

IOWA ANNUAL CONFERENCE OF THE UNITED METHODIST CHURCH
CONSOLIDATED FINANCIAL STATEMENTS AND
INDEPENDENT AUDITOR'S REPORT
DECEMBER 31, 2017 AND 2016

TABLE OF CONTENTS

Independent Auditor's Report	1
Consolidated Statements of Financial Position	2
Consolidated Statement of Activities - 2017	3
Consolidated Statement of Activities - 2016	4
Consolidated Statement of Functional Expenses - 2017	5
Consolidated Statement of Functional Expenses - 2016	6
Consolidated Statements of Cash Flows	7
Notes to Consolidated Financial Statements	8
Supplementary Information:	
Consolidating Statement of Financial Position	34
Consolidating Statement of Activities - Unrestricted Net Assets	35
Consolidating Statement of Activities - Temporarily Restricted Net Assets	36
Consolidating Statement of Activities - Permanently Restricted Net Assets	37
Statements of Cash Receipts and Disbursements - Episcopal Fund - Cash Basis of Accounting (Unaudited)	38

INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying consolidated financial statements of the Iowa Annual Conference of The United Methodist Church and its affiliate, the Board of Pensions of the Iowa Annual Conference of The United Methodist Church (collectively, the Conference), which comprise the consolidated statements of financial position as of December 31, 2017 and 2016, and the related consolidated statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Consolidated Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Iowa Annual Conference of The United Methodist Church and its affiliate as of December 31, 2017 and 2016, and the changes in their net assets and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Change in Accounting Principle

As discussed in Note A to the financial statements, in 2017 the Plan retrospectively adopted Financial Accounting Standards Board Accounting Standards Update (ASU) No. 2015-07, Disclosures for Investments in Certain Entities That Calculate Net Asset Value per Share (or Its Equivalent). 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 and other supplementary material on pages 34 to 38, which is the responsibility of management, are presented for purposes of additional analysis and are not a required part of the consolidated financial statements. Such information, except for the Statement of Cash Receipts and Disbursements-Episcopal Fund-Cash Basis marked unaudited, was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information on pages 34 to 37 has been subjected to the auditing procedures applied in the audits of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information on pages 34 to 37 is fairly stated in all material respects in relation to the consolidated financial statements as a whole.

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

McGowen, Hurst, Clark & Smith, P.C.
June 8, 2018

IOWA ANNUAL CONFERENCE OF THE UNITED METHODIST CHURCH
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2017 AND 2016

ASSETS

	2017	2016
Cash and cash equivalents	\$ 7,900,998	\$ 8,280,507
Receivables:		
Apportionment receivables, net	971,829	1,039,151
Loans receivable, net	63,703	87,906
Other receivables, net	285,557	253,175
Total receivables	1,321,089	1,380,232
Prepaid pass-through	-	2,051
Investments	52,966,915	46,052,861
Assets held for sale	-	50,000
Property and equipment, net	8,108,507	8,988,407
Beneficial interests	2,893,382	2,433,776
Other assets	164,140	137,903
	\$ 73,355,031	\$ 67,325,737

LIABILITIES AND NET ASSETS

LIABILITIES

Accounts payable and accrued expenses	\$ 988,177	\$ 1,062,264
Obligations under capital leases	-	6,286
Notes payable	1,459,904	1,758,642
Pass-through liabilities	37,897	-
Accrued postretirement benefit obligation	6,877,628	7,034,413
TOTAL LIABILITIES	9,363,606	9,861,605

NET ASSETS

Unrestricted		
Funds available for current operations	3,095,616	3,416,359
Funds designated for specific purposes	53,283,707	46,932,660
	56,379,323	50,349,019
Temporarily restricted	3,447,829	3,151,326
Permanently restricted	4,164,273	3,963,787
TOTAL NET ASSETS	63,991,425	57,464,132
TOTAL LIABILITIES AND NET ASSETS	\$ 73,355,031	\$ 67,325,737

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, 2017

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
REVENUE, GAINS, AND OTHER SUPPORT				
Apportionments, net	\$ 8,837,662	\$ -	\$ -	\$ 8,837,662
District askings	-	278,458	-	278,458
Charitable contributions and grants	19,280	2,468,332	100	2,487,712
Registration fees	1,118,143	-	-	1,118,143
Dividends and interest	972,451	41,915	-	1,014,366
Sale of goods and services	41,518	-	-	41,518
Other revenue	170,846	6,689	-	177,535
Net assets released from restrictions, satisfaction of program restrictions	2,716,593	(2,716,593)	-	-
Total revenue, gains, and other support	13,876,493	78,801	100	13,955,394
EXPENSES				
Program services				
Clergy support ministries	(157,142)	-	-	(157,142)
Local church support ministries	4,681,176	-	-	4,681,176
Institutional support ministries	938,766	-	-	938,766
Other ministries	2,061,360	-	-	2,061,360
	<u>7,524,160</u>	<u>-</u>	<u>-</u>	<u>7,524,160</u>
Support services				
General and administrative	2,897,281	-	-	2,897,281
Fund raising	62,855	-	-	62,855
	<u>2,960,136</u>	<u>-</u>	<u>-</u>	<u>2,960,136</u>
Total expenses	10,484,296	-	-	10,484,296
Changes in net assets, before other changes	3,392,197	78,801	100	3,471,098
Net realized and unrealized gain on investments	6,160,927	217,702	200,386	6,579,015
Loss on sale of property and equipment	(64,476)	-	-	(64,476)
Pension and postretirement health benefit plan changes other than net periodic post retirement benefit income	(3,458,344)	-	-	(3,458,344)
CHANGE IN NET ASSETS	6,030,304	296,503	200,486	6,527,293
Net assets, beginning of year	50,349,019	3,151,326	3,963,787	57,464,132
Net assets, end of year	<u>\$ 56,379,323</u>	<u>\$ 3,447,829</u>	<u>\$ 4,164,273</u>	<u>\$ 63,991,425</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, 2016

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
REVENUE, GAINS, AND OTHER SUPPORT				
Apportionments, net	\$ 9,408,862	\$ -	\$ -	\$ 9,408,862
District askings	-	251,956	-	251,956
Charitable contributions and grants	181,713	1,764,864	2,484	1,949,061
Registration fees	1,184,192	-	-	1,184,192
Dividends and interest	941,676	51,500	-	993,176
Sale of goods and services	45,559	-	-	45,559
Other revenue	97,887	5,865	-	103,752
Net assets released from restrictions, satisfaction of program restrictions	2,254,242	(2,254,242)	-	-
Total revenue, gains, and other support	14,114,131	(180,057)	2,484	13,936,558
EXPENSES				
Program services				
Clergy support ministries	90,666	-	-	90,666
Local church support ministries	4,974,382	-	-	4,974,382
Institutional support ministries	1,009,311	-	-	1,009,311
Other ministries	1,403,519	-	-	1,403,519
	<u>7,477,878</u>	<u>-</u>	<u>-</u>	<u>7,477,878</u>
Support services				
General and administrative	2,953,895	-	-	2,953,895
Fund raising	60,466	-	-	60,466
	<u>3,014,361</u>	<u>-</u>	<u>-</u>	<u>3,014,361</u>
Total expenses	10,492,239	-	-	10,492,239
Changes in net assets, before other changes	3,621,892	(180,057)	2,484	3,444,319
Net realized and unrealized gain on investments	2,359,990	111,541	57,842	2,529,373
Gain on sale of property and equipment	6,333	-	-	6,333
Pension and postretirement health benefit plan changes other than net periodic post retirement benefit income	(3,466,672)	-	-	(3,466,672)
CHANGE IN NET ASSETS	2,521,543	(68,516)	60,326	2,513,353
Net assets, beginning of year	47,827,476	3,219,842	3,903,461	54,950,779
Net assets, end of year	<u>\$ 50,349,019</u>	<u>\$ 3,151,326</u>	<u>\$ 3,963,787</u>	<u>\$ 57,464,132</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, 2017

	Program Services				Supporting Services			Totals	
	Clergy Support Ministries	Local Church Support Ministries	Institutional Support Ministries	Other Ministries	Total Program Services	General and Administrative	Fund Raising		Total Supporting Services
Salaries and benefits									
Salaries and wages	\$ 1,198,909	\$ 1,858,887	\$ -	\$ 569,113	\$ 3,626,909	\$ 1,161,814	\$ -	\$ 1,161,814	\$ 4,788,723
Fringe benefits	437,845	686,628	-	160,515	1,284,988	300,534	-	300,534	1,585,522
Total salaries and benefits	1,636,754	2,545,515	-	729,628	4,911,897	1,462,348	-	1,462,348	6,374,245
Other expenses									
Occupancy	216,426	224,731	-	20,010	461,167	124,064	-	124,064	585,231
Office	47,217	70,541	-	31,308	149,066	102,171	6,127	108,298	257,364
Program supplies and materials	-	198,527	-	-	198,527	-	-	-	198,527
Professional fees and contract services	66,475	131,608	3,046	802	201,931	294,298	-	294,298	496,229
Insurance	5,001	7,276	-	-	12,277	155,930	-	155,930	168,207
Staff and volunteer hotel, travel, meals, and entertainment	121,819	95,785	-	23,553	241,157	47,629	3,411	51,040	292,197
Clergy moving	306,484	-	-	-	306,484	-	-	-	306,484
Conferences, meetings, and retreat	93,099	241,260	-	3,492	337,851	326,582	3,193	329,775	667,626
Expendable equipment	97,224	175,551	-	1,615	274,390	76,461	-	76,461	350,851
Depreciation	103,764	272,397	-	4,423	380,584	229,653	-	229,653	610,237
Cost of goods and services	-	12,021	-	-	12,021	1,003	-	1,003	13,024
Bad debt expense (recoveries)	-	-	-	-	-	(14,019)	-	(14,019)	(14,019)
Miscellaneous	13,700	11,115	-	1,636	26,451	91,161	-	91,161	117,612
Net periodic post retirement benefit income	(3,116,456)	-	-	-	(3,116,456)	-	-	-	(3,116,456)
Grants to local church ministries	251,351	694,849	935,720	1,244,893	3,126,813	-	50,124	50,124	3,176,937
Total other expenses	(1,793,896)	2,135,661	938,766	1,331,732	2,612,263	1,434,933	62,855	1,497,788	4,110,051
Total expenses	<u>\$ (157,142)</u>	<u>\$ 4,681,176</u>	<u>\$ 938,766</u>	<u>\$ 2,061,360</u>	<u>\$ 7,524,160</u>	<u>\$ 2,897,281</u>	<u>\$ 62,855</u>	<u>\$ 2,960,136</u>	<u>\$10,484,296</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, 2016

	Program Services				Supporting Services			Totals	
	Clergy Support Ministries	Local Church Support Ministries	Institutional Support Ministries	Other Ministries	Total Program Services	General and Administrative	Fund Raising		Total Supporting Services
Salaries and benefits									
Salaries and wages	\$ 1,159,734	\$ 1,906,007	\$ -	\$ 359,938	\$ 3,425,679	\$ 1,097,982	\$ -	\$ 1,097,982	\$ 4,523,661
Fringe benefits	426,751	640,610	-	116,287	1,183,648	294,221	-	294,221	1,477,869
Total salaries and benefits	1,586,485	2,546,617	-	476,225	4,609,327	1,392,203	-	1,392,203	6,001,530
Other expenses									
Occupancy	217,332	202,721	-	13,393	433,446	129,843	-	129,843	563,289
Office	54,119	82,471	140	16,138	152,868	115,451	5,874	121,325	274,193
Program supplies and materials	-	246,197	-	-	246,197	-	-	-	246,197
Professional fees and contract services	48,916	92,157	-	-	141,073	271,504	1,631	273,135	414,208
Insurance	(3,774)	12,062	-	-	8,288	157,438	-	157,438	165,726
Staff and volunteer hotel, travel, meals, and entertainment	131,897	119,317	-	14,512	265,726	56,592	-	56,592	322,318
Clergy moving	487,817	-	-	-	487,817	-	-	-	487,817
Conferences, meetings, and retreat	66,945	264,352	33	4,531	335,861	346,405	3,535	349,940	685,801
Expendable equipment	113,608	195,726	-	-	309,334	81,115	-	81,115	390,449
Depreciation	111,914	274,333	-	8,041	394,288	245,324	-	245,324	639,612
Cost of goods and services	-	32,508	-	-	32,508	1,333	-	1,333	33,841
Bad debt expense	-	-	-	-	-	27,688	-	27,688	27,688
Miscellaneous	54,589	23,527	-	960	79,076	128,999	-	128,999	208,075
Net periodic post retirement benefit income	(3,063,585)	-	-	-	(3,063,585)	-	-	-	(3,063,585)
Grants to local church ministries	284,403	882,394	1,009,138	869,719	3,045,654	-	49,426	49,426	3,095,080
Total other expenses	(1,495,819)	2,427,765	1,009,311	927,294	2,868,551	1,561,692	60,466	1,622,158	4,490,709
Total expenses	<u>\$ 90,666</u>	<u>\$ 4,974,382</u>	<u>\$ 1,009,311</u>	<u>\$ 1,403,519</u>	<u>\$ 7,477,878</u>	<u>\$ 2,953,895</u>	<u>\$ 60,466</u>	<u>\$ 3,014,361</u>	<u>\$10,492,239</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, 2017 AND 2016

	2017	2016
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 6,527,293	\$ 2,513,353
Adjustments to reconcile change in net assets to net change in cash from operating activities		
Net realized and unrealized gain on investments	(6,579,015)	(2,529,373)
Bad debt expense (recoveries)	(14,019)	27,688
Loss (gain) on sale of property and equipment	64,476	(6,333)
Depreciation expense	610,237	639,612
Donated property and equipment	(9,990)	-
Contributions restricted for long-term investments	(100)	(2,484)
Contributions to beneficial interests	(257,066)	-
Investment gain beneficial interests	(268,233)	(124,186)
Accrued postretirement benefit obligation	(156,785)	(329,900)
Changes in assets and liabilities:		
Apportionment receivables, net	67,322	121,622
Other receivables	(18,363)	(85,136)
Assets held for sale	50,000	75,000
Other assets	(26,237)	4,404
Accounts payable and accrued expenses	(74,087)	219,945
Pass-through	39,948	(100,419)
Net change in cash from operating activities	(44,619)	423,793
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of property and equipment	(117,683)	(168,245)
Proceeds from sales of property and equipment	332,860	6,333
Principal payments received on loans receivable	24,203	97,211
Purchases of investments	(4,334,645)	(4,488,894)
Proceeds from sales of investments	3,999,606	3,261,654
Net change in cash from investing activities	(95,659)	(1,291,941)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from contributions restricted for long-term investments	100	2,484
Principal payments on notes payable	(298,738)	(115,282)
Principal payments on capital leases	(6,286)	(13,310)
Distributions from beneficial interest	65,693	66,344
Net change in cash from financing activities	(239,231)	(59,764)
NET CHANGE IN CASH AND CASH EQUIVALENTS	(379,509)	(927,912)
CASH AND CASH EQUIVALENTS		
Beginning of year	8,280,507	9,208,419
End of year	\$ 7,900,998	\$ 8,280,507
Supplemental Disclosures of Cash Flow Information		
Cash paid for interest	\$ 69,266	\$ 79,641

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

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

NOTE A - NATURE OF ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES

Nature of Organization - The Iowa Annual Conference of The United Methodist Church and affiliate (collectively, the Conference) is a not-for-profit organization representing approximately 770 member churches throughout the state of Iowa. The Conference provides various services to its member churches including administration of health benefits and retirement plans available to member clergy and lay employees and collection of funds for remittance to various regional, national and global benevolences. The program areas of the Conference are as follows:

- Clergy support ministries, which include the credentialing, appointment, supervision, nurturing and caring for active and retired clergy within the Conference.
- Local church support ministries, which include grants given to local churches to help them fulfill their mission and ministry within a local congregation and to assist them in connecting with the broader mission within the state, nation and world.
- Institutional support ministries, which include grants provided to institutions that have a historic and covenant relationship with the Conference.
- Other ministries, which include all other programs and ministries that do not fall under one of the categories listed above.

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

Basis of Accounting - The Conference 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).

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 \$7,752,500 at December 31, 2017. 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.

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.

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

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

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

Interest on loans is accrued daily on the outstanding balances. The accrual of interest is discontinued on a loan when the Conference's Board of Global Ministries Parish Development Committee believes, after considering collection efforts and other factors, that the borrower's financial condition is such that collection of interest is doubtful.

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 unrestricted net assets in the statement of activities unless their use is temporarily or permanently restricted by explicit donor stipulations. Investment earnings on the statements of activities represents interest and dividends earned on the investments along with interest on the various loan receivables.

Property and Equipment - Property and equipment have been recorded at cost or fair value at the date of donation. Assets with a cost greater than \$1,000 individually and \$3,000 in a group are capitalized. Major renovations that extend an asset's useful life with a cost of \$5,000, or greater, are also capitalized. Depreciation is provided over the estimated useful lives of the respective assets on a straight-line basis.

Impairment of Long-Lived Assets - The carrying value of the Conference's long-lived assets is reviewed to determine if facts or circumstances suggest that the assets may be impaired or that the remaining useful, depreciable life may need to be changed. The Conference considers internal and external factors related to each asset, including future asset utilization and business climate. If these factors and the projected undiscounted cash flows of the asset over the remaining life indicate that the asset will not be recoverable, the carrying value will be adjusted down to the estimated fair value, if less than book value. Management has not identified any such impaired assets at December 31, 2017 or 2016.

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

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

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

Assets Held for Sale - Continued - 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. No abandoned churches are held for sale at December 31, 2017. One abandoned church was held for sale at December 31, 2016.

Revenue Recognition -

Apportionment Revenue - The principal source of revenue and support is apportionments received from the member churches of the Conference. Apportionments are the recommended levels of support assigned to the churches each year. A significant dollar amount of member church apportionments are received close to year-end, and member churches are provided a cutoff date subsequent to year-end in order for churches to fulfill their annual apportionments. Apportionment receivables represents management's estimate of remaining outstanding apportionments to be collected.

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

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

Conditional promises to give, where the donor has placed a condition on the gift that the ultimate transfer of assets or promise to give is contingent on a future and uncertain event, are not recorded as contributions until the condition is substantially met. At December 31, 2017 and 2016, there was one conditional promise to give in the amount of \$159,768 and \$197,495, respectively, which requires eligible expenses to be incurred before the funds are released.

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

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

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

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

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

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

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

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

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.

Income 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 unrelated business income during 2017 and 2016.

New Accounting Pronouncements - In May 2015, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update No. 2015-07, Disclosures for Investments in Certain Entities that Calculate Net Asset Value per Share (or its equivalent) (ASU 2015-07), which is effective for fiscal years beginning after December 15, 2016 for entities other than public business entities. ASU 2015-07 eliminates the requirement to categorize investments in the fair value hierarchy if the fair value is measured at net asset value (NAV) per share (or its equivalent) using the practical expedient in the FASB's fair value measurement guidance. The Conference's investments in the pooled investment funds are measured at fair value using the NAV per share (or its equivalent) as a practical expedient and have not been categorized in the fair value hierarchy.

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 June 8, 2018, the date the financial statements were available to be issued.

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

NOTE B - LOANS RECEIVABLE

Congregational and Employee Loans - Loans to local United Methodist congregations originate primarily through the Rotating Loan Fund. Loan applications for growth and revitalization are submitted to the Conference Board of Global Ministry's Parish Development Committee by new and existing churches. The loans, which are unsecured, carry an interest rate approved by the Parish Development Committee, and payment terms are negotiated on an individual loan basis. Zero percent interest rate loans may be requested for the first three to five years by new congregations. Generally, the loans range from 10 to 20 years with current loan interest rates of 2% - 3%.

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

The Conference offers loans to certain staff members for the purpose of purchasing a principal residence. The loans cannot exceed 25% of the appraised value of the property and must be paid through payroll withholdings. Interest rates and terms are determined on an individual basis. The Conference also offers sustentation loans to clergy members under special circumstances. The current sustentation loan is repayable through monthly payments with an interest rate of -0% per annum.

Loans receivable at December 31, 2017 and 2016 are as follows:

	<u>2017</u>	<u>2016</u>
United Methodist congregations	\$ 79,679	\$ 108,153
Sustentation loan	1,558	3,262
Closed church sale receivable	<u>15,334</u>	<u>19,612</u>
Total loans receivable	96,571	131,027
Allowance for loan losses	<u>(32,868)</u>	<u>(43,121)</u>
Total loans receivable, net	<u>\$ 63,703</u>	<u>\$ 87,906</u>

Allowance for Loan Losses - The allowance for loan losses relates entirely to congregational loans as of December 31, 2017 and 2016. A summary of the activity in the allowance for loan losses for congregational loans is as follows:

	<u>2017</u>	<u>2016</u>
Allowance for loan losses, beginning of year	\$ 43,121	\$ 53,170
Write-offs	-	-
Recoveries	(10,253)	(10,049)
Provision for loan losses	<u>-</u>	<u>-</u>
Allowance for doubtful loans, end of year	<u>\$ 32,868</u>	<u>\$ 43,121</u>

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

NOTE B - LOANS RECEIVABLE - Continued

A summary of loans receivable by accounting status, as of December 31, 2017 and 2016, is as follows:

	<u>2017</u>	<u>2016</u>
Current (accruing interest)	\$ 63,703	\$ 87,906
180 Days and Over (non-accruing)	<u>32,868</u>	<u>43,121</u>
Total loans receivable	<u>\$ 96,571</u>	<u>\$ 131,027</u>

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

NOTE C - INVESTMENTS

The Conference has agreements with the Iowa United Methodist Foundation (the Foundation) and Wespath Benefits and Investments (Wespath), formally known as the General Board of Pensions and Health Benefits of the United Methodist Church, 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, 2017 and 2016 are as follows:

	<u>Fair Value</u>	
	<u>2017</u>	<u>2016</u>
Wespath:		
Pooled deposit investment fund	\$ 95,213	\$ 314,380
Pooled retirees benefit investment fund	17,482,427	14,931,400
Pooled permanent investment fund	7,580,819	6,475,192
Pooled retirees medical investment fund	11,266,879	9,638,530
Pooled operating investment fund	10,965,284	9,378,032
Iowa United Methodist Foundation:		
Pooled investment fund	2,617,217	2,404,568
Pooled corporate bonds	587,861	601,425
Pooled money market fund	155,306	154,024
Certificate of participation at cost	658,018	655,007
Independent investment managers:		
Legacy fund	1,368,390	1,251,019
Priscilla investment fund	168,332	150,947
Conference center investment fund	-	77,836
Beinke Trust	21,169	20,501
	<u>\$ 52,966,915</u>	<u>\$ 46,052,861</u>

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

NOTE C - INVESTMENTS - Continued

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

NOTE D - PROPERTY AND EQUIPMENT

As of December 31, 2017 and 2016, property and equipment consisted of the following:

	<u>2017</u>	<u>2016</u>
Land and improvements	\$ 1,320,643	\$ 1,395,643
Buildings and improvements	12,577,605	13,057,462
Furniture and equipment	2,522,612	2,524,592
Construction in process	18,437	-
	<u>16,439,297</u>	<u>16,977,697</u>
Less accumulated depreciation	<u>8,330,790</u>	<u>7,989,290</u>
Net property and equipment	<u>\$ 8,108,507</u>	<u>\$ 8,988,407</u>

NOTE E - NOTES PAYABLE AND PLEDGED ASSETS

Notes payable consist of mortgages on certain properties owned by the Conference. Notes payable as of December 31, 2017 and 2016, consisted of the following:

	<u>2017</u>	<u>2016</u>
Note payable to Iowa United Methodist Foundation, due in monthly installments of \$7,361, including interest at 4.25%, with the balance due on January 7, 2031. The note is secured by the Conference headquarters located in Des Moines, Iowa with a carrying value of \$3,259,048 at December 31, 2017.	\$ 885,344	\$ 934,904
Note payable to bank, due in monthly installments of \$2,349, including interest at a fixed rate of 4.65%, with the remaining principal due on January 7, 2017. The note was paid in full on January 5, 2017.	-	207,824

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

NOTE E - NOTES PAYABLE AND PLEDGED ASSETS - Continued

	<u>2017</u>	<u>2016</u>
Mortgage note payable, Iowa United Methodist Church Loan Program, payable in monthly installments of \$1,810, including interest at 4.87%, with the balance due on July 7, 2027. The note is secured by the Wesley Woods Camp located in Indianola, Iowa with a carrying value of \$1,475,644 at December 31, 2017.	\$ 144,078	\$ 158,397
Note payable to Iowa United Methodist Foundation, due in monthly installments of \$4,108, including interest at 5%, with the remaining principal balance due on June 3, 2024. The note is secured by four district parsonages located in Des Moines, Marion, Webster City, and Atlantic, Iowa with carrying values totaling \$789,104 at December 31, 2017.	430,482	457,517
	<u>\$ 1,459,904</u>	<u>\$ 1,758,642</u>

Aggregate maturities of long-term debt by year are as follows:

Year ending December 31:	
2018	\$ 95,157
2019	99,599
2020	104,252
2021	109,123
2022	113,726
Thereafter	938,047
	<u>\$ 1,459,904</u>

Interest costs incurred during the years ended December 31, 2017 and 2016 totaled \$68,312 and \$81,826, respectively.

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

NOTE F - PASS-THROUGH LIABILITIES AND PREPAID PASS-THROUGH

Pass-through liabilities and prepaid pass-through at December 31 are as follows:

	Year Ended December 31, 2017			
	January 1, 2017	Receipts	Disbursements	December 31, 2017
General church agencies	\$ (41,573)	\$ 3,520,232	\$ 3,484,688	\$ (6,029)
North central jurisdiction	-	15,716	15,716	-
Heifer Project International	13,208	64,662	60,435	17,435
Conference advance specials	15,186	90,694	92,984	12,896
Other benevolences	9,082	83,481	79,500	13,063
Institutional gifts	2,046	1,829	3,343	532
	<u>\$ (2,051)</u>	<u>\$ 3,776,614</u>	<u>\$ 3,736,666</u>	<u>\$ 37,897</u>
	Year Ended December 31, 2016			
	January 1, 2016	Receipts	Disbursements	December 31, 2016
General church agencies	\$ 47,963	\$ 3,208,689	\$ 3,298,225	\$ (41,573)
North central jurisdiction	-	19,332	19,332	-
Heifer Project International	13,597	76,182	76,571	13,208
Conference advance specials	22,073	85,391	92,278	15,186
Other benevolences	14,645	109,312	114,875	9,082
Institutional gifts	90	2,920	964	2,046
	<u>\$ 98,368</u>	<u>\$ 3,501,826</u>	<u>\$ 3,602,245</u>	<u>\$ (2,051)</u>

NOTE G - RETIREMENT BENEFITS

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

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

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

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

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

NOTE G - RETIREMENT BENEFITS - Continued

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

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

Annual contributions by the Conference are determined by Wespath actuaries as defined in the plan agreement. The Conference was responsible for a contribution of \$2,388,894 and \$2,386,180 for the years ended December 31, 2017 and 2016, respectively. Contributions of \$2,293,840 and \$2,196,065 are required for 2018 and 2019, respectively. The Conference billed member churches 15% of compensation in 2017 and 2016 to fund required contributions to the Plan. In 2018 and 2019, 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 2017. No contribution is required for 2018 or 2019. 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 2017 annuity rate was \$634 and the 2018 annuity rate will be \$640, 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 2017. No contribution is required in 2018. 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 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, 2017, the date for which the most current information is available, the Pre-1982 plan had assets of \$2,129,795,166 and liabilities of \$2,594,500,071 for a net unfunded status of \$(464,704,905). As of January 1, 2017, the date for which the most current information is available, the CRSP-DB and MPP plans had assets of \$5,402,296,560 and liabilities of \$5,121,160,159 for a net funded status of \$281,136,401.

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

NOTE G - RETIREMENT BENEFITS - Continued

The Plan (EIN 56-6658844) is administered by Wespeth. The Conference's participation in this plan covers 507 clergy in the Pre-82 plan, 1,315 clergy in the MPP Annuities plan, and 818 clergy in the CRSP-DB plan. There have been no significant changes that affect the comparability of 2017 and 2016 contributions.

This Plan covers three service periods and is therefore managed as three sub-plans (Pre-1982, MPP Annuities, and CRSP-DB) since the benefit structure differs for each of the service periods, although the funding for any of the sub-plans can, under certain circumstances, cover any of the other sub-plans. This Plan is a multiemployer plan 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 2020.

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 H - 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 2017 and 2016, a premium of 3% of total plan compensation was required which totaled approximately \$742,000 in 2017 and \$801,000 in 2016. No premium is expected for 2018 and 2019.

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 2017 and 2016 the Conference paid premiums of approximately \$40,020 and \$34,240, respectively.

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

NOTE I - 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 approximately \$11,267,000 towards the funding of the obligations, plus earnings thereon.

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>2017</u>	<u>2016</u>
CRSP	\$ 3,148,328	\$ 3,140,352
MPP	-	-
Pre-1982	-	-
UMPIP	121,171	106,164
Health, current and retired employees	7,022,979	6,989,245
CPP	742,393	800,647
BPP	40,024	34,242
	<u>11,074,895</u>	<u>11,070,650</u>
Less amount reimbursed through direct billing to member churches	(10,576,222)	(10,337,662)
Actuarial adjustments to health plan	<u>(156,785)</u>	<u>(329,900)</u>
Total Conference contributions	<u>\$ 341,888</u>	<u>\$ 403,088</u>

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

NOTE I - HEALTH AND POSTRETIREMENT HEALTH INSURANCE PLAN - Continued

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

	<u>2017</u>	<u>2016</u>
Changes in benefit obligations:		
Obligation at beginning of year	\$ (7,034,413)	\$ (7,364,313)
Service cost	(43,248)	(43,634)
Interest cost	(250,924)	(273,221)
Actuarial losses	(235,272)	(70,532)
Benefit payments, net	<u>686,229</u>	<u>717,287</u>
Obligation at end of year	(6,877,628)	(7,034,413)
Fair value of plan assets at end of year	<u>-</u>	<u>-</u>
Funded status	<u>\$ (6,877,628)</u>	<u>\$ (7,034,413)</u>
Amounts recognized in unrestricted net assets but not yet realized as components of net periodic postretirement benefit cost:		
Unamortized prior service credit	\$ (6,356,453)	\$ (10,121,439)
Unamortized actuarial loss	<u>4,263,903</u>	<u>4,382,989</u>
Total recognized in unrestricted net assets	<u>\$ (2,092,550)</u>	<u>\$ (5,738,450)</u>
Components of net periodic postretirement benefit income:		
Service cost	\$ 43,248	\$ 43,634
Interest cost	250,924	273,221
Amortization of prior service credit	(3,764,986)	(3,764,986)
Amortization of net loss	<u>354,358</u>	<u>384,548</u>
Net periodic postretirement benefit income	<u>\$ (3,116,456)</u>	<u>\$ (3,063,583)</u>
Assumptions used in computations:		
Discount rate	3.45%	3.75%

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

Year ended December 31:	
2018	\$ 660,355
2019	643,628
2020	607,356
2021	580,180
2022	553,904
2023-2027	2,447,673

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

NOTE J - LEASE COMMITMENTS

The Conference leases several of its copy machines with accessory attachments and mailing equipment machines under noncancelable agreements as operating leases. Monthly rent for the equipment totaled \$2,002 and the leases expire from August 2018 through October 2022.

The Conference leases cars for eligible employees under noncancelable operating leases requiring monthly lease payments totaling \$13,635. The leases expire from July 2018 through December 2021.

The Conference leases office space for four district offices and two Conference ministries as of December 31, 2017. These noncancelable leases are for terms ranging from one to five years with monthly lease payments totaling \$7,882 and includes utilities and general building repairs. The termination dates for these leases range from February 2018 to April 2020. Additionally, the Conference has month-to-month lease arrangements for three district offices and three Conference ministries.

As of December 31, 2017, 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:			
2018	\$ 54,518	\$ 157,604	\$ 212,122
2019	18,600	81,726	100,326
2020	6,200	25,004	31,204
2021	-	21,867	21,867
2022	-	12,740	12,740
Total future minimum lease payments	<u>\$ 79,318</u>	<u>\$ 298,941</u>	<u>\$ 378,259</u>

Rent expense for operating lease commitments totaled approximately \$360,900 and \$386,300 for the years ended December 31, 2017 and 2016, respectively.

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

NOTE K - NET ASSETS

Unrestricted and undesignated net assets as of December 31, 2017 and 2016, are as follows:

	<u>2017</u>	<u>2016</u>
Funds available for current operations	<u>\$ 3,095,616</u>	<u>\$ 3,416,359</u>

Unrestricted funds, designated for specific purposes as of December 31, 2017 and 2016, are as follows:

	<u>2017</u>	<u>2016</u>
Board of Camps	\$ 175,489	\$ 256,369
Board of Church and Society	(2,273)	-
Board of Discipleship	-	3,747
Board of Global Ministries	821,903	925,355
Board of Higher Education	-	(2,000)
Board of Laity	15,799	27,993
Board of Ordained Ministry	316,612	340,717
Board of Pensions: including unamortized prior service cost and actuarial gains on health benefit liability of \$2,253,333 and \$5,738,450 at December 31, 2017 and 2016, respectively	43,037,310	36,549,757
Board of Trustees	9,909,503	10,454,591
Clergy Support Programs	60,265	(179,103)
Commission on Archives and History	3,886	-
Commission on Equitable Compensation	-	(19,017)
Committee on Annual Conference Administration	-	(47,450)
Committee on Pastoral Care and Counseling	-	(2,739)
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.	(1,643,990)	(1,890,231)
Council on Connectional Ministries	2,281	2,512
Episcopal Funds	(31,469)	52,908
District Administrative Funds	(1,888)	(81,654)
Other District Program Funds	350,216	282,659
Westmar Scholarship Fund	18,000	14,000
Other Program and Investment Funds	252,063	244,246
Total unrestricted funds designated for specific purposes	<u>\$ 53,283,707</u>	<u>\$ 46,932,660</u>

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

NOTE K - NET ASSETS - Continued

Temporarily restricted net assets as of December 31, 2017 and 2016 are as follows:

	<u>2017</u>	<u>2016</u>
Board of Camps	\$ 530,470	\$ 208,314
Board of Church and Society	40,517	30,542
Board of Discipleship	35,837	32,599
Board of Global Ministries	883,517	1,045,365
Board of Higher Education	1,343	1,343
Board of Trustees	647,428	473,576
Commission on Archives and History	36,158	45,765
Commission on Ministry with Persons with Disabilities	12,311	10,408
Commission on Religion and Race	150	100
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.	(18,622)	(11,161)
Council on Connectional Ministries	105,951	106,905
Council on Youth Ministries	2,152	1,920
Episcopal Funds	36,602	37,289
District Connectional Ministries Councils	11,751	28,816
Other District Program Funds	398,830	359,023
Other Program and Investment Funds	723,434	780,522
Total temporarily restricted net assets	<u>\$ 3,447,829</u>	<u>\$ 3,151,326</u>

Permanently restricted net assets as of December 31, 2017 and 2016 are as follows:

	<u>2017</u>	<u>2016</u>
Endowments:		
Westmar college scholarship endowment (a)	\$ 850,021	\$ 850,021
College scholarship endowments (a)	287,369	287,369
Campership endowments (b)	73,445	73,445
Camp's maintenance/operating endowments (c)	182,856	182,856
Board of Global Ministries endowments (d)	101,336	101,236
Partners in Leadership scholarship endowment (e)	35,084	35,084
Total endowments	<u>1,530,111</u>	<u>1,530,011</u>
Beneficial interests:		
Garland Estate Trust (f)	2,373,234	2,182,634
Beneficial interest in perpetual trusts (g)	260,928	251,142
Total beneficial interests	<u>2,634,162</u>	<u>2,433,776</u>
Total permanently restricted net assets	<u>\$ 4,164,273</u>	<u>\$ 3,963,787</u>

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

NOTE K - NET ASSETS - Continued

- (a) Disbursements from the college scholarship endowments are temporarily restricted and used to provide scholarships to attend various United Methodist affiliated colleges.
- (b) Disbursements from the campership endowments are temporarily restricted funds that are used to provide assistance to individuals who might not be able to otherwise attend United Methodist camps.
- (c) Disbursements from the camp's maintenance endowment are temporarily restricted funds that are used for the maintenance of camp buildings constructed with campaign funds. Disbursements from the camp's operating endowment funds are temporarily restricted for the camp's operational use.
- (d) Disbursements from the Board of Global Ministries endowment for congregational development are temporarily restricted funds to help churches with new church development. Disbursements from the Hispanic ministry endowment are temporarily restricted funds for the development of Hispanic Ministries.
- (e) Disbursements from the Partners in Leadership scholarship endowment are temporarily restricted and are used as scholarships for Iowa resident United Methodist students attending one of our four Iowa United Methodist related colleges.
- (f) Disbursements from the Garland Estate Trust are unrestricted and have been board designated for the expenses of the Episcopal Residence.
- (g) Disbursements from the perpetual trusts of the Iowa Annual Conference are temporarily restricted funds that are used to provide assistance to individuals who might not otherwise be able to attend United Methodist camps. Disbursements from the perpetual trusts of the Board of Pensions are temporarily restricted funds to be used to supplement the pension fund.

NOTE L - APPORTIONMENTS, NET

Apportionments totaled \$14,171,974 and \$14,810,617 for the years ended December 31, 2017 and 2016, respectively. Of these amounts, \$2,348,181 and \$2,345,029 for the years ended December 31, 2017 and 2016, respectively were for pass throughs and not recognized in the Statements of Activities and \$2,986,131 and \$3,056,726 for the years ended December 31, 2017 and 2016, respectively, were not received and are netted against apportionment revenue.

NOTE M - CONTINGENCIES

The Board of Global Ministries of the Conference has provided the following guarantees as of December 31, 2017 and 2016, for no consideration:

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, 2017, was approximately \$274,000. 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.

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

NOTE M - CONTINGENCIES - Continued

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 indefinitely. The Conference has designated a \$150,000 Certificate of Participation to cover the guarantee. The Certificate of Participation is held by the Foundation and will be renewed indefinitely.

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 indefinitely. The Conference has designated a \$100,000 Certificate of Participation to cover the guarantee. The Certificate of Participation is held by the Foundation and will be renewed indefinitely.

Management evaluates the Conference's exposure to loss at each financial position date and provides accruals for such loss as deemed necessary. No accruals were deemed necessary as of December 31, 2017 and 2016. 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, 2017 and 2016. There were no liabilities included in accounts payable associated with abandoned churches for the years ended December 31, 2017 and 2016.

NOTE N - ENDOWMENT

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

The Conference has interpreted the Iowa Uniform Prudent Management of Institutional Funds Act (UPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date for all donor-restricted endowment funds, absent explicit donor stipulations to the contrary. As a result, the Conference classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the permanent endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the Conference in a manner consistent with the standard of prudence prescribed by UPMIFA. All board-designated endowments are classified as unrestricted net assets.

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

NOTE N - ENDOWMENT - Continued

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:

		2017			
		Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor-restricted endowment funds		\$ 19,375	\$ 1,275,198	\$ 1,530,111	\$ 2,824,684
Board-designated endowment funds		8,928,040	-	-	8,928,040
		\$ 8,947,415	\$ 1,275,198	\$ 1,530,111	\$ 11,752,724
		2016			
		Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor-restricted endowment funds		\$ 20,000	\$ 1,089,372	\$,530,011	\$ 2,639,383
Board-designated endowment funds		7,833,823	-	-	7,833,823
		\$ 7,853,823	\$ 1,089,372	\$ 1,530,011	\$ 10,473,206

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

NOTE N - ENDOWMENT - Continued

Changes in endowment net assets for the years ended December 31, 2017 and 2016, are as follows:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Endowment net assets, January 1, 2016	\$ 7,115,325	\$ 990,000	\$ 1,527,527	\$ 9,632,852
Investment return:				
Investment income	150,960	36,881	-	187,841
Net realized and unrealized loss on investments	<u>407,088</u>	<u>109,290</u>	<u>-</u>	<u>516,378</u>
Total investment return	558,048	146,171	-	704,219
Contributions	-	521	2,484	3,005
Appropriation of endowment assets for expenditure	47,320	(47,320)	-	-
Expenditures	(50,870)	-	-	(50,870)
Transfers from other unrestricted funds	<u>184,000</u>	<u>-</u>	<u>-</u>	<u>184,000</u>
Endowment net assets, December 31, 2016	<u>7,853,823</u>	<u>1,089,372</u>	<u>1,530,011</u>	<u>10,473,206</u>
Investment income	153,594	35,714	-	189,308
Net realized and unrealized gain on investments	<u>1,064,826</u>	<u>215,151</u>	<u>-</u>	<u>1,279,977</u>
Total investment return	1,218,420	250,865	-	1,469,285
Contributions	-	1,050	100	1,150
Appropriation of endowment assets for expenditure	66,089	(66,089)	-	-
Expenditures	<u>(190,917)</u>	<u>-</u>	<u>-</u>	<u>(190,917)</u>
Endowment net assets, December 31, 2017	<u>\$ 8,947,415</u>	<u>\$ 1,275,198</u>	<u>\$ 1,530,111</u>	<u>\$ 11,752,724</u>

Temporarily restricted endowments were donated by a donor with the intention of the donation being held as endowment, however, the donor has placed no restriction on the use of the endowment principal in certain situations.

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

Funds with Deficiencies - From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor or state law requires the Conference to retain as a fund of perpetual duration. In accordance with U.S. GAAP, deficiencies of this nature are reported in unrestricted net assets. There were no deficiencies as of December 31, 2017 and 2016.

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

NOTE N - ENDOWMENT - Continued

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. Under this policy, as approved by the various governing boards, the endowment assets are invested in a manner that intends to produce results over a five year market cycle that exceeds the price and yield results of 60%-70% of the S&P 500 stock index and 30%-40% of an Intermediate Government/Corporate Bond Index. Depending on the nature of the fund, the Conference expects its endowment funds, over time, to provide an average rate of return of approximately 5-7% annually. Actual returns in any given year may vary from this amount. The board-designated endowment fund, maintained to provide pension and other post-retirement benefits for retired clergy, is currently invested to satisfy a growth objective while assuming a moderate level of investment risk.

Strategies Employed for Achieving Objectives - To satisfy its long-term rate-of-return objectives, the Conference relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The Conference targets a diversified asset allocation that balances fixed income investments and equity securities to achieve its long-term objectives within prudent risk constraints.

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

NOTE O - 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.

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

NOTE O - FAIR VALUE FINANCIAL INSTRUMENTS - Continued

The fair value hierarchy is as follows:

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

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

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

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

- *Investment in equity securities and money markets:* The Conference's equity securities are readily marketable and have fair values which are determined by obtaining quoted market prices in active markets (Level 1 inputs). These securities include highly liquid government bonds and exchange traded equities. If quoted market prices are not available, then fair values are estimated by using the quoted price of securities in an inactive market to which the Conference has access.
- *Investment in fixed income securities:* Fair values of corporate bonds are determined based on quoted prices for similar instruments in active markets, quoted prices for identical or similar instruments in markets that are not active and other market-corroborated sources, such as indices, yield curves and matrix pricing (Level 2 inputs).
- *Investment in pools:* The Conference's pooled investments are invested in the investment pools of the Wespeth 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).

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

NOTE O - FAIR VALUE FINANCIAL INSTRUMENTS - Continued

The following tables summarize assets measured at fair value on a recurring basis as of December 31, 2017 and 2016, segregated by the level of valuation inputs within the fair value hierarchy:

	2017			Total
	Level 1	Level 2	Level 3	
Independent investment managers:				
Equity securities	\$ 837,862	\$ -	\$ -	\$ 837,862
Fixed income securities	-	509,090	-	509,090
Money market funds	210,939	-	-	210,939
Total investments in the fair value hierarchy	<u>\$ 1,048,801</u>	<u>\$ 509,090</u>	<u>\$ -</u>	1,557,891
Investments measured at cost				658,018
Investments measured at net asset value				<u>50,751,006</u>
Total investments				<u>\$ 52,966,915</u>
Other assets, beneficial interests	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,893,382</u>	<u>\$ 2,893,382</u>
	2016			Total
	Level 1	Level 2	Level 3	
Independent investment managers:				
Equity securities	\$ 739,956	\$ -	\$ -	\$ 553,010
Fixed income securities	-	423,196	-	342,616
Money market funds	337,151	-	-	365,584
Total investments in the fair value hierarchy	<u>\$ 1,077,107</u>	<u>\$ 423,196</u>	<u>\$ -</u>	1,261,210
Investments measured at cost				655,007
Investments measured at net asset value				<u>43,897,551</u>
Total investments				<u>\$ 46,052,861</u>
Other assets, beneficial interests	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,433,776</u>	<u>\$ 2,433,776</u>

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

NOTE O - 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, 2016	\$ 2,375,934
Distributions	(66,344)
Unrealized gains	<u>124,186</u>
Ending balance, December 31, 2016	2,433,776
Distributions	(65,693)
Unrealized gains	268,233
Contributions	<u>257,066</u>
Ending balance, December 31, 2017	<u>\$ 2,893,382</u>

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

The following table sets forth additional disclosures of the Conference's investments whose fair value is estimated using net asset value per share as of December 31, 2017.

	Fair Value	Unfunded Commitment	Redemption Frequency	Redemption Notice Period
Pooled investment funds:				
International equity fund (a)	\$ 9,496,266	\$ -	Immediate	None
U.S. equity fund (b)	22,207,508	-	Immediate	None
Fixed income fund (c)	15,591,635	-	Immediate	None
Short-term investment fund (d)	95,213	-	Immediate	None
Balanced fund (e)	2,617,217	-	Immediate	None
Bond fund (f)	587,861	-	Immediate	None
Short-term investment fund (g)	<u>155,306</u>	-	Immediate	None
Total pooled investment funds	<u>\$ 50,751,006</u>			

The following table sets forth additional disclosures of the Conference's investments whose fair value is estimated using net asset value per share as of December 31, 2016.

	Fair Value	Unfunded Commitment	Redemption Frequency	Redemption Notice Period
Pooled investment funds:				
International equity fund (a)	\$ 7,273,269	\$ -	Immediate	None
U.S. equity fund (b)	18,519,108	-	Immediate	None
Fixed income fund (c)	14,630,777	-	Immediate	None
Short-term investment fund (d)	314,380	-	Immediate	None
Balanced fund (e)	2,404,568	-	Immediate	None
Bond fund (f)	601,425	-	Immediate	None
Short-term investment fund (g)	<u>154,024</u>	-	Immediate	None
Total pooled investment funds	<u>\$ 43,897,551</u>			

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

NOTE O - FAIR VALUE FINANCIAL INSTRUMENTS - Continued

- (a) The international equity fund seeks to maximize long-term capital appreciation from a diversified portfolio of non-U.S. stocks. Additionally, the fund holds securities of publicly traded non-U.S. real estate investment trusts (REITs) and limited partnership interests in private real estate partnerships and private equity with investments located in developed and developing countries. It also holds equity index futures of stock indexes in non-U.S. markets.
- (b) The U.S. equity fund seeks to earn long-term capital appreciation from a broadly diversified portfolio of primarily U.S. domiciled publicly owned companies and to a lesser extent U.S. Private Equity and U.S. Private Real Estate.
- (c) The fixed income fund invests in a diversified mix of fixed-income instruments to earn current income. A majority of the fund is invested in publicly traded U.S. fixed-income securities but is also invested in fixed-income instruments denominated in currencies other than the U.S. dollar and the fund holds privately placed loans originated by the Positive Social Purpose (PSP) Lending Program.
- (d) The short-term investment fund is an actively managed bond fund that seeks to maximize current income consistent with preservation of capital. The fund's holdings include government and agency bonds, corporate bonds, securitized products commercial paper, certificates of deposit and other similar types of investments.
- (e) The balanced fund seeks to balance the objectives of long-term capital appreciation and present income. The fund is invested in a portfolio of fixed-income securities, equity securities (including foreign issuers and small capitalization companies), cash and cash equivalents, and other alternative investments.
- (f) The bond fund seeks to maximize present income. The fund is invested in a portfolio of fixed income securities (U.S. government notes and bonds, mortgage and asset backed securities, certificates of deposits, corporate bonds, mutual funds and municipal bond mutual funds), with up to 15% of fixed income investments in preferred stock, securities convertible to common stock, real estate and other hybrid issues.
- (g) The short-term investment fund seeks to provide an investment vehicle for shorter term funds seeking to earn a better interest rate than traditional savings accounts or money mutual funds. The fund is invested in fixed income securities in U.S. Government, government backed obligations, certificate of deposits or similar types of investments with averages maturities of three years or less.

SUPPLEMENTARY INFORMATION

IOWA ANNUAL CONFERENCE OF THE UNITED METHODIST CHURCH
CONSOLIDATING STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2017

ASSETS

	Iowa Annual Conference	Board of Pensions	Eliminations	Consolidated Total
Cash and cash equivalents	\$ 5,324,748	\$ 2,576,250	\$ -	\$ 7,900,998
Receivables:				
Apportionment receivables, net	971,829	-	-	971,829
Loans receivable, net	63,703	-	-	63,703
Other receivables, net	160,095	124,757	705	285,557
Total receivables	1,195,627	124,757	705	1,321,089
Investments	5,576,295	47,390,620	-	52,966,915
Property and equipment, net	8,108,507	-	-	8,108,507
Beneficial interests	2,852,434	40,948	-	2,893,382
Other assets	146,321	17,819	-	164,140
TOTAL ASSETS	\$ 23,203,932	\$ 50,150,394	\$ 705	\$ 73,355,031

LIABILITIES AND NET ASSETS

LIABILITIES

Accounts payable and accrued expenses	\$ 633,167	\$ 355,288	\$ (278)	\$ 988,177
Notes payable	1,459,904	-	-	1,459,904
Pass-through liabilities	36,914	-	983	37,897
Accrued postretirement benefit obligation	-	6,877,628	-	6,877,628
TOTAL LIABILITIES	2,129,985	7,232,916	705	9,363,606

NET ASSETS

Unrestricted	13,502,795	42,876,528	-	56,379,323
Temporarily restricted	3,447,829	-	-	3,447,829
Permanently restricted	4,123,323	40,950	-	4,164,273
TOTAL NET ASSETS	21,073,947	42,917,478	-	63,991,425

TOTAL LIABILITIES AND NET ASSETS	\$ 23,203,932	\$ 50,150,394	\$ 705	\$ 73,355,031
---	----------------------	----------------------	---------------	----------------------

IOWA ANNUAL CONFERENCE OF THE UNITED METHODIST CHURCH
CONSOLIDATING STATEMENT OF ACTIVITIES - UNRESTRICTED NET ASSETS
YEAR ENDED DECEMBER 31, 2017

	<u>Iowa Annual Conference</u>	<u>Board of Pensions</u>	<u>Eliminations</u>	<u>Consolidated Total</u>
REVENUE, GAINS, AND OTHER SUPPORT				
Apportionments, net	\$ 8,837,662	\$ -	\$ -	\$ 8,837,662
Charitable contributions and grants	19,280	-	-	19,280
Registration fees	1,117,198	945	-	1,118,143
Dividends and interest	120,130	852,321	-	972,451
Sale of goods and services	233,518	-	(192,000)	41,518
Other revenue	179,939	10,589,915	(10,599,008)	170,846
Net assets released from restrictions, satisfaction of program restrictions	2,716,593	-	-	2,716,593
Total revenue, gains, and other support	13,224,320	11,443,181	(10,791,008)	13,876,493
EXPENSES				
Program services				
Clergy support ministries	2,941,494	7,382,026	(10,480,662)	(157,142)
Local church support ministries	4,709,984	-	(28,808)	4,681,176
Institutional support ministries	938,766	-	-	938,766
Other ministries	2,078,739	-	(17,379)	2,061,360
	<u>10,668,983</u>	<u>7,382,026</u>	<u>(10,526,849)</u>	<u>7,524,160</u>
Support services				
General and administrative	2,853,822	307,618	(264,159)	2,897,281
Fund raising	62,855	-	-	62,855
	<u>2,916,677</u>	<u>307,618</u>	<u>(264,159)</u>	<u>2,960,136</u>
Total expenses	13,585,660	7,689,644	(10,791,008)	10,484,296
Changes in net assets, before other changes	(361,340)	3,753,537	-	3,392,197
Net realized and unrealized gain on investments	129,347	6,031,580	-	6,160,927
Loss on sale of property and equipment	(64,476)	-	-	(64,476)
Pension and postretirement health benefit plan changes other than net periodic post retirement benefit income	-	(3,458,344)	-	(3,458,344)
CHANGE IN NET ASSETS	(296,469)	6,326,773	-	6,030,304
Net assets, beginning of year	13,799,264	36,549,755	-	50,349,019
Net assets, end of year	\$ 13,502,795	\$ 42,876,528	\$ -	\$ 56,379,323

IOWA ANNUAL CONFERENCE OF THE UNITED METHODIST CHURCH
CONSOLIDATING STATEMENT OF ACTIVITIES - TEMPORARILY RESTRICTED NET ASSETS
YEAR ENDED DECEMBER 31, 2017

	<u>Iowa Annual Conference</u>	<u>Board of Pensions</u>	<u>Eliminations</u>	<u>Consolidated Total</u>
REVENUE, GAINS, AND OTHER SUPPORT				
District askings	\$ 278,458	\$ -	\$ -	\$ 278,458
Charitable contributions and grants	2,468,332	-	-	2,468,332
Dividends and interest	41,915	-	-	41,915
Other revenue	6,689	-	-	6,689
Net assets released from restrictions, satisfaction of program restrictions	(2,716,593)	-	-	(2,716,593)
Total revenue, gains, and other support	<u>78,801</u>	<u>-</u>	<u>-</u>	<u>78,801</u>
Changes in net assets, before other changes	78,801	-	-	78,801
Net realized and unrealized gain on investments	<u>217,702</u>	<u>-</u>	<u>-</u>	<u>217,702</u>
CHANGE IN NET ASSETS	296,503	-	-	296,503
Net assets, beginning of year	<u>3,151,326</u>	<u>-</u>	<u>-</u>	<u>3,151,326</u>
Net assets, end of year	<u><u>\$ 3,447,829</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 3,447,829</u></u>

IOWA ANNUAL CONFERENCE OF THE UNITED METHODIST CHURCH
CONSOLIDATING STATEMENT OF ACTIVITIES - PERMANENTLY RESTRICTED NET ASSETS
YEAR ENDED DECEMBER 31, 2017

	<u>Iowa Annual Conference</u>	<u>Board of Pensions</u>	<u>Eliminations</u>	<u>Consolidated Total</u>
REVENUE, GAINS, AND OTHER SUPPORT				
Charitable contributions and grants	\$ 100	\$ -	\$ -	\$ 100
Total revenue, gains, and other support	<u>100</u>	<u>-</u>	<u>-</u>	<u>100</u>
Changes in net assets, before other changes	100	-	-	100
Net realized and unrealized gain on investments	<u>196,896</u>	<u>3,490</u>		<u>200,386</u>
CHANGE IN NET ASSETS	196,996	3,490	-	200,486
Net assets, beginning of year	<u>3,926,327</u>	<u>37,460</u>	<u>-</u>	<u>3,963,787</u>
Net assets, end of year	<u>\$ 4,123,323</u>	<u>\$ 40,950</u>	<u>\$ -</u>	<u>\$ 4,164,273</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, 2017 AND 2016

	2017			2016		
	Episcopal Funds	Area Funds	Total	Episcopal Funds	Area Funds	Total
Cash receipts:						
Episcopal Fund	\$ 84,560	\$ -	\$ 84,560	\$ 82,900	\$ -	\$ 82,900
Annual Conference apportionments	-	211,613	211,613	-	224,490	224,490
Investment income	-	20,703	20,703	-	4,345	4,345
Total cash receipts	<u>84,560</u>	<u>232,316</u>	<u>316,876</u>	<u>82,900</u>	<u>228,835</u>	<u>311,735</u>
Cash disbursements:						
Support staff salaries	84,560	117,935	202,495	82,900	114,272	197,172
Support staff benefits	-	69,642	69,642	-	66,355	66,355
Support staff payroll taxes	-	7,174	7,174	-	6,923	6,923
Hotel, travel, meals and entertainment	-	3,744	3,744	-	15,088	15,088
Legal and professional fees	-	21,802	21,802	-	2,283	2,283
Rent and utilities	-	2,400	2,400	-	2,400	2,400
Office supplies	-	7,053	7,053	-	9,646	9,646
Postage	-	1,219	1,219	-	1,359	1,359
Printing and copying	-	1,740	1,740	-	3,427	3,427
Miscellaneous	-	1,088	1,088	-	5,739	5,739
Total cash disbursements	<u>84,560</u>	<u>233,797</u>	<u>318,357</u>	<u>82,900</u>	<u>227,492</u>	<u>310,392</u>
Cash receipts over (under) cash disbursements	-	(1,481)	(1,481)	-	1,343	1,343
Cash balance, beginning of year	<u>78,600</u>	<u>36,591</u>	<u>115,191</u>	<u>78,600</u>	<u>35,248</u>	<u>113,848</u>
Cash balance, end of year	<u>\$ 78,600</u>	<u>\$ 35,110</u>	<u>\$ 113,710</u>	<u>\$ 78,600</u>	<u>\$ 36,591</u>	<u>\$ 115,191</u>