

IOWA ANNUAL CONFERENCE OF THE UNITED METHODIST CHURCH
CONSOLIDATED FINANCIAL STATEMENTS AND
INDEPENDENT AUDITOR'S REPORT
DECEMBER 31, 2018 AND 2017

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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, 2018 and 2017, 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, 2018 and 2017, 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 consolidated financial statements, the Iowa Annual Conference of The United Methodist Church and its affiliate retrospectively adopted Financial Accounting Standards Board Accounting Standards Update (ASU) No. 2016-14, Presentation of Financial Statements of Not-for-Profit Entities. The Iowa Annual Conference of The United Methodist Church and affiliate opted not to disclose the liquidity and availability information for 2017, as permitted under the ASU in the year of adoption. 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 37, which are the responsibility of management, are presented for purposes of additional analysis and are not a required part of the consolidated financial statements. Such information, 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 36 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 36 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.
May 30, 2019

IOWA ANNUAL CONFERENCE OF THE UNITED METHODIST CHURCH
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2018 AND 2017

ASSETS

	2018	2017
Cash and cash equivalents	\$ 7,905,939	\$ 7,900,998
Receivables:		
Apportionment receivables, net	820,188	971,829
Other receivables, net	244,675	349,260
Total receivables	1,064,863	1,321,089
Investments	49,842,135	52,966,915
Property and equipment, net	8,811,250	8,108,507
Beneficial interests	2,831,099	2,893,382
Other assets	107,547	164,140
TOTAL ASSETS	\$ 70,562,833	\$ 73,355,031

LIABILITIES AND NET ASSETS

LIABILITIES

Accounts payable and accrued expenses	\$ 1,082,231	\$ 988,177
Notes payable	1,828,967	1,459,904
Pass-through liabilities	148,974	37,897
Accrued postretirement benefit obligation	6,216,320	6,877,628
TOTAL LIABILITIES	9,276,492	9,363,606

NET ASSETS

Net assets without donor restrictions		
Funds available for operations	2,916,289	3,095,616
Funds board designated for specific purposes	50,943,073	53,283,707
	53,859,362	56,379,323
Net assets with donor restrictions	7,426,979	7,612,102
TOTAL NET ASSETS	61,286,341	63,991,425

TOTAL LIABILITIES AND NET ASSETS	\$ 70,562,833	\$ 73,355,031
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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, 2018

	Without Donor Restrictions	With Donor Restrictions	Total
REVENUE, GAINS, AND OTHER SUPPORT			
Apportionments, net	\$ 8,535,339	\$ -	\$ 8,535,339
District askings	-	275,767	275,767
Charitable contributions and grants	654,363	2,090,632	2,744,995
Registration fees	1,044,277	-	1,044,277
Dividends and interest	1,121,564	39,917	1,161,481
Sale of goods and services	31,759	-	31,759
Other revenue	307,837	5,660	313,497
Net assets released from restrictions, satisfaction of program restrictions	2,067,808	(2,067,808)	-
Total revenue, gains, and other support	13,762,947	344,168	14,107,115
EXPENSES			
Program services			
Clergy support ministries	1,573,110	-	1,573,110
Local church support ministries	4,812,927	-	4,812,927
Institutional support ministries	932,236	-	932,236
Other ministries	1,508,632	-	1,508,632
	<u>8,826,905</u>	<u>-</u>	<u>8,826,905</u>
Support services			
General and administrative	2,892,487	-	2,892,487
Fund raising	30,853	-	30,853
	<u>2,923,340</u>	<u>-</u>	<u>2,923,340</u>
Total expenses	11,750,245	-	11,750,245
Changes in net assets, before other changes	2,012,702	344,168	2,356,870
Net realized and unrealized loss on investments, net of fees	(3,846,531)	(212,329)	(4,058,860)
Change in valuation of beneficial interests, net of fees	-	(316,962)	(316,962)
Gain on sale of property and equipment	27,495	-	27,495
Pension and postretirement health benefit plan changes other than net periodic post retirement benefit income	(713,627)	-	(713,627)
CHANGE IN NET ASSETS	(2,519,961)	(185,123)	(2,705,084)
Net assets, beginning of year	56,379,323	7,612,102	63,991,425
Net assets, end of year	<u>\$ 53,859,362</u>	<u>\$ 7,426,979</u>	<u>\$ 61,286,341</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, 2017

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</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	2,468,432	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	78,901	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>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>2,960,136</u>
Total expenses	10,484,296	-	10,484,296
Changes in net assets, before other changes	3,392,197	78,901	3,471,098
Net realized and unrealized gain on investments	6,160,927	217,702	6,378,629
Change in valuation of beneficial interests	-	200,386	200,386
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	496,989	6,527,293
Net assets, beginning of year	50,349,019	7,115,113	57,464,132
Net assets, end of year	<u>\$ 56,379,323</u>	<u>\$ 7,612,102</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 FUNCTIONAL EXPENSES
YEAR ENDED DECEMBER 31, 2018

	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	\$ 1,230,034	\$ 1,936,064	\$ -	\$ 433,860	\$ 3,599,958	\$ 1,228,673	\$ -	\$ 1,228,673	\$ 4,828,631
Fringe benefits	469,194	672,678	-	170,315	1,312,187	336,607	-	336,607	1,648,794
Total salaries and benefits	1,699,228	2,608,742	-	604,175	4,912,145	1,565,280	-	1,565,280	6,477,425
Other expenses									
Occupancy	191,218	214,833	-	32,617	438,668	138,740	-	138,740	577,408
Office	38,404	72,807	-	37,551	148,762	93,831	3,986	97,817	246,579
Program supplies and materials	-	175,352	-	-	175,352	-	-	-	175,352
Professional fees and contract services	69,239	157,693	135	2,822	229,889	266,486	-	266,486	496,375
Insurance	1,112	5,321	-	-	6,433	162,294	-	162,294	168,727
Staff and volunteer hotel, travel, meals, and entertainment	127,298	91,186	-	19,765	238,249	32,221	122	32,343	270,592
Clergy moving	452,231	-	-	-	452,231	-	-	-	452,231
Conferences, meetings, and retreat	104,835	192,907	-	13,227	310,969	297,007	2,870	299,877	610,846
Expendable equipment	79,426	116,697	-	4,004	200,127	52,304	-	52,304	252,431
Depreciation	82,692	282,662	-	4,423	369,777	195,924	-	195,924	565,701
Cost of goods and services	-	31,583	-	-	31,583	675	-	675	32,258
Bad debt expense (recoveries)	-	-	-	-	-	(8,559)	-	(8,559)	(8,559)
Miscellaneous	4,595	7,468	-	3,843	15,906	96,284	60	96,344	112,250
Net periodic post retirement benefit income	(1,518,005)	-	-	-	(1,518,005)	-	-	-	(1,518,005)
Grants to local church ministries	240,837	855,676	932,101	786,205	2,814,819	-	23,815	23,815	2,838,634
Total other expenses	(126,118)	2,204,185	932,236	904,457	3,914,760	1,327,207	30,853	1,358,060	5,272,820
Total expenses	<u>\$ 1,573,110</u>	<u>\$ 4,812,927</u>	<u>\$ 932,236</u>	<u>\$ 1,508,632</u>	<u>\$ 8,826,905</u>	<u>\$ 2,892,487</u>	<u>\$ 30,853</u>	<u>\$ 2,923,340</u>	<u>\$11,750,245</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 STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2018 AND 2017

	2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ (2,705,084)	\$ 6,527,293
Adjustments to reconcile change in net assets to net change in cash from operating activities		
Net realized and unrealized loss (gain) on investments	4,058,860	(6,378,629)
Bad debt recoveries	(8,559)	(14,019)
Loss (gain) on sale of property and equipment	(27,495)	64,476
Depreciation expense	565,701	610,237
Donated property and equipment	(633,378)	(9,990)
Contributions restricted for long-term investments	(6,000)	(100)
Contributions to beneficial interests	(254,679)	(257,066)
Investment loss (gain) on beneficial interests	221,058	(268,233)
Accrued postretirement benefit obligation	(661,308)	(156,785)
Changes in assets and liabilities:		
Apportionment receivables, net	151,641	67,322
Other receivables, net	113,144	5,840
Assets held for sale	-	50,000
Other assets	56,593	(26,237)
Accounts payable and accrued expenses	94,054	(74,087)
Pass-through liabilities	111,077	39,948
Net change in cash from operating activities	1,075,625	179,970
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of property and equipment	(168,863)	(117,683)
Proceeds from sales of property and equipment	27,916	332,860
Purchases of investments	(4,956,505)	(4,334,645)
Proceeds from sales of investments	4,022,425	3,799,220
Net change in cash from investing activities	(1,075,027)	(320,248)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from contributions restricted for long-term investments	6,000	100
Principal payments on notes payable	(97,561)	(298,738)
Principal payments on capital leases	-	(6,286)
Distributions from beneficial interests	95,904	65,693
Net change in cash from financing activities	4,343	(239,231)
NET CHANGE IN CASH AND CASH EQUIVALENTS	4,941	(379,509)
CASH AND CASH EQUIVALENTS		
Beginning of year	7,900,998	8,280,507
End of year	\$ 7,905,939	\$ 7,900,998
Supplemental Disclosures of Cash Flow Information		
Cash paid for interest	\$ 70,235	\$ 69,266
Non-cash investing and financing activity: acquisition of building and land with note payable	\$ 466,622	\$ -

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

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

NOTE A - NATURE OF ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES

Nature of Organization - The Iowa Annual Conference of The United Methodist Church and affiliate, the Board of Pensions of the Iowa Annual Conference of The United Methodist Church (collectively, the Conference) is a not-for-profit organization representing approximately 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 control of, and an economic interest in, 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 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.

New Accounting Pronouncements - In August 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update No. 2016-14, Presentation of Financial Statements of Not-for-Profit Entities (ASU 2016-14), which is effective for fiscal years beginning after December 15, 2017 for entities other than public business entities. ASU 2016-14 amends the current reporting model for not-for-profit entities and enhances their required disclosures. The major changes include: (a) requiring the presentation of only two classes of net assets now entitled “net assets without donor restrictions” and “net assets with donor restrictions”, (b) modifying the presentation of underwater endowment funds and related disclosures, (c) requiring presentation of an analysis of expenses by function and nature either in the Statement of Activities, a separate Statement of Functional Expenses, or in the notes and including a disclosure of the summary of allocation methods used to allocate costs, (d) requiring the disclosure of quantitative and qualitative information regarding liquidity and availability of resources, (e) presenting investment return net of external and direct internal investment expenses, and (f) modifying other financial statement reporting requirements and disclosures intended to increase the usefulness of not-for-profit financial statements. The Conference has adopted ASU 2016-14 as of and for the year ended December 31, 2018 with retrospective application for the 2017 financial statements. The Conference opted not to disclose the liquidity and availability information for 2017, as permitted under ASU 2016-14 in the year of adoption.

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

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

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).

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 \$2,669,800 at December 31, 2018. 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 approximately \$4,987,000 in a sweep account at December 31, 2018 that is not insured by the FDIC; however, a financial institution has pledged mortgage-backed securities 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.

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.

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, 2018 or 2017.

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 - 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. 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 were held for sale at December 31, 2018 and 2017.

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, 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 and uncertain event, are not recorded as contributions until the condition is substantially met. At December 31, 2018 and 2017, conditional promises to give totaled \$275,671 and \$159,768, 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.

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

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

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.

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 2018 and 2017.

Pending Accounting Pronouncements - In May 2014, FASB issued Accounting Standards Update (ASU) 2014-09, Revenue from Contracts with Customers. The standard's core principle is that an entity will recognize revenue when it transfers promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. This standard also includes expanded disclosure requirements that result in an entity providing users of financial statements with comprehensive information about the nature, amount, timing and uncertainty of revenue and cash flows arising from the entity's contracts with customers. This standard will be effective for the year ending December 31, 2019. The Conference is currently in the process of evaluating the effect of adoption of this ASU on the consolidated financial statements.

In February 2016, the FASB issued ASU 2016-02, Leases. The standard requires all leases with terms over 12 months to be capitalized as a right-of-use asset and lease liability on the Consolidated Statements of Financial Position at the date of lease commencement. Leases will be classified as either finance or operating. This distinction will be relevant for the pattern of expense recognition in the Consolidated Statement of Activities. This standard will be effective for the year ending December 31, 2020. The Conference is currently in the process of evaluating the effect of adoption of this ASU on the 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 -
Continued

Pending Accounting Pronouncements - Continued - In June 2018, the FASB issued ASU 2018-08, Not-for-Profit Entities. The standard clarifies how entities determine whether to account for a transfer of assets as an exchange transaction or a contribution. The standard also clarifies that a contribution is conditional if the agreement includes both a barrier (or barriers) that must be overcome for the recipient to be entitled to the assets transferred and a right of return for the transferred assets or a right of release of the promisor's obligation to transfer assets. This standard will be effective for the year ending December 31, 2019. The Conference is currently in the process of evaluating the effect of adoption of this ASU on the consolidated financial statements.

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

Subsequent Events - Management has evaluated subsequent events through May 30, 2019, the date the financial statements were available to be issued.

NOTE B - LIQUIDITY AND AVAILABILITY

The Conference strives to maintain liquid financial assets sufficient to cover a minimum of 90 days and a maximum of 180 days of general operating expense. General operating expenses for this purpose includes salaries and benefits, payroll taxes, occupancy expenses and monthly grants to agencies. Financial assets in excess of daily cash requirements are held in cash and cash equivalents, receivables, 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, 2018, reduced by amounts that are not available to meet general expenditures within one year of December 31, 2018 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 for the following: \$10,905 is expected to be collected in 2020, and \$775 is expected to be collected in 2021. Amounts not available to meet general expenditures within one year also include net assets with donor restrictions.

Cash and cash equivalents	\$ 7,905,939
Receivables, net	1,064,863
Investments in marketable securities	49,842,135
Total financial assets	<u>58,812,937</u>
Add: distribution from beneficial interest during first quarter 2019	63,305
Less: receivables to be collected after 2019	(11,680)
Less: pass-through liabilities	(148,974)
Less: cash received for conditional promises to give	(113,962)
Less: donor restricted net assets*	(4,595,880)
Less: board designated net assets	<u>(50,943,073)</u>
Financial assets available to meet general expenditures within one year	<u>\$ 3,062,673</u>

* Total donor restricted net assets as of December 31, 2018, per the Consolidated Statement of Financial Position, is \$7,426,979, which includes \$2,831,099 of beneficial interests not available for use to meet general operating expenses.

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

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, 2018 and 2017 are as follows:

	Fair Value	
	2018	2017
Wespath:		
Pooled deposit investment fund	\$ 95,175	\$ 95,213
Pooled retirees benefit investment fund	16,450,289	17,482,427
Pooled permanent investment fund	7,133,855	7,580,819
Pooled retirees medical investment fund	10,615,458	11,266,879
Pooled operating investment fund	10,334,019	10,965,284
Iowa United Methodist Foundation:		
Pooled investment fund	2,381,742	2,617,217
Pooled corporate bonds	419,893	587,861
Pooled money market fund	156,801	155,306
Certificate of participation at cost	796,070	658,018
Independent investment managers:		
Legacy fund	1,298,982	1,368,390
Priscilla investment fund	159,851	168,332
Beinke Trust	-	21,169
	<u>\$ 49,842,135</u>	<u>\$ 52,966,915</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, 2018 and 2017, property and equipment consisted of the following:

	2018	2017
Land and improvements	\$ 1,740,643	\$ 1,320,643
Buildings and improvements	13,331,898	12,577,605
Furniture and equipment	2,589,203	2,522,612
Construction in process	18,437	18,437
	<u>17,680,181</u>	<u>16,439,297</u>
Less accumulated depreciation	<u>8,868,931</u>	<u>8,330,790</u>
Net property and equipment	<u>\$ 8,811,250</u>	<u>\$ 8,108,507</u>

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

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, 2018 and 2017, consisted of the following:

	2018	2017
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, 2018.	\$ 833,638	\$ 885,344
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 \$1,598,667 at December 31, 2018.	\$ 129,047	\$ 144,078
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, 2018.	402,064	430,482
Note payable to Hills Bank and Trust, due in monthly installments of \$2,816, including interest at 5.25% with the remaining principal balance due September 10, 2023 with a balloon payment. The note is secured by Coralville's Church building and land with a total carrying value of \$1,077,333 at December 31, 2018.	464,218	-
	\$ 1,828,967	\$ 1,459,904

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

Year ending December 31:	
2019	\$ 108,912
2020	114,004
2021	119,476
2022	124,925
2023	543,446
Thereafter	818,204
	\$ 1,828,967

Interest costs incurred during the years ended December 31, 2018 and 2017 totaled \$71,466 and \$68,312, respectively.

In June 2019, the Conference intends to assume the mortgages on a closing church in Marion, Iowa, totaling approximately \$589,000.

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

NOTE F - PASS-THROUGH LIABILITIES

Pass-through liabilities at December 31 are as follows:

	Year Ended December 31, 2018			
	January 1, 2018	Receipts	Disbursements	December 31, 2018
General church agencies	\$ (6,029)	\$ 3,034,403	\$ 2,920,725	\$ 107,649
North central jurisdiction	-	15,467	9,761	5,706
Heifer Project International	17,435	67,342	71,031	13,746
Conference advance specials	12,896	77,254	79,083	11,067
Other benevolences	13,063	92,155	94,755	10,463
Institutional gifts	532	1,237	1,426	343
	<u>\$ 37,897</u>	<u>\$ 3,287,858</u>	<u>\$ 3,176,781</u>	<u>\$ 148,974</u>
	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>

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 \$2,293,840 and \$2,388,894 for the years ended December 31, 2018 and 2017, respectively. Contributions of \$2,196,065 and 2,090,300 are required for 2019 and 2020, respectively. The Conference billed member churches 15% of compensation in 2018 and 2017 to fund required contributions to the Plan. In 2019 and 2020, 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 2018 and 2017. No contribution is required for 2019 or 2020. 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, the 2018 annuity rate was \$640, and the 2019 annuity rate will be \$650, 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 2018. No contribution is required in 2019. 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, 2018, the date for which the most current information is available, the Pre-1982 plan had assets of \$2,243,295,776 and liabilities of \$2,488,474,865 for a net unfunded status of \$(245,179,089). As of January 1, 2018, the date for which the most current information is available, the CRSP and MPP plans had assets of \$5,789,664,380 and liabilities of \$5,346,827,307 for a net funded status of \$442,837,073.

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 484 clergy in the Pre-82 plan, 1,296 clergy in the MPP Annuities plan, and 835 clergy in the CRSP plan. There have been no significant changes that affect the comparability of 2018 and 2017 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 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 2018 no contribution was required. In 2017, a contribution of 3% of total plan compensation was required, which totaled approximately \$742,000 in 2017. No premium is expected for 2019, and the estimated 2020 CPP premium is approximately \$765,000.

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 2018 and 2017, the Conference paid premiums of approximately \$44,310 and \$40,020, 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 \$10,615,000 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>2018</u>	<u>2017</u>
CRSP	\$ 3,044,578	\$ 3,148,328
MPP	-	-
Pre-1982	-	-
UMPIP	133,610	121,171
Health, current and retired employees	7,488,612	7,022,979
CPP	-	742,393
BPP	44,309	40,024
	<u>10,711,109</u>	<u>11,074,895</u>
Less amount reimbursed through direct billing to member churches	(10,854,178)	(10,576,222)
Actuarial adjustments to health plan	<u>(661,308)</u>	<u>(156,785)</u>
Total amount paid by (reimbursed to) the Conference	<u>(804,377)</u>	<u>\$ 341,888</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>2018</u>	<u>2017</u>
Changes in benefit obligations:		
Obligation at beginning of year	\$ (6,877,628)	\$ (7,034,413)
Service cost	(48,143)	(43,248)
Interest cost	(225,887)	(250,924)
Actuarial losses	274,983	(235,272)
Benefit payments, net	<u>660,355</u>	<u>686,229</u>
Obligation at end of year	(6,216,320)	(6,877,628)
Fair value of plan assets at end of year	<u>-</u>	<u>-</u>
Funded status	<u>\$ (6,216,320)</u>	<u>\$ (6,877,628)</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	\$ (4,229,681)	\$ (6,356,453)
Unamortized actuarial loss	<u>3,654,183</u>	<u>4,263,903</u>
Total recognized in net assets without donor restrictions	<u>\$ (575,498)</u>	<u>\$ (2,092,550)</u>
Components of net periodic postretirement benefit income:		
Service cost	\$ 48,143	\$ 43,248
Interest cost	225,887	250,924
Amortization of prior service credit	(2,126,772)	(3,764,986)
Amortization of net loss	<u>334,737</u>	<u>354,358</u>
Net periodic postretirement benefit income	<u>\$ (1,518,005)</u>	<u>\$ (3,116,456)</u>
Assumptions used in computations:		
Discount rate	4.05%	3.45%

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

Year ended December 31:	
2019	643,628
2020	607,356
2021	580,180
2022	553,904
2023	538,224
2024-2028	2,305,418

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 September 2019 through October 2022.

The Conference leases cars for eligible employees under noncancelable operating leases requiring monthly lease payments totaling \$8,018. The leases expire from December 2019 through March 2023.

The Conference leases office space for four district offices and two Conference ministries as of December 31, 2018. These noncancelable leases are for terms ranging from one to five years with monthly lease payments totaling \$10,209 and includes utilities and general building repairs. The termination dates for these leases range from May 2019 to July 2021. Additionally, the Conference has month-to-month lease arrangements for three district offices and three Conference ministries.

As of December 31, 2018, 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:			
2019	\$ 91,844	\$ 117,270	\$ 209,114
2020	66,074	98,207	164,281
2021	10,989	97,508	108,497
2022	-	94,610	94,610
2023	-	13,645	13,645
Total future minimum lease payments	<u>\$ 168,907</u>	<u>\$ 421,240</u>	<u>\$ 590,147</u>

Rent expense for operating lease commitments totaled approximately \$307,300 and \$360,900 for the years ended December 31, 2018 and 2017, respectively.

NOTE K - NET ASSETS

Net assets without donor restrictions or board designations as of December 31, 2018 and 2017, are as follows:

	<u>2018</u>	<u>2017</u>
Funds available for operations	<u>\$ 2,916,289</u>	<u>\$ 3,095,616</u>

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

NOTE K - NET ASSETS - Continued

Net assets without donor restrictions, designated by the Board for specific purposes as of December 31, 2018 and 2017, are as follows:

	<u>2018</u>	<u>2017</u>
Board of Camps	\$ 92,258	\$ 175,489
Board of Church and Society	-	(2,273)
Board of Global Ministries	559,434	821,903
Board of Laity	22,422	15,799
Board of Ordained Ministry	283,666	316,612
Board of Pensions: including unamortized prior service cost and actuarial gains on health benefit liability of \$575,498 and \$2,092,550 at December 31, 2018 and 2017, respectively	40,741,625	43,037,310
Board of Trustees	10,733,572	9,909,503
Clergy Support Programs	12,690	60,265
Commission on Archives and History	3,782	3,886
Committee on Annual Conference Administration	94	-
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.	(2,029,681)	(1,643,990)
Council on Connectional Ministries	14,889	2,281
Episcopal Funds	18,172	(31,469)
District Administrative Funds	-	(1,888)
Other District Program Funds	317,861	350,216
Westmar Scholarship Fund	19,500	18,000
Women at the Well	140,714	203,668
Dawson Trust Scholarship Fund	1,150	1,250
College Scholarship Endowment Fund	10,000	500
Thanksgiving Ingathering	-	45,770
Louise Reep Endowment Fund	925	875
Total net assets without donor restrictions designated for specific purposes	<u>\$ 50,943,073</u>	<u>\$ 53,283,707</u>

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

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

NOTE K - NET ASSETS - Continued

Net assets with donor restrictions for purpose as of December 31, 2018 and 2017 are as follows:

	<u>2018</u>	<u>2017</u>
Board of Camps (including \$468,496 recorded with beneficial interests)	\$ 703,475	\$ 530,470
Board of Church and Society	41,302	40,517
Board of Discipleship	39,823	35,837
Board of Global Ministries	1,030,846	883,517
Board of Higher Education	1,343	1,343
Board of Trustees	475,128	647,428
Commission on Archives and History	31,937	36,158
Commission on Ministry with Persons with Disabilities	13,225	12,311
Commission on Religion and Race	200	150
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.	(5,691)	(18,622)
Council on Connectional Ministries	176,684	105,951
Council on Youth Ministries	2,381	2,152
Episcopal Funds	29,988	36,602
District Administration	12,740	-
District Connectional Ministries Councils	3,832	11,751
Clergy Support	915	-
Other District Program Funds	407,019	398,830
Other Program and Investment Funds	563,119	723,434
Total net assets with donor restrictions*	<u>\$ 3,528,266</u>	<u>\$ 3,447,829</u>

Net assets with donor restrictions to be held in perpetuity as of December 31, 2018 and 2017 are as follows:

	<u>2018</u>	<u>2017</u>
Endowments:		
Westmar college scholarship endowment (a)	\$ 856,021	\$ 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	101,336
Partners in Leadership scholarship endowment (e)	35,084	35,084
Total endowments	<u>1,536,111</u>	<u>1,530,111</u>
Beneficial interests:		
Garland Estate Trust (f)	2,110,163	2,373,234
Beneficial interest in perpetual trusts (g)	252,439	260,928
Total beneficial interests	<u>2,362,602</u>	<u>2,634,162</u>
Total net assets with donor restrictions to be held in perpetuity*	<u>\$ 3,898,713</u>	<u>\$ 4,164,273</u>
Total net assets with donor restrictions (sum of *)	<u><u>\$ 7,426,979</u></u>	<u><u>\$ 7,612,102</u></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 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 L - APPORTIONMENTS, NET

Apportionments budgeted totaled \$14,794,211 and \$14,171,947 for the years ended December 31, 2018 and 2017, respectively. Of these amounts, \$8,535,340 and \$8,837,662 for the years ended December 31, 2018 and 2017, respectively, were recognized as revenue in the Consolidated Statements of Activities. \$2,364,531 and \$2,348,181 for the years ended December 31, 2018 and 2017, respectively, were for pass throughs and not recognized in the Consolidated Statements of Activities, and \$3,894,340 and \$2,986,131 for the years ended December 31, 2018 and 2017, 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, 2018 and 2017, 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, 2018, was approximately \$261,000. 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 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 February 2027.

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, 2018 and 2017. 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, 2018 and 2017. There were no liabilities included in accounts payable associated with abandoned churches for the years ended December 31, 2018 and 2017.

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 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 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.

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:

	2018		
	Without Donor Restrictions	With Donor Restrictions	Total
Donor-restricted endowment funds	\$ 30,426	\$ 2,572,963	\$ 2,603,389
Board-designated endowment funds	8,368,979	-	8,368,979
	<u>\$ 8,399,405</u>	<u>\$ 2,572,963</u>	<u>\$ 10,972,368</u>
	2017		
	Without Donor Restrictions	With Donor Restrictions	Total
Donor-restricted endowment funds	\$ 19,375	\$ 2,805,309	\$ 2,824,684
Board-designated endowment funds	8,928,040	-	8,928,040
	<u>\$ 8,947,415</u>	<u>\$ 2,805,309</u>	<u>\$ 11,752,724</u>

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, 2018 and 2017, are as follows:

	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets, January 1, 2017	\$ 7,853,823	\$ 2,619,383	\$ 10,473,206
Investment return:			
Investment income	153,594	35,714	189,308
Net realized and unrealized gains on investments	1,064,826	215,151	1,279,977
Total investment return	1,218,420	250,865	1,469,285
Contributions	-	1,150	1,150
Appropriation of endowment assets for expenditure	66,089	(66,089)	-
Expenditures	(190,917)	-	(190,917)
Endowment net assets, December 31, 2017	8,947,415	2,805,309	11,752,724
Investment return:			
Investment income	175,357	33,735	209,092
Net realized and unrealized loss on investments	(697,816)	(207,989)	(905,805)
Total investment loss	(522,459)	(174,254)	(696,713)
Contributions	-	6,485	316,031
Appropriation of endowment assets for expenditure	64,577	(64,577)	-
Expenditures	(90,128)	-	(399,674)
Endowment net assets, December 31, 2018	<u>\$ 8,399,405</u>	<u>\$ 2,572,963</u>	<u>\$ 10,972,368</u>

All donor restricted endowments, including amounts to be held in perpetuity, 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 (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, 2018 and 2017.

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

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

NOTE N - ENDOWMENT - Continued

Return Objectives and Risk Parameters - Continued - 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 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.

The fair value hierarchy is as follows:

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

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

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

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

NOTE O - 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 equity securities and money markets:* The Conference's equity securities and money markets 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.
- *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, 2018 and 2017, segregated by the level of valuation inputs within the fair value hierarchy:

	2018			Total
	Level 1	Level 2	Level 3	
Independent investment managers:				
Equity securities	\$ 1,002,170	\$ -	\$ -	\$ 1,002,170
Fixed income securities	-	343,739	-	343,739
Money market funds	112,924	-	-	112,924
Total investments in the fair value hierarchy	<u>\$ 1,115,094</u>	<u>\$ 343,739</u>	<u>\$ -</u>	1,458,833
Investments measured at cost				796,070
Investments measured at net asset value				<u>47,587,232</u>
Total investments				<u>\$ 49,842,135</u>
Other assets, beneficial interests	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,831,099</u>	<u>\$ 2,831,099</u>
	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>

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:

	Beneficial Interests in Perpetual Trusts
Beginning balance, January 1, 2017	\$ 2,433,776
Distributions	(65,693)
Unrealized gains	268,233
Contributions	257,066
Ending balance, December 31, 2017	2,893,382
Distributions	(95,904)
Unrealized losses	(221,058)
Contributions	254,679
Ending balance, December 31, 2018	<u>\$ 2,831,099</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, 2018.

	Fair Value	Unfunded Commitment	Redemption Frequency	Redemption Notice Period
Pooled investment funds:				
International equity fund (a)	\$ 6,618,295	\$ -	Immediate	None
U.S. equity fund (b)	22,495,618	-	Immediate	None
Fixed income fund (c)	15,419,708	-	Immediate	None
Short-term investment fund (d)	95,175	-	Immediate	None
Balanced fund (e)	2,381,742	-	Immediate	None
Bond fund (f)	419,893	-	Immediate	None
Short-term income fund (g)	156,801	-	Immediate	None
Total pooled investment funds	<u>\$ 47,587,232</u>			

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

NOTE O - 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, 2017.

	<u>Fair Value</u>	<u>Unfunded Commitment</u>	<u>Redemption Frequency</u>	<u>Redemption Notice Period</u>
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 income fund (g)	155,306	-	Immediate	None
Total pooled investment funds	<u>\$ 50,751,006</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 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.

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

NOTE O - FAIR VALUE FINANCIAL INSTRUMENTS - Continued

- (g) The short-term income 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.

NOTE P - 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.

SUPPLEMENTARY INFORMATION

IOWA ANNUAL CONFERENCE OF THE UNITED METHODIST CHURCH
CONSOLIDATING STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2018

ASSETS

	Iowa Annual Conference	Board of Pensions	Eliminations	Consolidated Total
Cash and cash equivalents	\$ 5,450,548	\$ 2,455,391	\$ -	\$ 7,905,939
Receivables:				
Apportionment receivables, net	820,188	-	-	820,188
Other receivables, net	134,640	244,904	(134,869)	244,675
Total receivables	954,828	244,904	(134,869)	1,064,863
Investments	5,213,341	44,628,794	-	49,842,135
Property and equipment, net	8,811,250	-	-	8,811,250
Beneficial interests	2,793,509	37,590	-	2,831,099
Other assets	100,510	7,037	-	107,547
TOTAL ASSETS	\$ 23,323,986	\$ 47,373,716	\$ (134,869)	\$ 70,562,833

LIABILITIES AND NET ASSETS

LIABILITIES

Accounts payable and accrued expenses	\$ 839,904	\$ 378,179	\$ (135,852)	\$ 1,082,231
Notes payable	1,828,967	-	-	1,828,967
Pass-through liabilities	147,991	-	983	148,974
Accrued postretirement benefit obligation	-	6,216,320	-	6,216,320
TOTAL LIABILITIES	2,816,862	6,594,499	(134,869)	9,276,492

NET ASSETS

Net assets without donor restrictions				
Funds available for operations	2,916,289	-	-	2,916,289
Funds board designated for specific purposes	10,201,447	40,741,626	-	50,943,073
	13,117,736	40,741,626	-	53,859,362
Net assets with donor restrictions	7,389,388	37,591	-	7,426,979
TOTAL NET ASSETS	20,507,124	40,779,217	-	61,286,341

TOTAL LIABILITIES AND NET ASSETS	\$ 23,323,986	\$ 47,373,716	\$ (134,869)	\$ 70,562,833
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IOWA ANNUAL CONFERENCE OF THE UNITED METHODIST CHURCH
CONSOLIDATING STATEMENT OF ACTIVITIES - NET ASSETS WITHOUT DONOR RESTRICTIONS
YEAR ENDED DECEMBER 31, 2018

	<u>Iowa Annual Conference</u>	<u>Board of Pensions</u>	<u>Eliminations</u>	<u>Consolidated Total</u>
REVENUE, GAINS, AND OTHER SUPPORT				
Apportionments, net	\$ 8,535,339	\$ -	\$ -	\$ 8,535,339
Charitable contributions and grants	654,363	-	-	654,363
Registration fees	1,043,562	715	-	1,044,277
Dividends and interest	142,813	978,751	-	1,121,564
Sale of goods and services	223,759	-	(192,000)	31,759
Other revenue	294,071	10,901,955	(10,888,189)	307,837
Net assets released from restrictions, satisfaction of program restrictions	2,067,808	-	-	2,067,808
Total revenue, gains, and other support	12,961,715	11,881,421	(11,080,189)	13,762,947
EXPENSES				
Program services				
Clergy support ministries	3,060,287	9,258,392	(10,745,569)	1,573,110
Local church support ministries	4,848,012	-	(35,085)	4,812,927
Institutional support ministries	932,236	-	-	932,236
Other ministries	1,530,488	-	(21,856)	1,508,632
	<u>10,371,023</u>	<u>9,258,392</u>	<u>(10,802,510)</u>	<u>8,826,905</u>
Support services				
General and administrative	2,844,349	325,817	(277,679)	2,892,487
Fund raising	30,853	-	-	30,853
	<u>2,875,202</u>	<u>325,817</u>	<u>(277,679)</u>	<u>2,923,340</u>
Total expenses	13,246,225	9,584,209	(11,080,189)	11,750,245
Changes in net assets, before other changes	(284,510)	2,297,212	-	2,012,702
Net realized and unrealized loss on investments, net of fees	(128,044)	(3,718,487)	-	(3,846,531)
Gain on sale of property and equipment	27,495	-	-	27,495
Pension and postretirement health benefit plan changes other than net periodic post retirement benefit income	-	(713,627)	-	(713,627)
CHANGE IN NET ASSETS	(385,059)	(2,134,902)	-	(2,519,961)
Net assets, beginning of year	13,502,795	42,876,528	-	56,379,323
Net assets, end of year	<u>\$ 13,117,736</u>	<u>\$ 40,741,626</u>	<u>\$ -</u>	<u>\$ 53,859,362</u>

IOWA ANNUAL CONFERENCE OF THE UNITED METHODIST CHURCH
CONSOLIDATING STATEMENT OF ACTIVITIES - NET ASSETS WITH DONOR RESTRICTIONS
YEAR ENDED DECEMBER 31, 2018

	<u>Iowa Annual Conference</u>	<u>Board of Pensions</u>	<u>Eliminations</u>	<u>Consolidated Total</u>
REVENUE, GAINS, AND OTHER SUPPORT				
District askings	\$ 275,767	\$ -	\$ -	\$ 275,767
Charitable contributions and grants	2,090,632	-	-	2,090,632
Dividends and interest	39,917	-	-	39,917
Other revenue	5,660	-	-	5,660
Net assets released from restrictions, satisfaction of program restrictions	(2,067,808)	-	-	(2,067,808)
Total revenue, gains, and other support	<u>344,168</u>	<u>-</u>	<u>-</u>	<u>344,168</u>
Changes in net assets, before other changes	344,168	-	-	344,168
Net realized and unrealized loss on investments, net of fees	(212,329)	-	-	(212,329)
Change in valuation of beneficial interests, net of fees	(313,603)	(3,359)	-	(316,962)
CHANGE IN NET ASSETS	(181,764)	(3,359)	-	(185,123)
Net assets, beginning of year	<u>7,571,152</u>	<u>40,950</u>	<u>-</u>	<u>7,612,102</u>
Net assets, end of year	<u><u>\$ 7,389,388</u></u>	<u><u>\$ 37,591</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 7,426,979</u></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, 2018 AND 2017

	2018			2017		
	Episcopal Funds	Area Funds	Total	Episcopal Funds	Area Funds	Total
Cash receipts:						
Episcopal Fund	\$ 86,252	\$ -	\$ 86,252	\$ 84,560	\$ -	\$ 84,560
Annual Conference apportionments	-	198,853	198,853	-	211,613	211,613
Investment income	-	68,470	68,470	-	20,703	20,703
Total cash receipts	<u>86,252</u>	<u>267,323</u>	<u>353,575</u>	<u>84,560</u>	<u>232,316</u>	<u>316,876</u>
Cash disbursements:						
Support staff salaries	86,252	144,284	230,536	84,560	117,935	202,495
Support staff benefits	-	77,473	77,473	-	69,642	69,642
Support staff payroll taxes	-	13,617	13,617	-	7,174	7,174
Hotel, travel, meals and entertainment	-	5,395	5,395	-	3,744	3,744
Legal and professional fees	-	11,941	11,941	-	21,802	21,802
Rent and utilities	-	2,400	2,400	-	2,400	2,400
Office supplies	-	2,600	2,600	-	7,053	7,053
Postage	-	989	989	-	1,219	1,219
Printing and copying	-	1,064	1,064	-	1,740	1,740
Capital asset	-	3,504	3,504	-	-	-
Miscellaneous	-	758	758	-	1,088	1,088
Total cash disbursements	<u>86,252</u>	<u>264,025</u>	<u>350,277</u>	<u>84,560</u>	<u>233,797</u>	<u>318,357</u>
Cash receipts over (under) cash disbursements	-	3,298	3,298	-	(1,481)	(1,481)
Cash balance, beginning 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>
Cash balance, end of year	<u>\$ 78,600</u>	<u>\$ 38,408</u>	<u>\$ 117,008</u>	<u>\$ 78,600</u>	<u>\$ 35,110</u>	<u>\$ 113,710</u>