

**IOWA ANNUAL CONFERENCE OF THE UNITED METHODIST CHURCH**  
**CONSOLIDATED FINANCIAL STATEMENTS AND**  
**INDEPENDENT AUDITOR'S REPORT**  
**DECEMBER 31, 2015 AND 2014**

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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, 2015 and 2014, and the related consolidated statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

**Management's Responsibility for the Financial Statements**

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

**Auditor's Responsibility**

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits 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, 2015 and 2014, and the changes in their net assets and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

**Report on Supplemental 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 36 to 40 are presented for purposes of additional analysis and are not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audits of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the consolidated financial statements as a whole.

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

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

June 1, 2016

**IOWA ANNUAL CONFERENCE OF THE UNITED METHODIST CHURCH**  
**CONSOLIDATED STATEMENTS OF FINANCIAL POSITION**  
**DECEMBER 31, 2015 AND 2014**

**ASSETS**

	2015	2014
Cash and cash equivalents	\$ 9,208,419	\$ 7,717,834
Receivables:		
Apportionment receivables	1,160,773	1,370,243
Loans receivable, net	185,117	283,739
Other receivables, net	195,727	125,924
Total receivables	1,541,617	1,779,906
Investments	42,296,248	44,811,896
Assets held for sale	125,000	103,500
Property and equipment, net	9,456,113	9,462,485
Beneficial interests in perpetual trusts	2,375,934	2,474,606
Other assets	142,307	100,770
<b>TOTAL ASSETS</b>	<b>\$ 65,145,638</b>	<b>\$ 66,450,997</b>

**LIABILITIES AND NET ASSETS**

**LIABILITIES**

Accounts payable and accrued expenses	\$ 838,658	\$ 864,640
Obligations under capital leases	19,596	50,505
Notes payable	1,873,924	2,158,851
Pass-through liabilities	98,368	109,988
Accrued postretirement benefit obligation	7,364,313	7,707,064
<b>Total liabilities</b>	<b>10,194,859</b>	<b>10,891,048</b>

**NET ASSETS**

Unrestricted		
Funds available for current operations	3,092,047	2,858,348
Funds designated for specific purposes	44,735,429	45,357,190
	47,827,476	48,215,538
Temporarily restricted	3,219,842	3,366,326
Permanently restricted	3,903,461	3,978,085
<b>Total net assets</b>	<b>54,950,779</b>	<b>55,559,949</b>

<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>\$ 65,145,638</b>	<b>\$ 66,450,997</b>
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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, 2015**

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
<b>REVENUE, GAINS AND OTHER SUPPORT</b>				
Apportionments, net	\$ 10,109,126	\$ -	\$ -	\$ 10,109,126
District askings	-	245,931	-	245,931
Charitable contributions and grants	4,502	2,061,323	24,050	2,089,875
Registration fees	1,295,993	-	-	1,295,993
Investment earnings	927,657	36,482	-	964,139
Sale of goods and services	62,545	-	-	62,545
Other revenue	288,875	7,852	-	296,727
Net assets released from restrictions, satisfaction of program restrictions	2,473,943	(2,473,943)	-	-
<b>Total revenue, gains, and other support</b>	<b>15,162,641</b>	<b>(122,355)</b>	<b>24,050</b>	<b>15,064,336</b>
<b>EXPENSES</b>				
Program services				
Clergy support ministries	15,993	-	-	15,993
Local church support ministries	4,950,412	-	-	4,950,412
Institutional support ministries	1,344,363	-	-	1,344,363
Other ministries	1,477,605	-	-	1,477,605
	<u>7,788,373</u>	<u>-</u>	<u>-</u>	<u>7,788,373</u>
Support services				
General and administrative	2,987,038	-	-	2,987,038
Fund raising	93,827	-	-	93,827
	<u>3,080,865</u>	<u>-</u>	<u>-</u>	<u>3,080,865</u>
<b>Total expenses</b>	<b>10,869,238</b>	<b>-</b>	<b>-</b>	<b>10,869,238</b>
<b>Changes in net assets, before non-operating</b>	<b>4,293,403</b>	<b>(122,355)</b>	<b>24,050</b>	<b>4,195,098</b>
Net realized and unrealized loss on investments	(1,589,440)	(24,129)	(98,674)	(1,712,243)
Gain on sale of property and equipment	14,858	-	-	14,858
Pension and postretirement health benefit plan changes other than net periodic post retirement benefit costs	(3,106,883)	-	-	(3,106,883)
<b>CHANGE IN NET ASSETS</b>	<b>(388,062)</b>	<b>(146,484)</b>	<b>(74,624)</b>	<b>(609,170)</b>
<b>Net assets, beginning of year</b>	<b>48,215,538</b>	<b>3,366,326</b>	<b>3,978,085</b>	<b>55,559,949</b>
<b>Net assets, end of year</b>	<b><u>\$47,827,476</u></b>	<b><u>\$3,219,842</u></b>	<b><u>\$ 3,903,461</u></b>	<b><u>\$54,950,779</u></b>

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, 2014**

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
<b>REVENUE, GAINS AND OTHER SUPPORT</b>				
Apportionments, net	\$ 10,557,483	\$ -	\$ -	\$ 10,557,483
District askings	-	251,969	-	251,969
Charitable contributions and grants	10,312	1,942,417	21,011	1,973,740
Registration fees	1,272,670	-	-	1,272,670
Investment earnings	863,512	50,038	-	913,550
Sale of goods and services	51,372	9,476	-	60,848
Other revenue	383,738	6,228	-	389,966
Net assets released from restrictions, satisfaction of program restrictions	2,161,955	(2,161,955)	-	-
<b>Total revenue, gains, and other support</b>	<b>15,301,042</b>	<b>98,173</b>	<b>21,011</b>	<b>15,420,226</b>
<b>EXPENSES</b>				
Program services				
Clergy support ministries	1,552,951	-	-	1,552,951
Local church support ministries	4,690,114	-	-	4,690,114
Institutional support ministries	1,407,108	-	-	1,407,108
Other ministries	1,391,643	-	-	1,391,643
	<u>9,041,816</u>	<u>-</u>	<u>-</u>	<u>9,041,816</u>
Support services				
General and administrative	3,226,442	-	-	3,226,442
Fund raising	130,694	-	-	130,694
	<u>3,357,136</u>	<u>-</u>	<u>-</u>	<u>3,357,136</u>
<b>Total expenses</b>	<b>12,398,952</b>	<b>-</b>	<b>-</b>	<b>12,398,952</b>
<b>Changes in net assets, before non-operating</b>	<b>2,902,090</b>	<b>98,173</b>	<b>21,011</b>	<b>3,021,274</b>
Net realized and unrealized gain (loss) on investments	900,683	9,413	(80,318)	829,778
Gain on sale of property and equipment	30,315	-	-	30,315
Pension and postretirement health benefit plan changes other than net periodic benefit costs	5,852,998	-	-	5,852,998
<b>CHANGE IN NET ASSETS</b>	<b>9,686,086</b>	<b>107,586</b>	<b>(59,307)</b>	<b>9,734,365</b>
<b>Net assets, beginning of year</b>	<b>38,529,452</b>	<b>3,258,740</b>	<b>4,037,392</b>	<b>45,825,584</b>
<b>Net assets, end of year</b>	<b><u>\$ 48,215,538</u></b>	<b><u>\$ 3,366,326</u></b>	<b><u>\$ 3,978,085</u></b>	<b><u>\$ 55,559,949</u></b>

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, 2015**

	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	\$ 1,134,016	\$ 1,830,657	\$ -	\$ 248,325	\$ 3,212,998	\$ 1,076,612	\$ -	\$ 1,076,612	\$ 4,289,610
Fringe benefits	423,815	579,365	-	87,361	1,090,541	206,651	-	206,651	1,297,192
Total salaries and benefits	1,557,831	2,410,022	-	335,686	4,303,539	1,283,263	-	1,283,263	5,586,802
Other expenses									
Occupancy	267,317	197,035	-	11,562	475,914	126,047	-	126,047	601,961
Office	48,208	96,219	-	22,311	166,738	125,201	15,964	141,165	307,903
Program supplies and materials	-	261,381	-	-	261,381	-	-	-	261,381
Professional fees and contract services	35,592	70,356	-	1,643	107,591	390,260	-	390,260	497,851
Insurance	(13,810)	13,078	-	-	(732)	146,157	-	146,157	145,425
Staff and volunteer hotel, travel, meals, and entertainment	102,274	104,729	-	9,095	216,098	88,865	231	89,096	305,194
Clergy moving	441,300	-	-	-	441,300	-	-	-	441,300
Conferences, meetings and retreat	82,583	262,818	-	7,984	353,385	311,072	5,595	316,667	670,052
Expendable equipment	92,696	172,376	-	175	265,247	81,038	-	81,038	346,285
Depreciation	111,398	274,180	-	3,618	389,196	272,978	-	272,978	662,174
Cost of goods and services	-	25,627	-	-	25,627	926	-	926	26,553
Bad debts	-	-	-	-	-	35,869	-	35,869	35,869
Miscellaneous	(399)	46,785	-	983	47,369	125,362	9,377	134,739	182,108
Net periodic post retirement benefit cost (income)	(2,993,499)	-	-	-	(2,993,499)	-	-	-	(2,993,499)
Grants to local church ministries	284,502	1,015,806	1,344,363	1,084,548	3,729,219	-	62,660	62,660	3,791,879
Total other expenses	(1,541,838)	2,540,390	1,344,363	1,141,919	3,484,834	1,703,775	93,827	1,797,602	5,282,436
Total expenses	<u>\$ 15,993</u>	<u>\$ 4,950,412</u>	<u>\$ 1,344,363</u>	<u>\$ 1,477,605</u>	<u>\$ 7,788,373</u>	<u>\$ 2,987,038</u>	<u>\$ 93,827</u>	<u>\$ 3,080,865</u>	<u>\$10,869,238</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, 2014**

	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	\$ 1,113,558	\$ 1,766,196	\$ -	\$ 193,378	\$ 3,073,132	\$ 1,039,398	\$ 29,702	\$ 1,069,100	\$ 4,142,232
Fringe benefits	415,758	537,452	-	62,099	1,015,309	207,342	10,908	218,250	1,233,559
Total salaries and benefits	1,529,316	2,303,648	-	255,477	4,088,441	1,246,740	40,610	1,287,350	5,375,791
Other expenses									
Occupancy	231,281	193,157	-	4,950	429,388	123,445	-	123,445	552,833
Office	54,373	92,848	-	16,297	163,518	134,663	12,837	147,500	311,018
Program supplies and materials	-	253,684	-	-	253,684	-	-	-	253,684
Professional fees and contract services	31,843	55,214	-	4,706	91,763	485,498	1,594	487,092	578,855
Insurance	(29,219)	13,852	-	-	(15,367)	162,998	-	162,998	147,631
Staff and volunteer hotel, travel, meals, and entertainment	110,775	96,747	-	19,197	226,719	82,606	1,788	84,394	311,113
Clergy moving	378,413	-	-	-	378,413	-	-	-	378,413
Conferences, meetings and retreat	72,621	317,807	-	10,749	401,177	267,067	3,341	270,408	671,585
Expendable equipment	111,724	161,334	-	1,679	274,737	98,305	2,811	101,116	375,853
Depreciation	93,417	243,116	-	4,161	340,694	294,146	-	294,146	634,840
Cost of goods and services	-	26,141	-	-	26,141	475	-	475	26,616
Bad debts	-	-	-	-	-	44,066	-	44,066	44,066
Miscellaneous	9,924	36,815	-	1,241	47,980	286,433	10,239	296,672	344,652
Net periodic post retirement benefit cost (income)	(1,279,358)	-	-	-	(1,279,358)	-	-	-	(1,279,358)
Grants to local church ministries	237,841	895,751	1,407,108	1,073,186	3,613,886	-	57,474	57,474	3,671,360
Total other expenses	23,635	2,386,466	1,407,108	1,136,166	4,953,375	1,979,702	90,084	2,069,786	7,023,161
Total expenses	<u>\$ 1,552,951</u>	<u>\$ 4,690,114</u>	<u>\$ 1,407,108</u>	<u>\$ 1,391,643</u>	<u>\$ 9,041,816</u>	<u>\$ 3,226,442</u>	<u>\$ 130,694</u>	<u>\$ 3,357,136</u>	<u>\$12,398,952</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, 2015 AND 2014**

	<u>2015</u>	<u>2014</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Change in net assets	\$ (609,170)	\$ 9,734,365
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Net realized and unrealized (gain) loss on investments	1,712,243	(829,778)
Bad debt expense	35,869	44,066
Gain on sale of property and equipment	(14,858)	(30,315)
Depreciation expense	662,174	634,841
Contributions restricted for long-term investments	(24,050)	(21,011)
Decrease in beneficial interests in perpetual trusts	98,672	80,320
Changes in assets and liabilities:		
Apportionment receivables, net	209,470	131,298
Other receivables	(105,672)	62,909
Assets held for sale	(21,500)	(101,500)
Other assets	(41,537)	11,319
Accounts payable and accrued expenses	(25,982)	101,907
Pass-through liabilities	(11,620)	(194,779)
Accrued postretirement benefit obligation	(342,751)	(7,860,710)
<b>Net cash provided by operating activities</b>	<u>1,521,288</u>	<u>1,762,932</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchases of property and equipment	(655,802)	(310,117)
Proceeds from sale of property and equipment	14,858	36,509
Loans made	-	(85,010)
Principal payments received on loans receivable	98,622	254,616
Purchase of investments	(12,904,910)	(8,436,631)
Proceeds from sale of investments	13,708,315	9,746,667
<b>Net cash provided by investing activities</b>	<u>261,083</u>	<u>1,206,034</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Proceeds from notes payable	-	519,487
Principal payments on notes payable	(284,927)	(237,820)
Principal payments on capital leases	(30,909)	(54,685)
Proceeds from contributions restricted for long-term investments	24,050	21,011
<b>Net cash provided (used) by financing activities</b>	<u>(291,786)</u>	<u>247,993</u>
<b>NET CHANGE IN CASH AND CASH EQUIVALENTS</b>	1,490,585	3,216,959
<b>CASH AND CASH EQUIVALENTS</b>		
Beginning of year	7,717,834	4,500,875
End of year	<u>\$ 9,208,419</u>	<u>\$ 7,717,834</u>
<b>Supplemental Disclosures of Cash Flow Information</b>		
Cash paid for interest	<u>\$ 97,560</u>	<u>\$ 96,863</u>
Noncash financing activities		
Refinance of long-term debt	<u>\$ 978,522</u>	<u>\$ -</u>

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 790 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 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 \$9,345,000 at December 31, 2015. The Conference believes it is not exposed to any significant credit risk on cash and cash equivalents.

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

**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 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.

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, 2015 or 2014.

Abandoned and Closed Churches - Abandoned or closed churches become the property of the Conference. The Conference also assumes any liabilities that an abandoned or closed congregation is unable to pay, such as loans payable. Any liabilities that revert to the Conference are recorded at fair value as of the date the church closes and are classified within accounts payable and accrued expenses. Losses associated with assumed liabilities are recorded as miscellaneous general and administrative expense. Churches that become the property of the Conference are either sold based on a bidding 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. Two abandoned churches are held for sale at December 31, 2015.

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

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

**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. There are no material amounts of conditional promises to give as of December 31, 2015 and 2014.

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

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

**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 2015 and 2014.

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 1, 2016, 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 15 years with current loan interest rates of 2% - 3.5%.

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. Current loans outstanding are for two to four years with an interest rate of -0% to 3.5% per annum.

Loans receivable at December 31, 2015 and 2014 are as follows:

	2015	2014
United Methodist congregations	\$ 207,966	\$ 248,795
Employee mortgage loans	6,555	10,010
Closed church sale receivable	23,766	28,185
Total loans receivable	238,287	286,990
Allowance for doubtful loans	(53,170)	(3,251)
Total loans receivable, net	<u>\$ 185,117</u>	<u>\$ 283,739</u>

Allowance for Loan Losses and Related Loans - The allowance for loan losses relates entirely to congregational loans as of December 31, 2015 and 2014. A summary of the activity in the allowance for loan losses for congregational loans is as follows:

	2015	2014
Allowance for doubtful loans, beginning of year	\$ 3,251	\$ -
Write offs	(3,251)	-
Provision for loan losses	53,170	3,251
Allowance for doubtful loans, end of year	<u>\$ 53,170</u>	<u>\$ 3,251</u>

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

**NOTE B - LOANS RECEIVABLE** - Continued

A summary of loans receivable, as of December 31, 2015 and 2014, is as follows:

	<u>2015</u>	<u>2014</u>
Current (accruing interest)	\$ 185,117	\$ 283,739
180 Days and Over (non-accruing)	<u>53,170</u>	<u>3,251</u>
Total loans receivable	<u>\$ 238,287</u>	<u>\$ 286,990</u>

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

**NOTE C - INVESTMENTS**

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

Investments as of December 31, 2015 and 2014 are as follows:

	<u>Fair Value</u>	
	<u>2015</u>	<u>2014</u>
General Board of Pensions and Health Benefits of the United Methodist Church:		
Pooled deposit investment fund	\$ 19,897	\$ 183,536
Pooled retirees benefit investment fund	13,779,250	14,448,955
Pooled permanent investment fund	5,975,512	6,407,085
Pooled retirees medical investment fund	8,896,003	18,773,935
Pooled operating investment fund	8,651,798	-
Iowa United Methodist Foundation:		
Pooled investment fund	2,265,616	2,298,145
Pooled corporate bonds	599,316	625,159
Pooled money market fund	159,012	151,003
Certificate of participation at cost, which approximates fair value	688,634	649,732
Independent investment managers:		
Legacy fund	1,020,448	1,022,623
Priscilla investment fund	144,062	152,266
Conference center investment fund	77,978	78,120
Beinke Trust	<u>18,722</u>	<u>21,337</u>
	<u>\$42,296,248</u>	<u>\$44,811,896</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, 2015 and 2014, property and equipment consisted of the following:

	<u>2015</u>	<u>2014</u>
Land and improvements	\$ 1,372,762	\$ 1,322,762
Buildings and improvements	13,001,343	12,564,438
Furniture and equipment	2,505,564	2,359,668
Construction in progress	-	106,719
	<u>16,879,669</u>	<u>16,353,587</u>
Less accumulated depreciation	<u>7,423,556</u>	<u>6,891,102</u>
Net property and equipment	<u>\$ 9,456,113</u>	<u>\$ 9,462,485</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, 2015 and 2014, consisted of the following:

	<u>2015</u>	<u>2014</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 \$3,587,373 at December 31, 2015.	\$ 978,522	\$ -
Note payable to bank, due in monthly installments of \$1,326, including interest at a fixed rate of 4.65%, with the remaining principal due January 9, 2017. The note is secured by the director's residence located at the Okoboji Camp and Retreat Center with a carrying value of \$111,784 at December 31, 2015.	14,495	51,632
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 is secured by the Episcopal residence located in Norwalk, Iowa with a carrying value of \$424,217 at December 31, 2015.	225,716	242,813

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

**NOTE E - NOTES PAYABLE AND PLEDGED ASSETS - Continued**

	2015	2014
Mortgage note payable, Iowa United Methodist Church Loan Program, payable in 180 monthly installments of \$1,810, including interest at 4.87%, with the balance due on July 7, 2027. The note is secured by the Wesley Woods Camp located in Indianola, Iowa with a carrying value of \$1,728,106 at December 31, 2015.	\$ 171,955	\$ 204,003
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 \$854,916 at December 31, 2015.	483,236	507,704
Note payable to bank, due in monthly installments of \$20,352, including interest at a fixed rate of 4.65%. The note was refinanced with the Iowa United Methodist Foundation on December 11, 2015.	-	1,152,699
	\$ 1,873,924	\$ 2,158,851

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

Year ending December 31,:	
2016	\$ 115,285
2017	298,736
2018	95,157
2019	99,599
2020	104,252
Thereafter	1,160,895
	\$ 1,873,924

Interest costs incurred during the years ended December 31, 2015 and 2014 totaled \$94,978 and \$98,251, respectively.

**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, 2015			
	January 1, 2015	Receipts	Disbursements	December 31, 2015
General church agencies	\$ 69,587	\$3,072,811	\$ 3,094,435	\$ 47,963
North central jurisdiction	-	19,658	19,658	-
Heifer Project International	14,466	89,620	90,489	13,597
Conference advance specials	16,485	139,310	133,722	22,073
Other benevolences	8,990	92,839	87,184	14,645
Institutional gifts	460	3,688	4,058	90
	<u>\$ 109,988</u>	<u>\$3,417,926</u>	<u>\$ 3,429,546</u>	<u>\$ 98,368</u>
	Year Ended December 31, 2014			
	January 1, 2014	Receipts	Disbursements	December 31, 2014
General church agencies	\$ 245,740	\$3,245,812	\$ 3,421,965	\$ 69,587
North central jurisdiction	-	19,269	19,269	-
Heifer Project International	21,077	86,436	93,047	14,466
Conference advance specials	18,457	129,624	131,596	16,485
Other benevolences	19,454	83,616	94,080	8,990
Institutional gifts	39	4,015	3,594	460
	<u>\$ 304,767</u>	<u>\$3,568,772</u>	<u>\$ 3,763,551</u>	<u>\$ 109,988</u>

**NOTE G - RETIREMENT BENEFITS**

The Conference participates in various pension and disability benefit programs administered by the General Board of Pensions and Health Benefits of the United Methodist Church (General Board) incorporated in the State of Illinois. Annual contributions to the programs are funded through 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 the three different service periods:

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

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

**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 multi-employer defined benefit component based on the Denominational Average Compensation (DAC) and
- A defined contribution (DC) component providing for a contribution of 2% of actual compensation into the Revised CRSP DC account. In addition, the Conference will match a participant's contributions to the United Methodist Personal Investment Plan (UMPIP) – up to 1% of 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 General Board actuaries as defined in the plan agreement. The Conference was responsible for a contribution of \$2,424,996 and \$2,372,785 for the years ended December 31, 2015 and 2014, respectively. Contributions of \$2,386,180 and \$2,388,894 are required for 2016 and 2017, respectively. The Conference billed member churches 15% of compensation in 2015 and 2014 to fund required contributions to the Plan. In 2016, the Conference plans to bill member churches 15% of compensation.

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 2015. No contribution is required for 2016 or 2017. Future contributions will depend on the funded status of the plan and is determined on a year-to-year basis.

Pre-1982 Pension Plan (Pre-1982) - Prior to January 1, 1982, eligible clergy were provided pension benefits under the Ministers Reserve Pension Fund which was operated as a multi-employer defined benefit plan. Clergy were entitled to a monthly pension benefit calculated as years of service times the annuity rate divided by twelve. Each year, the Conference sets the annuity rate. The 2015 annuity rate was \$622 and the 2016 annuity rate will be \$634, 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 2015. No contribution is required in 2016. 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, 2015, the date for which the most current information is available, the Pre-1982 plan had assets of \$2,455,880,058 and liabilities of \$2,756,858,336 for a net unfunded status of \$(300,978,278). As of January 1, 2015, the date for which the most current information is available, the CRSP-DB and MPP plans had assets of \$4,916,132,988 and liabilities of \$4,393,301,273 for a net funded status of \$522,831,715.

**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 the General Board. The Conference's participation in this plan covers 577 clergy in the Pre-82 plan, 1,360 clergy in the MPP Annuities plan, and 772 clergy in the CRSP-DB plan. There have been no significant changes that affect the comparability of 2015 and 2014 contributions.

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

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

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

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

**NOTE H - 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 \$8,896,000 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 health plan by decreasing Conference contributions by \$20 per month for any person retiring after July 1, 2011 until no Conference contributions are required. 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 plans and health benefits are as follows:

	<u>2015</u>	<u>2014</u>
CRSP	\$ 3,196,147	\$ 3,145,188
MPP	-	-
Pre-1982	-	-
UMPIP	94,145	105,089
Health, current and retired employees	6,788,323	7,182,216
CPP	805,650	815,661
BPP	35,598	33,253
	<u>10,919,863</u>	<u>11,281,407</u>
Less amount reimbursed through direct billing to member churches	(10,463,727)	(10,553,052)
Actuarial adjustments to health plan	<u>(342,751)</u>	<u>(7,860,710)</u>
Total amount paid by (reimbursed to) the Conference	<u>\$ 113,385</u>	<u>\$ (7,132,355)</u>

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

**NOTE H - HEALTH AND POSTRETIREMENT HEALTH INSURANCE PLAN** - Continued

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

	2015	2014
Changes in benefit obligations:		
Obligation at beginning of year	\$ (7,707,064)	\$ (15,567,774)
Service cost	(52,671)	(328,855)
Interest cost	(263,625)	(642,397)
Actuarial losses	(109,275)	(1,878,621)
Plan amendments (a)	-	9,453,951
Benefit payments, net	768,322	1,256,632
Obligation at end of year	(7,364,313)	(7,707,064)
Fair value of plan assets at end of year	-	-
 Funded status	 \$ (7,364,313)	 \$ (7,707,064)
 Amounts recognized in unrestricted net assets but not yet realized as components of net periodic postretirement benefit cost:		
Unamortized prior service credit	\$(13,886,425)	\$(17,651,411)
Unamortized actuarial loss	4,697,005	5,042,921
Total recognized in unrestricted net assets	\$ (9,189,420)	\$ (12,608,490)

- (a) An amendment was made to the health plan during 2014 which eliminated medical benefit and life coverage for retirees under the age of 65. This amendment resulted in a \$9,453,951 reduction in the Conference's postretirement benefit obligation liability.

	2015	2014
Components of net periodic postretirement benefit cost (income):		
Service cost	\$ 52,671	\$ 328,855
Interest cost	263,625	642,397
Amortization of prior service cost (credit)	(3,764,986)	(2,439,065)
Amortization of net loss	455,191	188,455
Net periodic postretirement benefit cost (income)	\$ (2,993,499)	\$ (1,279,358)
Assumptions used in computations:		
Discount rate	3.90%	3.60%

The Conference measured plan obligations as of the year end statement of financial position date. For measurement purposes, a 7.5% annual rate of increase in the per capita costs of covered health care benefits was assumed for 2014; the rate was assumed to decrease gradually to 5% in 2019 and remain at 5% thereafter. The plan was amended as of January 1, 2015 to eliminate coverage for retired persons under the age of 65, therefore, the annual rate was not required for 2015 and will not be required going forward.

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

**NOTE H - HEALTH AND POSTRETIREMENT HEALTH INSURANCE PLAN** - Continued

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

Year ended December 31, :	
2016	\$ 717,287
2017	686,229
2018	659,390
2019	636,125
2020	609,755
2021-2025	2,684,249

**NOTE I - DISABILITY AND LIFE INSURANCE PLANS**

Comprehensive Protection Plan (CPP) - The Conference participates in the CPP for all clergy who are eligible and participate in the CRSP. The plan provides disability benefits for those clergy who meet the General Board definition of disability. The plan includes a death benefit for qualified active and retired clergy, spouses and dependent children. In 2015 and 2014, a premium of 3% of total plan compensation was required which totaled approximately \$806,000 in 2015 and \$816,000 in 2014. Estimated contributions of approximately \$923,000 and \$924,000 will be required for 2016 and 2017, respectively.

Lay Long-Term Disability and Life Insurance Plan formally known as the Basic Protection Plan (BPP) - The Conference participates in the BPP which provides disability and death benefits for Conference lay employees that meet the eligibility requirements. In 2015 and 2014 the Conference paid premiums of approximately \$35,600 and \$33,250, respectively.

**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 \$4,465 and the leases expire from September 2016 through August 2018.

The Conference leases cars for eligible employees under noncancelable operating leases requiring monthly lease payments totaling approximately \$13,900. The leases expire from March 2016 through March 2020.

The Conference leases office space for five district offices as of December 31, 2015. These noncancelable leases are for terms ranging from one to five years with monthly lease payments totaling approximately \$14,800 and include utilities and general building repairs. The termination dates for these leases range from May 2016 to February 2018. Additionally, the Conference has month-to-month lease arrangements for three district offices.

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

**NOTE J - LEASE COMMITMENTS** - Continued

The Conference has noncancelable leases of office equipment under capital lease agreements with a cost of \$58,656 as of December 31, 2015 and accumulated depreciation of \$45,072 as of December 31, 2015. The office equipment and related liability under the leases are recorded at the present value of the future minimum lease payments.

As of December 31, 2015, minimum lease payments required under the leases described above are as follows:

	Capital Leases	Operating Leases		
	Equipment	Property	Equipment	Total
Year ending December 31,:				
2016	\$ 13,827	\$ 108,139	\$ 164,581	\$ 286,547
2017	6,261	69,198	100,362	175,821
2018	-	3,800	60,389	64,189
2019	-	-	16,398	16,398
2020	-	-	2,138	2,138
Total minimum lease payments	<u>20,088</u>	<u>\$ 181,137</u>	<u>\$ 343,868</u>	<u>\$ 545,093</u>
Less amounts representing interest	<u>(492)</u>			
Present value of future minimum lease payments	<u>\$ 19,596</u>			

Rent expense for operating lease commitments totaled approximately \$383,700 and \$406,600 for the years ended December 31, 2015 and 2014, respectively.

**NOTE K - NET ASSETS**

Unrestricted and undesignated net assets as of December 31, 2015 and 2014, are as follows:

	2015	2014
Funds available for current operations	<u>\$ 3,092,047</u>	<u>\$ 2,858,348</u>

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

**NOTE K - NET ASSETS** - Continued

Unrestricted funds, designated for specific purposes as of December 31, 2015 and 2014, are as follows:

	<u>2015</u>	<u>2014</u>
Board of Camps	\$ 267,430	\$ 225,099
Board of Church and Society	-	8,416
Board of Discipleship	-	33,438
Board of Global Ministries	901,724	1,057,830
Board of Higher Education	-	6,424
Board of Laity	37,330	30,253
Board of Ordained Ministry	316,316	277,905
Board of Pensions: including unamortized prior service cost and actuarial gains on health benefit liability of \$9,189,420 and \$12,608,490 at December 31, 2015 and 2014, respectively	34,034,914	34,490,418
Board of Trustees	10,592,282	10,669,519
Clergy Support Programs	(83,839)	-
Commission on Archives and History	-	4,764
Commission on Christian Unity and Interreligious Concerns	-	4,384
Commission on Religion and Race	-	67,560
Commission on Status and Role of Women	-	1,491
Committees on Annual Conference Administration	-	(4,364)
Council on Finance and Administration, adjustments for accounting principles generally accepted in the United States of America, cash to accrual adjustment	(1,889,365)	(2,059,240)
Council on Connectional Ministries	202	1,584
Council on Youth Ministries	-	18,278
Council on Young and older Adults	-	30,530
Council on Older Adults	-	18,281
Episcopal Funds	20,924	8,672
District Administrative Funds	-	(51)
District Councils on Ministries	-	148,621
Other District Program Funds	132,348	79,131
Westmar Scholarship Fund	13,000	3,000
Other Program and Investment Funds	392,163	235,247
Total unrestricted funds designated for specific purposes	<u>\$ 44,735,429</u>	<u>\$ 45,357,190</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, 2015 and 2014 are as follows:

	<u>2015</u>	<u>2014</u>
Board of Camps	\$ 170,877	\$ 198,395
Board of Church and Society	28,697	34,394
Board of Discipleship	34,106	31,831
Board of Global Ministries	1,127,425	1,141,750
Board of Higher Education	1,343	1,343
Board of Laity	-	200
Board of Ordained Ministry	2,000	2,000
Board of Trustees	656,271	623,887
Commission on Archives and History	49,219	48,821
Commission on Ministry with Persons with Disabilities	8,967	8,091
Council on Finance and Administration, adjustments for accounting principles generally accepted in the United States of America, cash to accrual adjustment	(2,324)	(2,133)
Council on Connectional Ministries	147,880	149,056
Council on Youth Ministries	1,648	1,172
Episcopal Funds	68,973	69,764
District Connectional Ministries Councils	3,171	3,765
Other District Program Funds	340,836	419,379
Other Program and Investment Funds	580,753	634,611
Total temporarily restricted net assets	<u>\$ 3,219,842</u>	<u>\$ 3,366,326</u>

Permanently restricted net assets as of December 31, 2015 and 2014 are as follows:

	<u>2015</u>	<u>2014</u>
Endowments:		
Westmar college scholarship endowment (a)	\$ 848,019	\$ 846,019
College scholarship endowments (a)	287,369	287,369
Campership endowments (b)	73,445	73,445
Camp's maintenance/operating endowments (c)	182,856	160,806
Board of Global Ministries endowments (d)	100,765	100,765
Partners in Leadership scholarship endowment (e)	35,073	35,073
Total endowments	<u>1,527,527</u>	<u>1,503,477</u>
Beneficial interests:		
Garland Estate Trust (f)	2,131,540	2,222,009
Beneficial interest in perpetual trusts (g)	244,394	252,599
Total beneficial interests	<u>2,375,934</u>	<u>2,474,608</u>
Total permanently restricted net assets	<u>\$ 3,903,461</u>	<u>\$ 3,978,085</u>

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

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

**NOTE K - NET ASSETS** - Continued

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

**NOTE L - APPORTIONMENTS, NET**

Apportionments (including pass-through amounts not recognized in the statement of activities of \$2,304,798 and \$2,200,294 for the years ended December 31, 2015 and 2014, respectively) totaled \$16,014,097 and \$16,273,502 for the years ended December 31, 2015 and 2014, respectively. Of these amounts, \$3,600,171 and \$3,515,725, 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, 2015 and 2014, 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, 2015, was approximately \$299,000. 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 United Methodist Foundation. The Conference would be required to perform under the guarantee if the member church was in default in accordance with the loan agreement. As collateral for the loan guarantee, the Conference invested in a \$150,000 Certificate of Participation held by the Foundation. The loan guarantee was scheduled to expire September 2010; however, the guarantee was extended by board resolution indefinitely.

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.

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, 2015 and 2014. If the Conference is required to perform on the guarantees, it has designated funds from investments of approximately \$250,000.

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, 2015 and 2014. There were no liabilities included in accounts payable associated with abandoned churches for the years ended December 31, 2015 and 2014.

**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:

		2015			
		Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor-restricted endowment funds	\$	18,000	\$ 990,000	\$ 1,527,527	\$ 2,535,527
Board-designated endowment funds		7,097,325	-	-	7,097,325
		\$ 7,115,325	\$ 990,000	\$ 1,527,527	\$ 9,632,852
		2014			
		Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor-restricted endowment funds	\$	4,500	\$ 1,035,658	\$ 1,503,477	\$ 2,543,635
Board-designated endowment funds		7,610,118	-	-	7,610,118
		\$ 7,614,618	\$ 1,035,658	\$ 1,503,477	\$ 10,153,753

**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, 2015 and 2014, are as follows:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Endowment net assets, January 1, 2014	\$ 7,345,715	\$ 1,019,775	\$ 1,482,466	\$ 9,847,956
Investment return:				
Investment income	137,923	35,422	-	173,345
Net realized and unrealized gain on investments	147,481	10,248	-	157,729
Total investment return	285,404	45,670	-	331,074
Contributions	-	540	21,011	21,551
Appropriation of endowment assets for expenditure	30,327	(30,327)	-	-
Expenditures	(46,828)	-	-	(46,828)
Endowment net assets, December 31, 2014	7,614,618	1,035,658	1,503,477	10,153,753
Investment income	145,998	28,105	-	174,103
Net realized and unrealized loss on investments	(255,111)	(20,832)	-	(275,943)
Total investment return	(109,113)	7,273	-	(101,840)
Contributions	-	100	24,050	24,150
Appropriation of endowment assets for expenditure	53,031	(53,031)	-	-
Expenditures	(443,211)	-	-	(443,211)
Endowment net assets, December 31, 2015	<u>\$ 7,115,325</u>	<u>\$ 990,000</u>	<u>\$ 1,527,527</u>	<u>\$ 9,632,852</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 that are reported in unrestricted net assets. There were no deficiencies as of December 31, 2015 and 2014.

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

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

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

**NOTE 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.

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

**NOTE O - FAIR VALUE FINANCIAL INSTRUMENTS** - Continued

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

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

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

- *Investment in equity securities and money markets:* The Conference's equity securities are readily marketable and have fair values which are determined by obtaining quoted market prices in active markets (Level 1 inputs). These securities include highly liquid government bonds and exchange traded equities. If quoted market prices are not available, then fair values are estimated by using the quoted price of securities in an inactive market to which the Conference has access.
- *Investment in fixed income securities:* Fair values of corporate bonds are determined based on quoted prices for similar instruments in active markets, quoted prices for identical or similar instruments in markets that are not active and other market-corroborated sources, such as indices, yield curves and matrix pricing (Level 2 inputs) [market approach].
- *Investment in pools:* The Conference's pooled investments are invested in the investment pools of the General Board of Pensions and the Iowa United Methodist Foundation. The fair value of each of the Conference's portfolios is measured using a unitization method, with values differing according to the underlying securities of each pool. Security prices are based on quotes that are obtained from an independent pricing service. Fair values of securities for which market prices are not readily available are determined based upon quoted market close prices for similar issues, dealer quotes, or pricing models utilizing market observable inputs from comparable securities. This total fair value is divided by the total number of units in the pool to determine the per-share value that is assigned to the Conference's units (Level 2 inputs) [market approach].
- *Beneficial interests in perpetual trusts:* The fair value of beneficial interests in trusts is determined based upon the Conference's proportional interest in the fair value of the underlying trust assets. The underlying trust assets are readily marketable and have fair values which are determined by obtaining quoted market prices in active markets. This valuation method has been estimated to represent the present value of future distributed income. The liquidation of these assets is contingent upon circumstances that are out of the Conference's control and cannot be liquidated on a periodic basis (Level 3 inputs) [income approach].

**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, 2015 and 2014, segregated by the level of valuation inputs within the fair value hierarchy:

	2015			Total
	Level 1	Level 2	Level 3	
General Board, pooled investment funds:				
International equity fund	\$ -	\$ 6,860,307	\$ -	\$ 6,860,307
U.S. equity fund	-	16,605,323	-	16,605,323
Fixed income fund	-	13,836,933	-	13,836,933
Short-term investment fund	-	19,897	-	19,897
Iowa United Methodist Foundation, pooled investment fund:				
Balance fund	-	2,265,616	-	2,265,616
Bond fund	-	599,316	-	599,316
Short-term investment fund	-	159,012	-	159,012
Independent investment managers:				
Equity securities	553,010	-	-	553,010
Fixed income securities	-	342,616	-	342,616
Money market funds	365,584	-	-	365,584
Total investments recorded at fair value	<u>\$ 918,594</u>	<u>\$40,689,020</u>	<u>\$ -</u>	41,607,614
Investments held at cost				688,634
Total investments				<u>\$42,296,248</u>
Other assets, beneficial interests in perpetual trusts	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,375,934</u>	<u>\$ 2,375,934</u>

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

**NOTE O - FAIR VALUE FINANCIAL INSTRUMENTS** - Continued

	2014			Total
	Level 1	Level 2	Level 3	
General Board, pooled investment funds:				
International equity fund	\$ -	\$ 7,674,845	\$ -	\$ 7,674,845
U.S. equity fund	-	17,232,294	-	17,232,294
Fixed income fund	-	14,722,835	-	14,722,835
Short-term investment fund	-	183,537	-	183,537
Iowa United Methodist Foundation, pooled investment fund:				
Balance fund	-	2,298,145	-	2,298,145
Bond fund	-	625,159	-	625,159
Short-term investment fund	-	151,003	-	151,003
Independent investment managers:				
Equity securities	542,578	-	-	542,578
Fixed income securities	-	340,156	-	340,156
Money market funds	391,612	-	-	391,612
Total investments recorded at fair value	<u>\$ 934,190</u>	<u>\$43,227,974</u>	<u>\$ -</u>	44,162,164
Investments held at cost				649,732
Total investments				<u>\$44,811,896</u>
Other assets, beneficial interests in perpetual trusts	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,474,608</u>	<u>\$ 2,474,608</u>

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, 2014	\$ 2,554,926
Withdrawals	(69,080)
Unrealized losses	(11,240)
Ending balance, December 31, 2014	2,474,606
Withdrawals	(67,886)
Unrealized losses	(30,786)
Ending balance, December 31, 2015	<u>\$ 2,375,934</u>

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

**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, 2015.

	<u>Fair Value</u>	<u>Unfunded Commitment</u>	<u>Redemption Frequency</u>	<u>Redemption Notice Period</u>
Pooled investment funds:				
International equity fund (a)	\$ 6,860,307	\$ -	Immediate	None
U.S. equity fund (b)	16,605,323	-	Immediate	None
Fixed income fund (c)	13,836,933	-	Immediate	None
Short-term investment fund (d)	19,897	-	Immediate	None
Balance fund (e)	2,265,616	-	Immediate	None
Bond fund (f)	599,316	-	Immediate	None
Total pooled investment funds	<u>\$ 40,187,392</u>			

- (a) The international equity fund seeks to maximize long-term capital appreciation from a broadly diversified portfolio of non-U.S. stocks. Additionally, the fund holds securities of publicly traded non-U.S. real estate investment trusts (REITs) and limited partnership interests in private real estate partnerships and private equity (e.g., buyout funds and venture capital) with investments located in developed and developing countries. It also holds equity index futures of stock indexes in non-U.S. markets. Redemptions over \$1 million may be subject to a 15-day processing period to ensure adequate cash is available for distribution
- (b) The U.S. equity fund seeks to earn long-term capital appreciation from a broadly diversified portfolio that includes stocks among the 3,000 largest U.S. publicly owned companies, as well as stock index futures. Additionally, the fund holds interests in publicly traded real estate investment trusts (REITs), private real estate partnerships and private equity (e.g., buyout funds and venture capital). Redemptions over \$1 million may be subject to a 15-day processing period to ensure adequate cash is available for distribution.
- (c) The fixed income fund invests in a broad mix of fixed-income instruments to earn current income. A majority of the fund is invested in publicly traded U.S. fixed-income securities but is also invested in fixed-income instruments denominated in currencies other than the U.S. dollar and the fund holds privately placed loans originated by the General Board's Positive Social Purpose (PSP) Lending Program. Redemptions over \$1 million may be subject to a 15-day processing period to ensure adequate cash is available for distribution.
- (d) The short-term investment fund is an actively managed bond fund that seeks to maximize current income consistent with preservation of capital. The fund's holdings include government and agency bonds, corporate bonds, international fixed income securities, commercial paper, certificates of deposit and other similar types of investments. Redemptions over \$1 million may be subject to a 15-day processing period to ensure adequate cash is available for distribution.

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

**NOTE O - FAIR VALUE FINANCIAL INSTRUMENTS** - Continued

- (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.

**SUPPLEMENTARY INFORMATION**

**IOWA ANNUAL CONFERENCE OF THE UNITED METHODIST CHURCH**  
**CONSOLIDATING STATEMENT OF FINANCIAL POSITION**  
**DECEMBER 31, 2015**

**ASSETS**

	Iowa Annual Conference	Board of Pensions	Eliminations	Consolidated Total
Cash and cash equivalents	\$ 5,148,226	\$ 4,060,193	\$ -	\$ 9,208,419
Receivables:				
Apportionment receivables	1,141,632	45,892	(26,751)	1,160,773
Loans receivable, net	185,117	-	-	185,117
Other receivables, net	77,668	121,440	(3,381)	195,727
Total receivables	1,404,417	167,332	(30,132)	1,541,617
Investments	4,973,788	37,322,460	-	42,296,248
Assets held for sale	125,000	-	-	125,000
Property and equipment, net	9,411,307	44,806	-	9,456,113
Beneficial interests in perpetual trusts	2,340,618	35,316	-	2,375,934
Other assets	106,663	35,644	-	142,307
<b>TOTAL ASSETS</b>	<b>\$ 23,510,019</b>	<b>\$ 41,665,751</b>	<b>\$ (30,132)</b>	<b>\$ 65,145,638</b>

**LIABILITIES AND NET ASSETS**

**LIABILITIES**

Accounts payable and accrued expenses	\$ 610,841	\$ 231,198	\$ (3,381)	\$ 838,658
Obligations under capital leases	19,596	-	-	19,596
Notes payable	1,873,924	-	-	1,873,924
Pass-through liabilities	125,119	-	(26,751)	98,368
Accrued postretirement benefit obligation	-	7,364,313	-	7,364,313
<b>Total liabilities</b>	<b>2,629,480</b>	<b>7,595,511</b>	<b>(30,132)</b>	<b>10,194,859</b>

**NET ASSETS**

Unrestricted	13,792,553	34,034,923	-	47,827,476
Temporarily restricted	3,219,842	-	-	3,219,842
Permanently restricted	3,868,144	35,317	-	3,903,461
<b>Total net assets</b>	<b>20,880,539</b>	<b>34,070,240</b>	<b>-</b>	<b>54,950,779</b>

<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>\$ 23,510,019</b>	<b>\$ 41,665,751</b>	<b>\$ (30,132)</b>	<b>\$ 65,145,638</b>
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**IOWA ANNUAL CONFERENCE OF THE UNITED METHODIST CHURCH**  
**CONSOLIDATING STATEMENT OF ACTIVITIES - UNRESTRICTED NET ASSETS**  
**YEAR ENDED DECEMBER 31, 2015**

	<u>Iowa Annual Conference</u>	<u>Board of Pensions</u>	<u>Eliminations</u>	<u>Consolidated Total</u>
<b>REVENUE, GAINS AND OTHER SUPPORT</b>				
Apportionments, net	\$ 9,886,556	\$ 222,570	\$ -	\$ 10,109,126
Charitable contributions and grants	4,502	-	-	4,502
Registration fees	1,295,123	870	-	1,295,993
Investment earnings	113,124	814,533	-	927,657
Sale of goods and services	162,545	-	(100,000)	62,545
Other revenue	312,530	10,477,151	(10,500,806)	288,875
Net assets released from restrictions, satisfaction of program restrictions	2,473,943	-	-	2,473,943
<b>Total revenue, gains, and other support</b>	<b>14,248,323</b>	<b>11,515,124</b>	<b>(10,600,806)</b>	<b>15,162,641</b>
<b>EXPENSES</b>				
Program services				
Clergy support ministries	3,003,419	7,415,827	(10,403,253)	15,993
Local church support ministries	4,972,639	-	(22,227)	4,950,412
Institutional support ministries	1,344,363	-	-	1,344,363
Other ministries	1,486,953	-	(9,348)	1,477,605
	<u>10,807,374</u>	<u>7,415,827</u>	<u>(10,434,828)</u>	<u>7,788,373</u>
Support services				
General and administrative	2,893,811	259,205	(165,978)	2,987,038
Fund raising	93,827	-	-	93,827
	<u>2,987,638</u>	<u>259,205</u>	<u>(165,978)</u>	<u>3,080,865</u>
<b>Total expenses</b>	<b>13,795,012</b>	<b>7,675,032</b>	<b>(10,600,806)</b>	<b>10,869,238</b>
<b>Changes in net assets, before non-operating</b>	<b>453,311</b>	<b>3,840,092</b>	<b>-</b>	<b>4,293,403</b>
Net realized and unrealized loss on investments	(34,736)	(1,554,704)	-	(1,589,440)
Gain on sale of property and equipment	14,858	-	-	14,858
Pension and postretirement health benefit plan changes other than net periodic post retirement benefit costs	-	(3,106,883)	-	(3,106,883)
<b>CHANGE IN NET ASSETS</b>	<b>433,433</b>	<b>(821,495)</b>	<b>-</b>	<b>(388,062)</b>
<b>Net assets, beginning of year</b>	<b>13,359,120</b>	<b>34,856,418</b>	<b>-</b>	<b>48,215,538</b>
<b>Net assets, end of year</b>	<b>\$ 13,792,553</b>	<b>\$ 34,034,923</b>	<b>\$ -</b>	<b>\$ 47,827,476</b>

**IOWA ANNUAL CONFERENCE OF THE UNITED METHODIST CHURCH**  
**CONSOLIDATING STATEMENT OF ACTIVITIES - TEMPORARILY RESTRICTED NET ASSETS**  
**YEAR ENDED DECEMBER 31, 2015**

	<u>Iowa Annual Conference</u>	<u>Board of Pensions</u>	<u>Eliminations</u>	<u>Consolidated Total</u>
<b>REVENUE, GAINS AND OTHER SUPPORT</b>				
District askings	\$ 245,931	\$ -	\$ -	\$ 245,931
Charitable contributions and grants	2,061,323	-	-	2,061,323
Investment earnings	36,482	-	-	36,482
Other revenue	7,852	-	-	7,852
Net assets released from restrictions, satisfaction of program restrictions	<u>(2,473,943)</u>	<u>-</u>	<u>-</u>	<u>(2,473,943)</u>
<b>Total revenue, gains, and other support</b>	<u>(122,355)</u>	<u>-</u>	<u>-</u>	<u>(122,355)</u>
<b>Changes in net assets, before non-operating</b>	(122,355)	-	-	(122,355)
Net realized and unrealized loss on investments	<u>(24,129)</u>	<u>-</u>	<u>-</u>	<u>(24,129)</u>
<b>CHANGE IN NET ASSETS</b>	(146,484)	-	-	(146,484)
<b>Net assets, beginning of year</b>	<u>3,366,326</u>	<u>-</u>	<u>-</u>	<u>3,366,326</u>
<b>Net assets, end of year</b>	<u><u>\$ 3,219,842</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 3,219,842</u></u>

**IOWA ANNUAL CONFERENCE OF THE UNITED METHODIST CHURCH**  
**CONSOLIDATING STATEMENT OF ACTIVITIES - PERMANENTLY RESTRICTED NET ASSETS**  
**YEAR ENDED DECEMBER 31, 2015**

	<u>Iowa Annual Conference</u>	<u>Board of Pensions</u>	<u>Eliminations</u>	<u>Consolidated Total</u>
<b>REVENUE, GAINS AND OTHER SUPPORT</b>				
Charitable contributions and grants	\$ 24,050	\$ -	\$ -	\$ 24,050
<b>Total revenue, gains, and other support</b>	<u>24,050</u>	<u>-</u>	<u>-</u>	<u>24,050</u>
<b>Changes in net assets, before non-operating</b>	24,050	-	-	24,050
Net realized and unrealized loss on investments	<u>(92,646)</u>	<u>(6,028)</u>		<u>(98,674)</u>
<b>CHANGE IN NET ASSETS</b>	(68,596)	(6,028)	-	(74,624)
<b>Net assets, beginning of year</b>	<u>3,936,740</u>	<u>41,345</u>	<u>-</u>	<u>3,978,085</u>
<b>Net assets, end of year</b>	<u><u>\$ 3,868,144</u></u>	<u><u>\$ 35,317</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 3,903,461</u></u>

**IOWA ANNUAL CONFERENCE OF THE UNITED METHODIST CHURCH**  
**STATEMENTS OF CASH RECEIPTS AND DISBURSEMENTS - EPISCOPAL FUND - CASH BASIS OF ACCOUNTING**  
**YEARS ENDED DECEMBER 31, 2015 AND 2014**

	2015			2014		
	Episcopal Funds	Area Funds	Total	Episcopal Funds	Area Funds	Total
Cash receipts:						
Episcopal Fund	\$ 80,000	\$ -	\$ 80,000	\$ 80,000	\$ -	\$ 80,000
Annual Conference apportionments	-	220,068	220,068	-	218,856	218,856
Other contribution income	-	11,569	11,569	-	25,719	25,719
Investment income	-	1,768	1,768	-	1,768	1,768
Total cash receipts	<u>80,000</u>	<u>233,405</u>	<u>313,405</u>	<u>80,000</u>	<u>246,343</u>	<u>326,343</u>
Cash disbursements:						
Support staff salaries	80,000	112,600	192,600	80,000	113,529	193,529
Support staff benefits	-	64,187	64,187	-	61,805	61,805
Support staff payroll taxes	-	6,774	6,774	-	6,993	6,993
Hotel, travel, meals and entertainment	-	15,704	15,704	-	18,573	18,573
Legal and professional fees	-	4,703	4,703	-	12,150	12,150
Rent and utilities	-	2,400	2,400	-	2,400	2,400
Office supplies	-	2,173	2,173	-	10,434	10,434
Postage	-	1,064	1,064	-	1,240	1,240
Printing and copying	-	2,822	2,822	-	3,249	3,249
Miscellaneous	-	6,416	6,416	-	13,935	13,935
Total cash disbursements	<u>80,000</u>	<u>218,843</u>	<u>298,843</u>	<u>80,000</u>	<u>244,308</u>	<u>324,308</u>
Cash receipts over cash disbursements	-	14,562	14,562	-	2,035	2,035
Cash balance, beginning of year	<u>78,600</u>	<u>20,686</u>	<u>99,286</u>	<u>78,600</u>	<u>18,651</u>	<u>97,251</u>
Cash balance, end of year	<u>\$ 78,600</u>	<u>\$ 35,248</u>	<u>\$ 113,848</u>	<u>\$ 78,600</u>	<u>\$ 20,686</u>	<u>\$ 99,286</u>