865,157	56,567,140	-	69,432,297
	18,563,590	56,567,140	-	75,130,730
Net assets with donor restrictions	9,137,307	46,476	-	9,183,783
TOTAL NET ASSETS	27,700,897	56,613,616	-	84,314,513
TOTAL LIABILITIES AND NET ASSETS	\$ 30,270,187	\$ 60,988,463	\$ (12,565)	\$ 91,246,085

IOWA ANNUAL CONFERENCE OF THE UNITED METHODIST CHURCH
CONSOLIDATING STATEMENT OF ACTIVITIES - NET ASSETS WITHOUT DONOR RESTRICTIONS
YEAR ENDED DECEMBER 31, 2022

	Iowa Annual Conference	Board of Pensions	Eliminations	Consolidated Total
REVENUE, GAINS, AND OTHER SUPPORT				
Apportionments, net	\$ 4,397,480	\$ -	\$ -	\$ 4,397,480
District askings	-	-	-	-
Charitable contributions and grants	61,040	-	-	61,040
Registration fees	694,139	-	-	694,139
Dividends and interest	243,972	956,147	-	1,200,119
Sale of goods and services	231,642	-	(210,000)	21,642
Assumed asset held for sale	544,800	-	-	544,800
Other revenue	306,490	10,156,792	(10,155,975)	307,307
Net assets released from restrictions, satisfaction of program restrictions	1,990,919	-	-	1,990,919
Total revenue, gains, and other support	8,470,482	11,112,939	(10,365,975)	9,217,446
EXPENSES				
Program services				
Clergy support ministries	1,944,620	10,147,394	(10,072,638)	2,019,376
Local church support ministries	3,303,327	-	(19,611)	3,283,716
Institutional support ministries	176,313	-	-	176,313
Other ministries	616,490	-	-	616,490
	<u>6,040,750</u>	<u>10,147,394</u>	<u>(10,092,249)</u>	<u>6,095,895</u>
Support services				
General and administrative	2,996,791	368,013	(273,726)	3,091,078
Fund raising	44	-	-	44
	<u>2,996,835</u>	<u>368,013</u>	<u>(273,726)</u>	<u>3,091,122</u>
Total expenses	9,037,585	10,515,407	(10,365,975)	9,187,017
Changes in net assets, before other changes	(567,103)	597,532	-	30,429
Net realized and unrealized losses on				
investments, net of fees	(667,419)	(13,215,517)	-	(13,882,936)
Gain on sale of property and equipment	41,683	-	-	41,683
Paycheck Protection Program loan forgiveness	1,135,624	-	-	1,135,624
Clergy benefits paid in excess of member churches' reimbursements	-	(439,670)	-	(439,670)
Extend health stipendiary payments	-	(456,427)	-	(456,427)
Other postretirement plan net periodic benefit changes, other than service costs	-	(165,304)	-	(165,304)
Other postretirement benefit plan changes, other than service costs and net periodic benefit changes	-	1,395,549	-	1,395,549
CHANGE IN NET ASSETS	(57,215)	(12,283,837)	-	(12,341,052)
Net assets, beginning of year	18,620,805	68,850,977	-	87,471,782
Net assets, end of year	\$ 18,563,590	\$ 56,567,140	\$ -	\$ 75,130,730

IOWA ANNUAL CONFERENCE OF THE UNITED METHODIST CHURCH
CONSOLIDATING STATEMENT OF ACTIVITIES - NET ASSETS WITH DONOR RESTRICTIONS
YEAR ENDED DECEMBER 31, 2022

	Iowa Annual Conference	Board of Pensions	Eliminations	Consolidated Total
REVENUE, GAINS, AND OTHER SUPPORT				
District askings	\$ 239,227	\$ -	\$ -	\$ 239,227
Charitable contributions and grants	2,460,844	-	-	2,460,844
Dividends and interest	32,548	-	-	32,548
Net assets released from restrictions, satisfaction of program restrictions	(1,990,919)	-	-	(1,990,919)
Total revenue, gains, and other support	<u>741,700</u>	<u>-</u>	<u>-</u>	<u>741,700</u>
Changes in net assets, before other changes	741,700	-	-	741,700
Net realized and unrealized losses on investments, net of fees	(418,881)	-	-	(418,881)
Change in valuation of beneficial interests, net of fees	(569,650)	(6,698)	-	(576,348)
CHANGE IN NET ASSETS	(246,831)	(6,698)	-	(253,529)
Net assets, beginning of year	<u>9,384,138</u>	<u>53,174</u>	<u>-</u>	<u>9,437,312</u>
Net assets, end of year	<u>\$ 9,137,307</u>	<u>\$ 46,476</u>	<u>\$ -</u>	<u>\$ 9,183,783</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, 2022 AND 2021

	2022			2021		
	Episcopal Funds	Area Funds	Total	Episcopal Funds	Area Funds	Total
Cash receipts:						
Episcopal Fund	\$ 75,470	-	\$ 75,470	\$ 127,031	\$ -	\$ 127,031
Annual Conference apportionments	-	225,885	225,885	-	225,129	225,129
Contribution income	-	76,301	76,301	-	128,792	128,792
Investment income	-	19,998	19,998	-	27,759	27,759
Total cash receipts	<u>75,470</u>	<u>322,184</u>	<u>397,654</u>	<u>127,031</u>	<u>381,680</u>	<u>508,711</u>
Cash disbursements:						
Support staff salaries	75,470	163,212	238,682	127,031	45,189	172,220
Support staff benefits	-	43,651	43,651	-	58,776	58,776
Support staff payroll taxes	-	4,687	4,687	-	4,418	4,418
Hotel, travel, meals and entertainment	-	16,062	16,062	-	791	791
Legal and professional fees	-	75,659	75,659	-	81,171	81,171
Rent and utilities	-	2,400	2,400	-	2,400	2,400
Office supplies	-	2,745	2,745	-	3,230	3,230
Postage	-	695	695	-	83	83
Printing and copying	-	-	-	-	1,394	1,394
Capital asset	-	-	-	-	1,498	1,498
Equipment repair and maintenance	-	309	309	-	-	-
Miscellaneous	-	3,743	3,743	-	52,687	52,687
Total cash disbursements	<u>75,470</u>	<u>313,163</u>	<u>388,633</u>	<u>127,031</u>	<u>251,637</u>	<u>378,668</u>
Cash receipts over (under) cash disbursements	-	9,021	9,021	-	130,043	130,043
Cash balance, beginning of year	<u>78,600</u>	<u>162,619</u>	<u>241,219</u>	<u>78,600</u>	<u>32,576</u>	<u>111,176</u>
Cash balance, end of year	<u>\$ 78,600</u>	<u>\$ 171,640</u>	<u>\$ 250,240</u>	<u>\$ 78,600</u>	<u>\$ 162,619</u>	<u>\$ 241,219</u>