

MICHIGAN AREA HEADQUARTERS OF THE  
UNITED METHODIST CHURCH AND AFFILIATE  
REPORT ON CONSOLIDATED FINANCIAL STATEMENTS  
YEARS ENDED DECEMBER 31, 2018 AND 2017



CONTENTS

	<u>Page</u>
Independent auditor's report .....	3 - 4
Consolidated financial statements	
Statements of financial position .....	5
Statements of activities and changes in net assets .....	6 - 7
Statements of functional expenses .....	8 - 9
Statements of cash flows .....	10
Notes to financial statements .....	11 - 18



Maner Costerisan PC  
2425 E. Grand River Ave.  
Suite 1  
Lansing, MI 48912-3291  
T: 517 323 7800  
F: 517 323 6346  
www.manercpa.com

## INDEPENDENT AUDITOR'S REPORT

To the Board of Directors  
Michigan Area Headquarters of the  
United Methodist Church and Affiliate

### Report on the Financial Statements

We have audited the accompanying consolidated financial statements of Michigan Area Headquarters of the United Methodist Church and affiliate which comprise the consolidated statements of financial position as of December 31, 2018 and 2017, and the related consolidated statements of activities and changes in net assets, functional expenses and cash flows for the years then ended, and the related notes to the consolidated 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 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 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 entity'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 entity'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 Michigan Area Headquarters of the United Methodist Church and 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.

*Manes Costeiran PC*

May 21, 2019

**MICHIGAN AREA HEADQUARTERS OF THE  
UNITED METHODIST CHURCH AND AFFILIATE  
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION  
DECEMBER 31, 2018 AND 2017**

	2018	2017
<b>ASSETS</b>		
Cash and cash equivalents	\$ 798,324	\$ 644,820
Accounts receivable	104	2,574
Property and equipment, less accumulated depreciation	869,011	894,533
Total assets	\$ 1,667,439	\$ 1,541,927
<b>LIABILITIES AND NET ASSETS</b>		
Liabilities:		
Accounts payable	\$ 13,027	\$ 32,053
Accrued wages and related	128,440	92,340
Accrued interest	2,556	2,735
Long-term debt	727,180	772,291
Total liabilities	871,203	899,419
Net assets:		
Without donor restrictions	796,236	642,508
Total liabilities and net assets	\$ 1,667,439	\$ 1,541,927

See notes to consolidated financial statements. 5

**MICHIGAN AREA HEADQUARTERS OF THE  
UNITED METHODIST CHURCH AND AFFILIATE  
CONSOLIDATED STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS  
YEAR ENDED DECEMBER 31, 2018**

	Michigan Area Episcopal Office Fund	Bequest Fund	Bishop's Emergency Fund	Building and Maintenance Fund	Total
<b>SUPPORT AND OTHER REVENUE:</b>					
General Conference Finance and Administration					
Episcopal Fund	\$ 86,252	\$ -	\$ -	\$ -	\$ 86,252
Detroit Annual Conference	494,677	-	-	-	494,677
West Michigan Annual Conference	400,431	-	-	-	400,431
Investment return, net	764	17	17	-	798
Total support and other revenue	<u>982,124</u>	<u>17</u>	<u>17</u>	<u>-</u>	<u>982,158</u>
<b>EXPENSES:</b>					
Program services:					
Office of the Assistant to the Bishop	380,602	-	-	-	380,602
Office of the Bishop	116,310	-	-	-	116,310
Management and general	331,518	-	-	-	331,518
Total expenses	<u>828,430</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>828,430</u>
CHANGE IN NET ASSETS	153,694	17	17	-	153,728
NET ASSETS - beginning of year	<u>607,936</u>	<u>13,273</u>	<u>13,547</u>	<u>7,752</u>	<u>642,508</u>
NET ASSETS - end of year	<u>\$ 761,630</u>	<u>\$ 13,290</u>	<u>\$ 13,564</u>	<u>\$ 7,752</u>	<u>\$ 796,236</u>

See notes to consolidated financial statements.

6

**MICHIGAN AREA HEADQUARTERS OF THE  
UNITED METHODIST CHURCH AND AFFILIATE  
CONSOLIDATED STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS  
YEAR ENDED DECEMBER 31, 2017**

	Michigan Area Episcopal Office Fund	Bequest Fund	Bishop's Emergency Fund	Building and Maintenance Fund	Total
<b>SUPPORT AND OTHER REVENUE:</b>					
General Conference Finance and Administration Episcopal Fund	\$ 84,143	\$ -	\$ -	\$ -	\$ 84,143
Detroit Annual Conference	462,432	-	-	-	462,432
West Michigan Annual Conference	384,636	-	-	-	384,636
Investment return, net	805	25	25	-	855
Other income	-	-	-	10,000	10,000
Total support and other revenue	<u>932,016</u>	<u>25</u>	<u>25</u>	<u>10,000</u>	<u>942,066</u>
<b>EXPENSES:</b>					
Program services:					
Office of the Assistant to the Bishop	487,381	-	-	-	487,381
Office of the Bishop	73,563	-	-	-	73,563
Management and general	179,183	-	-	6,539	185,722
Total expenses	<u>740,127</u>	<u>-</u>	<u>-</u>	<u>6,539</u>	<u>746,666</u>
CHANGE IN NET ASSETS	191,889	25	25	3,461	195,400
NET ASSETS - beginning of year	416,047	13,248	13,522	4,291	447,108
NET ASSETS - end of year	<u>\$ 607,936</u>	<u>\$ 13,273</u>	<u>\$ 13,547</u>	<u>\$ 7,752</u>	<u>\$ 642,508</u>

See notes to consolidated financial statements.

7

**MICHIGAN AREA HEADQUARTERS OF THE  
UNITED METHODIST CHURCH AND AFFILIATE  
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES  
YEAR ENDED DECEMBER 31, 2018**

	Program services				Total
	Office of the Assistant to the Bishop	Office of the Bishop	Total	Management and general	
Salaries and benefits	\$ 296,514	\$ 62,081	\$ 358,595	\$ 174,202	\$ 532,797
Payroll taxes	5,282	4,413	9,695	10,221	19,916
Called clergy	-	-	-	3,222	3,222
Contracted services	-	-	-	34,949	34,949
Mortgage loan interest	11,399	8,866	20,265	11,399	31,664
Building maintenance	4,861	3,781	8,642	4,861	13,503
Dues and subscriptions	1,558	273	1,831	1,739	3,570
Postage	401	1,770	2,171	401	2,572
Supplies and office printing	8,997	6,998	15,995	8,997	24,992
Telephone	5,185	2,263	7,448	25,838	33,286
Travel and parking	19,247	1,881	21,128	4,282	25,410
Computer and technology	4,367	3,396	7,763	4,367	12,130
Office equipment	11,021	8,572	19,593	11,021	30,614
Depreciation	11,770	9,155	20,925	11,770	32,695
Miscellaneous	-	2,861	2,861	24,249	27,110
	<u>\$ 380,602</u>	<u>\$ 116,310</u>	<u>\$ 496,912</u>	<u>\$ 331,518</u>	<u>\$ 828,430</u>

See notes to consolidated financial statements.



**MICHIGAN AREA HEADQUARTERS OF THE  
UNITED METHODIST CHURCH AND AFFILIATE  
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES  
YEAR ENDED DECEMBER 31, 2017**

	Program services			Management and general	Total
	Office of the Assistant to the Bishop	Office of the Bishop	Total		
Salaries and benefits	\$ 462,189	\$ 59,616	\$ 521,805	\$ -	\$ 521,805
Payroll taxes	14,806	4,197	19,003	-	19,003
Called clergy	-	-	-	9,837	9,837
Contracted services	-	-	-	14,056	14,056
Mortgage loan interest	-	-	-	33,758	33,758
Building maintenance	-	-	-	16,155	16,155
Dues and subscriptions	1,449	593	2,044	1,345	3,389
Postage	-	955	955	-	955
Supplies and office printing	376	3	379	11,778	12,157
Telephone	2,226	2,993	5,219	5,084	10,303
Travel and parking	6,335	2,757	9,092	10,600	19,692
Computer and technology	-	-	-	7,870	7,870
Office equipment	-	-	-	10,370	10,370
Building fund	-	-	-	6,539	6,539
Depreciation	-	-	-	32,409	32,409
Miscellaneous	-	2,447	2,447	25,921	28,368
	<u>\$ 487,381</u>	<u>\$ 73,563</u>	<u>\$ 560,944</u>	<u>\$ 185,722</u>	<u>\$ 746,666</u>

See notes to consolidated financial statements.

9

**MICHIGAN AREA HEADQUARTERS OF THE  
UNITED METHODIST CHURCH AND AFFILIATE  
CONSOLIDATED STATEMENTS OF CASH FLOWS  
YEARS ENDED DECEMBER 31, 2018 AND 2017**

	<u>2018</u>	<u>2017</u>
<b>INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS:</b>		
Cash flows from operating activities:		
Increase in net assets	\$ 153,728	\$ 195,400
Adjustments to reconcile increase in net assets to net cash provided (used) by operating activities:		
Depreciation	32,695	32,409
Accounts receivable	2,470	3,055
Accounts payable	(19,026)	11,856
Accruals	35,921	46,355
Total adjustments	<u>52,060</u>	<u>93,675</u>
Net cash provided (used) by operating activities	205,788	289,075
Cash flows from investing activities:		
Purchase of fixed assets	(7,173)	(6,728)
Cash flows from financing activities:		
Repayment of long-term debt	<u>(45,111)</u>	<u>(39,519)</u>
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	153,504	242,828
CASH AND CASH EQUIVALENTS, beginning of year	<u>644,820</u>	<u>401,992</u>
CASH AND CASH EQUIVALENTS, end of year	<u>\$ 798,324</u>	<u>\$ 644,820</u>
<b>SUPPLEMENTAL CASH FLOW INFORMATION:</b>		
Cash paid for interest	<u>\$ 31,485</u>	<u>\$ 36,493</u>

See notes to consolidated financial statements. 10

**MICHIGAN AREA HEADQUARTERS OF THE  
UNITED METHODIST CHURCH AND AFFILIATE  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Principles of consolidation - the accompanying consolidated financial statements include the accounts of the Michigan Area Headquarters of the United Methodist Church and the Michigan Area United Ministry Center (collectively Headquarters).

Basis of accounting - Headquarters' consolidated financial statements are prepared on the accrual basis of accounting, which is in accordance with accounting principles generally accepted in the United States of America.

Net assets, revenues, gains and losses are classified based on the existence or absence of donor or grantor imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

*Net assets without donor restrictions* - Net assets available for use in general operations and not subject to donor or grantor restrictions

*Net assets with donor restrictions* - Net assets subject to donor (or grantor) imposed restrictions. Some donor restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor restrictions are perpetual in nature, where the donor stipulates that resources are maintained in perpetuity. Gifts of long-lived assets and gifts of cash restricted for the acquisition of long-lived assets are recognized as revenue when the assets are placed in service. Donor restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, or when the stipulated purpose has been accomplished.

Fund accounting - To facilitate observance of limitations and restrictions placed on the use of available resources, the accounts are maintained in accordance with the principles of fund accounting. Funds are established according to the nature and purpose of resources available to Headquarters. The assets, net assets and financial activity of Headquarters are recorded in the following self-balancing fund groups:

- Michigan Area Episcopal Office Fund - includes resources without donor restrictions available for current operations.
- Bequest Fund - includes resources without donor restrictions, originating from a bequest without restrictions, to be used at the Bishop's discretion.
- Bishop's Emergency Fund - includes resources without donor restrictions, originating from board designations of under spent budgets, to be used at the Bishop's discretion.
- Building and Maintenance Fund - includes resources without donor restrictions, originating from the Detroit Annual Conference and West Michigan Annual Conference, to be used for major maintenance and building projects at Headquarters.

**MICHIGAN AREA HEADQUARTERS OF THE  
UNITED METHODIST CHURCH AND AFFILIATE  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Concluded)**

Functional allocation of expenses - The costs of providing program and other activities have been reported in the statement of activities and changes in net assets. The statement of functional expenses presents the natural classification of expenses that are allocated to program or supporting functions of the Headquarters. Allocated expenses primarily consist of payroll and related, telephone, travel and general expenses based on salary and wage analysis and management's estimated use of resources. Fund raising costs have not been segregated on the basis of immateriality.

- Office of the Assistant to the Bishop - includes expenses for the Clergy Assistant to the Bishop and other program expenses, which support activities throughout the state of Michigan.
- Office of the Bishop - includes general office operations and expenses specific to the Bishop or the Bishop's executive assistant, which support activities throughout the state of Michigan.

Cash and cash equivalents include all highly liquid investments purchased with an original maturity of three months or less.

Accounts receivable are stated at the amount management expects to collect from outstanding balances. Based on management's assessment of the credit history with clients having outstanding balances and current relationships with them, management has concluded that realization losses on balances outstanding at year-end will be immaterial. Balances still outstanding after management has used reasonable collection efforts are written off through a charge to bad debt expense and a credit to accounts receivable.

Property and equipment is recorded at cost. Depreciation is computed over the useful life of the assets using the straight-line method. The Headquarters capitalizes all equipment purchased with a useful life exceeding one year and a cost greater than \$500.

Revenue recognition - Revenue is recognized when earned. Program service fees, payments under cost-reimbursable contracts, fees and payments received in advance are deferred to the period the related services are performed or expenditures are incurred. Gifts and contributions are recognized when cash, securities or other assets, or an unconditional promise to give is received. Conditional promises to give are recognized when the conditions on which they depend have been substantially met.

Net investment return or loss is included in the statement of activities and changes in net assets and consists of interest and dividend income, realized and unrealized gains and losses, less related expenses.

**MICHIGAN AREA HEADQUARTERS OF THE  
UNITED METHODIST CHURCH AND AFFILIATE  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**NOTE 2 - NATURE OF ORGANIZATION, RISKS AND UNCERTAINTIES**

The Michigan Area Headquarters of the United Methodist Church is a non-profit religious organization. The Michigan Area Methodist Ministry Center is a non-profit religious corporation. The purpose of Headquarters is to provide funding for the Bishop's activities, which are carried out throughout the state of Michigan. Headquarters is exempt from income taxes under the provisions of Section 501(c)(3) of the Internal Revenue Code.

Headquarters is required to disclose significant concentrations of credit risk regardless of the degree of such risk. Financial instruments that potentially subject the Headquarters to concentrations of credit risk consist principally of cash and cash equivalents. The Headquarters places its cash and cash equivalents with FDIC insured financial institutions. Although such cash balances may have exceeded the federally insured limits at certain times during the year and at year-end, they are, in the opinion of management, subject to minimal risk.

Headquarters is funded primarily through reimbursements from the General Conference Finance and Administration Episcopal Fund, the Detroit Annual Conference and the West Michigan Annual Conference, all of which are related organizations.

Headquarters evaluates events and transactions that occur after year end for potential recognition or disclosure in the consolidated financial statements. These subsequent events have been considered through May 21, 2019, which is the date the consolidated financial statements were available to be issued.

Tax positions are taken based on interpretation of federal, state, and local income tax laws. Management periodically reviews and evaluates the status of uncertain tax positions and makes estimates of amounts, including interest and penalties, ultimately due or owed. No amounts have been identified, or recorded, as uncertain tax positions. Federal, state and local tax returns generally remain open for examination by various taxing authorities for a period of 3 to 4 years.

The process of preparing consolidated financial statements requires the use of estimates and assumptions regarding certain types of assets, revenues, and expenses. The costs of providing the various programs and other activities have been summarized on a functional basis in the consolidated statement of activities and changes in net assets. Accordingly, certain costs have been allocated among programs and supporting services based on management estimates.

**MICHIGAN AREA HEADQUARTERS OF THE  
UNITED METHODIST CHURCH AND AFFILIATE  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**NOTE 3 - LIQUIDITY AND AVAILABILITY**

The Headquarters regularly monitors the availability of resources required to meet its operating needs and other contractual commitments, while also striving to maximize the investment of its available funds. For purposes of analyzing resources available to meet general expenditures over a 12-month period, the Headquarters considers all expenditures related to its ongoing activities as well as the conduct of services undertaken to support those activities to be general expenditures.

The following reflects the Headquarters' financial assets as of December 31, 2018, which are deemed available for general expenditures within one year of the date of the statement of financial position:

Cash and cash equivalents	\$ 798,324
Accounts receivable	<u>104</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 798,428</u>

In addition to financial assets available to meet general expenditures over the next 12 months, the Headquarters operates with a balanced budget and anticipates collecting sufficient revenue to cover general expenditures.

**NOTE 4 - RETIREMENT BENEFITS**

Headquarters sponsors a defined contribution pension plan covering substantially all of its employees. Headquarters contributes 6.5% of each participant's annual wages. Employer contributions and costs totaled approximately \$16,400 and \$16,000 for the years ended December 31, 2018 and 2017, respectively.

**MICHIGAN AREA HEADQUARTERS OF THE  
UNITED METHODIST CHURCH AND AFFILIATE  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**NOTE 5 - LEASES**

Headquarters has use of two copiers under operating leases. The first copier has a monthly cost of \$216 with the lease expiring in March 2020. The second copier has a monthly cost of \$333 with the lease expiring in February 2023. Lease payments to be made under these agreements are as follows:

Year ending December 31,		\$	
2019		6,588	
2020		4,644	
2021		3,996	
2022		3,996	
2023		666	

**NOTE 6 - PROPERTY AND EQUIPMENT**

Property and equipment consists of the following at December 31:

	2018	2017
Land and building	\$ 919,731	\$ 919,731
Furniture and fixtures	60,990	60,990
Office equipment	48,497	41,324
	<u>1,029,218</u>	<u>1,022,045</u>
Less accumulated depreciation	160,207	127,512
Net property and equipment	<u>\$ 869,011</u>	<u>\$ 894,533</u>

**MICHIGAN AREA HEADQUARTERS OF THE  
UNITED METHODIST CHURCH AND AFFILIATE  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**NOTE 7 - LONG TERM DEBT**

Long term debt consists of the following at December 31:

	2018	2017
Mortgage payable (Michigan Area Loan Fund) - original balance of \$825,000, payable in monthly installments of \$6,413 including interest at 4.74%, collateralized by the building, final maturity of August 2019.	\$ 647,180	\$ 692,291
Note payable (West Michigan Conference) - original balance of \$40,000, payable in one lump sum at maturity, no interest accumulated, unsecured, final maturity of January 2019.	40,000	40,000
Note payable (Detroit Annual Conference) - original balance of \$40,000, payable in one lump sum at maturity, no interest accumulated, unsecured, final maturity of January 2019.	40,000	40,000
	727,180	772,291
Less current portion	727,180	45,111
Total long-term debt	\$ -	\$ 727,180

Maturities of long term debt are due as follows:

Year ending December 31,	
2019	\$ 727,180



**MICHIGAN AREA HEADQUARTERS OF THE  
UNITED METHODIST CHURCH AND AFFILIATE  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**NOTE 8 - RELATED PARTY TRANSACTIONS**

The Detroit Annual Conference processes payroll transactions for Headquarters at no charge. The value of these services has not been determined but is not considered significant to the financial statements.

At December 31, 2018 and 2017, Headquarters had the following included in accounts receivable from related parties:

	2018	2017
Detroit Annual Conference	\$ -	\$ 112
West Michigan Annual Conference	-	425
	<u>\$ -</u>	<u>\$ 537</u>

At December 31, 2018 and 2017, Headquarters maintained the following liabilities owed to the West Michigan Conference and Detroit Annual Conference for services performed:

	2018	2017
Detroit Annual Conference:		
Accounts payable	\$ 7,077	\$ 18,628
Accrued wages and related	122,288	43,715
	<u>\$ 129,365</u>	<u>\$ 62,343</u>
West Michigan Conference:		
Accrued wages and related	\$ -	\$ 42,821

In December 2014, the West Michigan Conference and the Detroit Conference each advanced the Headquarters \$40,000 to finance the completion of the Ministry Center. These loans are payable January 2019 from amounts raised from special donations (see Note 7).

In August 2013, the Michigan Area United Methodist Ministry Center entered into an \$825,000 mortgage agreement, the proceeds of which were used for the acquisition of office space for the use by Headquarters. Headquarters has entered into an agreement with the Detroit Annual Conference and the West Michigan Annual Conference to provide support for the mortgage payments. Based on this agreement, Headquarters anticipates receiving support for the entire amount of the mortgage commitment (see Note 7).

**MICHIGAN AREA HEADQUARTERS OF THE  
UNITED METHODIST CHURCH AND AFFILIATE  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**NOTE 9 - MICHIGAN UNITED METHODISTS VOTE TO BECOME ONE**

In a live state-wide web address held on June 10, 2015, Michigan Area Bishop Deborah Lieder Kiesey, announced that the Detroit Annual conference and the West Michigan Annual Conference have voted to create a single organizational body in Michigan by January 1, 2019. The decision will impact over 140,000 professing members in the state, attending nearly 850 local churches.

**NOTE 10 - NEW ACCOUNTING STANDARD**

In August 2016, the FASB issued ASU No. 2016-14, "*Presentation of Financial Statement of Not-for-Profit Entities*" (Topic 958). The ASU amends the current reporting model for nonprofit organizations 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 the use of the placed in service approach to recognize the expirations of restrictions on gifts used to acquire or construct long-lived assets absent explicit donor stipulations otherwise, (d) requiring that all nonprofits present an analysis of expenses by function and nature in either the statement of activities, a separate statement, or in the notes and disclose a summary of the allocation methods used to allocate costs, (e) requiring the disclosure of quantitative and qualitative information regarding liquidity and availability of resources, (f) presenting investment return net of external and direct internal investment expenses, and (g) modifying other financial statement reporting requirements and disclosures intended to increase the usefulness of nonprofit financial statements. In addition, ASU 2016-14 removes the requirement that not-for-profit entities that chose to prepare the statements of cash flows using the direct method must also present a reconciliation (the indirect method). The Organization adopted ASU No. 2016-14 for the year ending December 31, 2018. The December 31, 2017 comparative information has been reclassified to conform to the current year presentation.

**DETROIT ANNUAL CONFERENCE  
OF THE UNITED METHODIST CHURCH**  
**REPORT ON FINANCIAL STATEMENTS**  
**(with supplementary information)**  
**YEAR ENDED DECEMBER 31, 2018**  
**(with comparative totals for the year ended December 31, 2017)**



**C O N T E N T S**

	<u>Page</u>
Independent auditor's report.....	3 - 4
Financial statements	
Statements of assets, liabilities and net assets - modified cash basis .....	5
Statement of support, revenue and other receipts, expenses, other disbursements and changes in net assets - modified cash basis .....	6
Statement of functional expenses - modified cash basis .....	7-8
Notes to financial statements.....	9 - 26
Supplementary information .....	27
Combining statement of support, revenue and other receipts, expenses, other disbursements and changes in net assets - modified cash basis .....	28 - 29



Maner Costerisan PC  
2425 E. Grand River Ave.  
Suite 1  
Lansing, MI 48912-3291  
T: 517 323 7800  
F: 517 323 6346  
www.manercpa.com

## INDEPENDENT AUDITOR'S REPORT

To the Council on Finance and Administration  
Detroit Annual Conference  
of the United Methodist Church

### Report on the Financial Statements

We have audited the accompanying financial statements of Detroit Annual Conference of the United Methodist Church which comprise the statements of assets, liabilities and net assets - modified cash basis as of December 31, 2018 and 2017, and the related statement of support, revenue and other receipts, expenses, other disbursements and changes in net assets - modified cash basis and functional expenses - modified cash basis for the year ended December 31, 2018, 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 financial statements in accordance with the modified cash basis of accounting described in Note 1; this includes determining that the modified cash basis of accounting is an acceptable basis for the preparation of the financial statements in the circumstances. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### Auditor's Responsibility

Our responsibility is to express an opinion on these 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 financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the 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 entity'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 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 financial statements referred to above present fairly, in all material respects, the assets, liabilities and net assets of Detroit Annual Conference of the United Methodist Church as of December 31, 2018 and 2017, and its support, revenue and other receipts, expenses, other disbursements and changes in net assets for the year ended December 31, 2018, in accordance with the modified cash basis of accounting as described in Note 1.

**Report on Summarized Comparative Information**

We have previously audited the Detroit Annual Conference of the United Methodist Church's 2017 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated May 22, 2018. In our opinion, the summarized comparative information presented in the statement of support, revenue and other receipts, expenses, other disbursements and changes in net assets - modified cash basis and in the statement of functional expenses - modified cash basis for the year ended December 31, 2017, is consistent, in all material respects, with the audited financial statements from which it has been derived.

**Basis of Accounting**

We draw attention to Note 1 of the financial statements, which describes the basis of accounting. The financial statements are prepared on the modified cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

**Report on Supplementary Information**

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The supplementary information, as identified in the table of contents, is presented for purposes of additional analysis and is not a required part of the 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 financial statements. The information has been subjected to the auditing procedures applied in the audits of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the 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 financial statements as a whole.

*Manes Costeiran PC*

May 21, 2019

**DETROIT ANNUAL CONFERENCE OF THE UNITED METHODIST CHURCH  
STATEMENTS OF ASSETS, LIABILITIES AND NET ASSETS - MODIFIED CASH BASIS  
DECEMBER 31, 2018 AND 2017**

<b>ASSETS</b>	2018	2017
Cash and cash equivalents	\$ 1,250,284	\$ 1,802,361
Investments	8,619,865	10,634,290
Receipts in transit	562,312	844,607
Due from affiliated church organizations, less allowance for doubtful accounts of \$120,000 and \$104,397 in 2018 and 2017, respectively	263,902	257,176
Notes and loans receivable	207,000	208,000
Property and equipment - net	2,209,082	1,761,059
<b>TOTAL ASSETS</b>	<b>\$ 13,112,445</b>	<b>\$ 15,507,493</b>
<b>LIABILITIES AND NET ASSETS</b>		
<b>LIABILITIES:</b>		
Assets held on behalf of others	\$ 419,197	\$ 614,061
<b>NET ASSETS:</b>		
Without donor restrictions	11,798,459	13,827,940
With donor restrictions	894,789	1,065,492
Total net assets	12,693,248	14,893,432
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>\$ 13,112,445</b>	<b>\$ 15,507,493</b>

See notes to financial statements.

**DETROIT ANNUAL CONFERENCE OF THE UNITED METHODIST CHURCH  
STATEMENT OF SUPPORT, REVENUE AND OTHER RECEIPTS, EXPENSES,  
OTHER DISBURSEMENTS AND CHANGES IN NET ASSETS - MODIFIED CASH BASIS  
YEAR ENDED DECEMBER 31, 2018  
(with comparative totals for the year ended December 31, 2017)**

	2018			2017
	Without donor restrictions	With donor restrictions	Total	
<b>SUPPORT, REVENUE AND OTHER RECEIPTS:</b>				
Support and revenue:				
Apportionments	\$ 5,850,264	\$ -	\$ 5,850,264	\$ 5,870,549
Special offerings / mission and ministry	-	175,845	175,845	248,744
Investment return, net	(576,628)	(5,959)	(582,587)	1,321,100
Other income	1,701,433	3,190	1,704,623	1,366,395
Assets released from restrictions	343,779	(343,779)	-	-
<b>Total support and revenue</b>	<b>7,318,848</b>	<b>(170,703)</b>	<b>7,148,145</b>	<b>8,806,788</b>
Other receipts:				
Pension apportionments	1,701,155	-	1,701,155	1,739,285
Past years pension apportionments	35,491	-	35,491	11,975
Insurance reimbursements	8,487,254	-	8,487,254	8,722,742
<b>Total support, revenue and other receipts</b>	<b>17,542,748</b>	<b>(170,703)</b>	<b>17,372,045</b>	<b>19,280,790</b>
<b>EXPENSES AND OTHER DISBURSEMENTS:</b>				
Expenses:				
Salaries	2,196,255	-	2,196,255	1,919,363
Health insurance	404,315	-	404,315	394,756
Pension and post-employment benefit expense	66,257	-	66,257	46,503
Other employee costs	167,209	-	167,209	150,082
Training and continuing education	31,874	-	31,874	30,311
Travel, meeting and moving expenses	484,570	-	484,570	400,697
Operating and administrative expenses	1,470,298	-	1,470,298	1,467,588
Parsonage and building expenditures	48,487	-	48,487	33,379
Remittances to general church	1,555,648	-	1,555,648	1,635,400
Conference benevolence	3,152,328	-	3,152,328	2,512,089
Contribution to camping ministries	-	-	-	4,247,763
Depreciation	59,138	-	59,138	53,275
<b>Total expenses</b>	<b>9,636,379</b>	<b>-</b>	<b>9,636,379</b>	<b>12,891,206</b>
Other disbursements:				
Remittances to board of pensions	1,164,991	-	1,164,991	1,144,412
Health insurance	8,770,859	-	8,770,859	8,440,665
<b>Total expenses and other disbursements</b>	<b>19,572,229</b>	<b>-</b>	<b>19,572,229</b>	<b>22,476,283</b>
<b>CHANGE IN NET ASSETS</b>	<b>(2,029,481)</b>	<b>(170,703)</b>	<b>(2,200,184)</b>	<b>(3,195,493)</b>
<b>NET ASSETS - beginning of year</b>	<b>13,827,940</b>	<b>1,065,492</b>	<b>14,893,432</b>	<b>18,088,925</b>
<b>NET ASSETS - end of year</b>	<b>\$ 11,798,459</b>	<b>\$ 894,789</b>	<b>\$ 12,693,248</b>	<b>\$ 14,893,432</b>

See notes to financial statements.



**DETROIT ANNUAL CONFERENCE OF THE UNITED METHODIST CHURCH**  
**STATEMENT OF FUNCTIONAL EXPENSES - MODIFIED CASH BASIS**  
**YEAR ENDED DECEMBER 31, 2018**  
 (with comparative totals for the year ended December 31, 2017)

	Program services					
	Congregational ministry and administration	Conference leadership team	Mission and ministry	General church apportionments	New church development	Pension and health benefits
Salaries	\$ -	\$ 579,996	\$ -	\$ -	\$ 72,662	\$ -
Health and life insurance	-	94,930	-	-	-	87,865
Pension and post-employment benefits	-	2,933	-	-	-	12,882
Other employee costs	-	90,529	-	-	-	-
Training and continuing education	-	895	-	-	-	-
Travel, meeting and moving	270,817	54,271	-	-	-	-
Operating and administrative	-	160,249	-	-	-	-
Parsonage and building	-	-	-	-	-	-
Remittances to general church	-	-	-	1,232,872	-	-
Conference benevolence	-	711,010	463,701	-	497,291	5,773
Contributions	-	-	-	-	-	-
Depreciation	-	-	-	-	-	-
	<u>\$ 270,817</u>	<u>\$ 1,694,813</u>	<u>\$ 463,701</u>	<u>\$ 1,232,872</u>	<u>\$ 569,953</u>	<u>\$ 106,520</u>

See notes to financial statements.

7

**DETROIT ANNUAL CONFERENCE OF THE UNITED METHODIST CHURCH**  
**STATEMENT OF FUNCTIONAL EXPENSES - MODIFIED CASH BASIS**  
**YEAR ENDED DECEMBER 31, 2018**  
 (with comparative totals for the year ended December 31, 2017)

	Program services		Other designated activity		2017
	Total	Management and general	Total	Management and general	
Salaries	\$ 246,182	\$ 898,840	\$ 1,297,415	\$ 2,196,255	\$ 1,919,363
Health and life insurance	10,104	192,899	211,416	404,315	394,756
Pension and post-employment benefits	196	16,011	50,246	66,257	46,503
Other employee costs	10,224	100,753	66,456	167,209	150,082
Training and continuing education	-	895	30,979	31,874	30,311
Travel, meeting and moving	-	325,088	159,482	484,570	400,697
Operating and administrative	-	160,249	1,310,049	1,470,298	1,467,588
Parsonage and building	-	-	48,487	48,487	33,379
Remittances to general church	-	1,232,872	322,776	1,555,648	1,635,400
Confidence benevolence	1,417,249	3,095,024	57,304	3,152,328	2,512,089
Contributions	-	-	-	-	4,247,763
Depreciation	-	-	59,138	59,138	53,275
	<u>\$ 1,683,955</u>	<u>\$ 6,022,631</u>	<u>\$ 3,613,748</u>	<u>\$ 9,636,379</u>	<u>\$ 12,891,206</u>

See notes to financial statements

§

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

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Basis of accounting** - The books and records of the Conference are maintained on the modified cash basis of accounting. Under this method, income is recognized when received and expenses are recorded at the time of payment except for the recognition of certain assets and liabilities related to the timing of local church contributions at year end, amounts due from/to various organizations resulting from apportionments and/or special offerings and reimbursements of health insurance premiums, investments, notes and loans receivable, property and equipment and cash held on behalf of others in an agency capacity. Additionally, certain amounts held on the Conference's behalf at Wespeth Benefits and Investments are not included in these financial statements and related cash flows attributable to local churches are reported as other receipts and disbursements. See Note 10.

**Financial statement presentation** - The statements of support, revenue and other receipts, expenses, other disbursements and changes in net assets - modified cash basis and functional expenses - modified cash basis include certain prior-year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with the modified cash basis of accounting. Accordingly, such information should be read in conjunction with the Conference's prior year financial statements from which the summarized information was derived.

**Fund accounting** - To facilitate observance of limitations and restrictions placed on the use of available resources, the accounts are maintained in accordance with the principles of fund accounting. Funds are established according to the nature and purpose of resources available to the Detroit Annual Conference of the United Methodist Church. The assets, liabilities, net assets and financial activity of the Conference are recorded in the following self-balancing fund groups:

- **Connectional Ministry and Administration Fund** - resources available for current operations in supervision and administration of the mission and ministry of the Detroit Annual Conference of the United Methodist Church.
- **Conference Leadership Team Fund** - resources available for distribution to the programs of mission and ministry of the Detroit Annual Conference of the United Methodist Church program agencies.
- **Mission and Ministry Fund** - resources to allow churches direct involvement in the charities promoted by Conference agencies. Member churches select individual charities to fund from a listing prepared by the Conference.

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

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

- General Church Apportionments Fund - resources available for providing financial support for the programs of the general church agencies, including recruitment and education of ordained ministers, support of seven United Methodist black colleges in the United States, support of the United Methodist Africa University in Zimbabwe, resources for the General Church agencies including the General Council on Finance and Administration, the General Board of Global Ministries, the General Board of Discipleship, the General Board of Church and Society and the Connectional Table, through the World Service Fund as well as funding for administration through the General Church Administration and Interdenominational Cooperation funds.
- New Church Development Fund - resources available for new church development as well as loan funds administered by the Conference Board of Global Ministries.
- Pension and Health Benefits Fund - resources available for support, relief, assistance and pensioning of clergy, lay workers for the various units of the Conference and their families.
- Plant Fund - property and equipment owned and used directly in the operation of the Conference.
- Other Designated Funds - resources for purposes related to Conference programs, including Trustee funds (arising from the sales of parsonages) and the WMRP fund (related to communications).

Cash and cash equivalents include all highly liquid investments purchased with an original maturity of 3 months or less.

Investments are recorded at fair value and consist of various equity securities, U.S. treasury notes, certificates of deposit, mutual funds and pooled funds. Net investment return or loss is recorded in the statement of support, revenue and other receipts, expenses, other disbursements and changes in net assets - modified cash basis and consists of interest and dividend income, realized and unrealized gains and losses, less investment expenses.

Receipts in transit include contributions collected by local churches during the years ended December 31, 2018 and 2017, but not received by the Conference until after year end.

Notes and loans receivable consist of outstanding principal for loans the Conference provided to local churches to help finance capital expenditures.

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

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Concluded)**

Property and equipment are capitalized at cost. Donated assets are recorded at fair value at date of donation. Parsonages are recorded at original cost plus the cost of subsequent additions. Depreciation is computed over the estimated useful life of assets using the straight-line method. Additions to property and equipment over \$1,000 are capitalized. Cost of maintenance and repairs are charged to expense when incurred. The useful lives adopted for the purpose of computing depreciation are:

Parsonages and improvements	20 to 40 years
Conference center furniture and equipment	5 to 7 years

Assets held on behalf of others consist of cash held in an agency capacity.

Functional allocation of expenses - The costs of providing program and other activities have been reported in the statement of support, revenue and other receipts, expenses, other disbursements and changes in net assets - modified cash basis. The statement of functional expenses - modified cash basis presents the natural classification of expenses that are allocated to program or supporting functions of the Conference. Allocated expenses primarily consist of payroll and related, travel and meetings, operating and administrative and various other expense classifications necessary to support the day-to-day operations of the Conference. Employee driven expenses are allocated based on salary and wage analysis. All other allocated expenses utilize management's estimated use of resources.

Net assets, revenues, gains and losses are classified based on the existence or absence of donor or grantor imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

*Net assets without donor restrictions* - Net assets available for use in general operations and not subject to donor or grantor restrictions. The Conference has no designated net assets without donor restriction.

*Net assets with donor restrictions* - Net assets subject to donor (or grantor) imposed restrictions. Some donor restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor restrictions are perpetual in nature, where the donor stipulates that resources are maintained in perpetuity. Gifts of long-lived assets and gifts of cash restricted for the acquisition of long-lived assets are recognized as revenue when the assets are placed in service. Donor restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, or when the stipulated purpose has been accomplished (See Note 12).

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

**NOTE 2 - ORGANIZATION, RISKS AND UNCERTAINTIES**

The Detroit Annual Conference of the United Methodist Church (the Conference) is a Michigan non-profit corporation. The purpose of the Conference is to administer the collective ministries of local churches that make up its membership. The member churches are located in the Upper Peninsula of Michigan and the eastern half of the Lower Peninsula of Michigan. Using apportionments received from its member churches, the Conference provides support for various missions, educational programs and summer youth camps. The Conference is exempt from income taxes under provisions of Section 501(c)(3) of the Internal Revenue Code.

The Conference is required to disclose significant concentrations of credit risk regardless of the degree of such risk. Financial instruments which potentially subject the Conference to concentrations of significant credit risk consist of cash and cash equivalents, and investments. The Conference places its cash with various FDIC insured financial institutions and thereby limits the amount of credit exposure to any one financial institution. Credit risk with respect to investments is limited due to the wide variety of companies and industries. Although such investments and cash balances may exceed the federally insured limits at certain times during the year and at year-end they are, in the opinion of management, subject to minimal risk. The Conference maintains a diversified investment portfolio which is subject to market risk.

Investments are disclosed in Notes 5 and 6 and consist largely of amounts invested in various funds by the United Methodist Foundation of Michigan (UMF) as well as Wespeth Benefits and Investments (WBI).

**UMF Balanced Fund** - The primary investment objective of the Fund is to provide for long term capital growth. The Fund operates as a "fund of funds" through which participants are invested primarily in the Stock Fund and Bond Fund. The Fund will be allocated approximately 35% to 65% in the Stock Fund and approximately 35% to 65% in the Bond Fund. The Fund seeks to achieve its investment objectives by investing in a diversified portfolio of common stocks, bonds and money market instruments.

**UMF Stock Fund** - The Fund seeks to achieve long-term capital appreciation through investments in stocks and other securities, with primary emphasis on U.S. large capitalization companies and secondary emphasis on global and international equities and on U.S. small and middle capitalization companies. The Fund is subject to the general investment restrictions and the socially responsible investment criteria as adopted by the UMF Foundation.

**UMF Bond Fund** - The Fund's primary objective is to achieve a high level of current income, with capital appreciation as a secondary objective, by investing in investment-grade debt securities. The Fund invests in U.S. Treasury and agency securities, municipal securities, corporate bonds, mortgaged backed securities, preferred shares and other fixed income securities rated as investment grade by a Nationally Recognized Statistical Rating Organization. The Fund is subject to the general investment restrictions and the socially responsible investment criteria as adopted by the UMF Foundation.

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

**NOTE 2 - ORGANIZATION, RISKS AND UNCERTAINTIES (Concluded)**

**UMF Money Market Investment Account** - The Fund's objective is to seek maximum current income consistent with liquidity and the maintenance of a portfolio of high quality short-term money market securities. The Fund attempts to achieve its objective by investing in a diversified portfolio of U.S. dollar denominated money market securities. These securities primarily consist of short term U.S. Government securities, U.S. Government agency securities, and securities issued by U.S. Government sponsored enterprises and U.S. Government instrumentalities, commercial paper and repurchase agreements and variable and floating rate obligations.

**WBI Short Term Investment Fund** - The Fund seeks to maximize current income consistent with preservation of capital. The Fund seeks to achieve its investment objective through the exposure to short-term fixed income securities in the sweep account. The Fund exclusively holds cash and cash equivalents in the form of units of the sweep account. The sweep account holds U.S. government bonds, agency bonds, corporate bonds, securitized projects, dollar denominated international fixed income securities, commercial paper, certificates of deposit, and other similar types of investments. The performance objective of the Fund is to slightly outperform its performance benchmark, the Bank of America Merrill Lynch 3-Month Treasury Bill Index.

**WBI Multiple Asset Fund** - The Fund seeks to maximize long-term investment returns, including current income and capital appreciation, while reducing short-term risk by investing in a broad mix of investments. The performance objective of the Fund is to outperform the investment returns of its performance benchmark (35% Russell 3000 Index, 30% MSCI ACWI excluding USA IMI, 25% Bloomberg Barclays U.S. Universal Index excluding Mortgage Backed Securities, and 10% Inflation Protection Fund Custom Benchmark by 0.8% on average per year (net of fees) over a market cycle (5 to 7 years).

The process of preparing financial statements requires the use of estimates and assumptions regarding certain types of assets, revenues, and expenditures. Such estimates primarily relate to unsettled transactions and events as of the date of the financial statements. Accordingly, upon settlement, actual results may differ from estimated amounts.

Tax positions are taken based on interpretation of federal, state and local income tax laws. Management periodically reviews and evaluates the status of uncertain tax positions and makes estimates of amounts, including interest and penalties, ultimately due or owed. No amounts have been identified, or recorded, as uncertain tax positions. Federal, state and local tax returns generally remain open for examination by the various taxing authorities for a period of 3 to 4 years.

The Conference evaluates events and transactions that occur after year end for potential recognition or disclosure in the financial statements. These subsequent events have been considered through May 21, 2019, which is the date the financial statements were available to be issued.

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

**NOTE 3 - MICHIGAN UNITED METHODISTS VOTE TO BECOME ONE**

In a live state-wide web address held on June 10, 2015, Michigan Area Bishop Deborah Lieder Kiesey, announced that the Detroit Annual Conference and the West Michigan Annual Conference have voted to create a single organizational body in Michigan by January 1, 2019. The decision will impact over 140,000 professing members in the state, attending nearly 850 local churches.

**NOTE 4 - LIQUIDITY AND AVAILABILITY**

The Conference regularly monitors the availability of resources required to meet its operating needs and other contractual commitments, while also striving to maximize the investment of its available funds. For purposes of analyzing resources available to meet general expenditures over a 12-month period, the Conference considers all expenditures related to its ongoing program service activities as well as the conduct of services undertaken to support those activities to be general expenditures.

The following reflects the Conference’s financial assets as of December 31, 2018, which are deemed available for general expenditures within one year of the date of the statement of assets, liabilities and net assets – modified cash basis.

Financial assets:	
Cash and cash equivalents	\$ 1,250,284
Investments	\$,619,865
Receipts in transit	562,312
Due from affiliated church organizations, net	263,902
Notes receivable, current portion	<u>40,000</u>
Total financial assets	10,736,363
Contractual or donor-imposed restrictions:	
Less: net assets with donor restrictions	<u>(894,789)</u>
Financial assets available to meet cash needs for general expenditures within one year	9,841,574
Funds budgeted for future pension and benefit obligations	<u>(2,580,053)</u>
	<u>\$ 7,261,521</u>

In addition to financial assets available to meet general expenditures over the next 12 months, the Conference operates with a balanced budget and anticipates collecting sufficient revenue to cover general expenditures not covered by donor-restricted resources. The Conference is substantially supported by contribution revenue. Because a donor’s restriction may require resources to be used in a particular manner or in a future period, the Conference must maintain sufficient resources to meet those requirements. Therefore, certain financial assets may not be available for general expenditure within one year. The Conference structures its financial assets to be available as its general expenditures, liabilities and other obligations come due.



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

**NOTE 5 - INVESTMENTS**

The Conference invests certain amounts with the United Methodist Foundation of Michigan (the Foundation). The Foundation was formed as a nonprofit organization by member churches of the Annual Conferences of West Michigan and Detroit. It is governed and monitored by its own independent commission. The Foundation's primary purpose is to broaden the financial base of member churches by assisting in and receiving planned and deferred gifts, assisting in the set-up and marketing of endowment funds, and the generation of market-level returns on invested monies through the use of investment pools.

The Conference also invests funds with Wespath Benefits and Investments, which is a not-for-profit administrative agency of The United Methodist Church, responsible for the general supervision and administration of investments and benefit services according to the principles of The United Methodist Church.

Investments at December 31 consist of the following:

	2018	2017
Direct investments:		
Equity securities	\$ 2,310,822	\$ 2,582,646
United States Treasury Notes	65,500	65,500
Mutual funds - Equity	264,011	858,358
Mutual funds - Fixed income	964,729	314,260
Money market	239,960	188,351
United Methodist Development Fund - certificates of deposit	345,798	339,025
Pooled funds managed by the Foundation:		
UMF Balanced Fund	283,687	490,516
UMF Stock Fund	1,284,049	2,366,280
UMF Bond Fund	281,255	490,417
Pooled funds managed by Wespath Benefits and Investments:		
Short Term Investment Fund	1,428	9,111
Multiple Asset Fund	2,578,626	2,929,826
Total investments	<u>\$ 8,619,865</u>	<u>\$ 10,634,290</u>

Investment return, net from cash deposits and investments consist of the following for the year ended December 31:

	2018	2017
Interest and dividends, net	\$ 86,779	\$ 83,230
Realized and unrealized gain (loss)	(669,366)	1,237,870
Total investment return, net	<u>\$ (582,587)</u>	<u>\$ 1,321,100</u>

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

**NOTE 6 - FAIR VALUE MEASUREMENTS**

Accounting standards establish a hierarchy that prioritizes the inputs to valuation techniques giving the highest priority to readily available unadjusted quoted prices in active markets for identical assets (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements) when market prices are not readily available or reliable. The three levels of the hierarchy are described below:

- Level 1: Quoted prices in active markets for identical securities.
- Level 2: Prices determined using other significant observable inputs. Observable inputs are inputs that other market participants may use in pricing a security. These may include quoted prices for similar securities, interest rates, prepayment speeds, credit risk and others.
- Level 3: Prices determined using significant unobservable inputs. In situations where quoted prices or observable inputs are unavailable or deemed less relevant (for example, when there is little or no market activity for an investment at the end of the period), unobservable inputs may be used. Unobservable inputs reflect the Conference's own assumptions about the factors market participants would use in pricing an investment, and would be based on the best information available.

The asset or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

Following is a description of the valuation methodologies used to determine how an asset is measured at fair value. There have been no changes in the methodologies used at December 31, 2018 and 2017.

*Mutual funds:* Valued at the daily closing price as reported by the fund. Mutual funds held by the Conference are open-end mutual funds that are registered with the Securities and Exchange Commission. These funds are required to publish their daily net asset value (NAV) and to transact at that price. The mutual funds held by the Conference are deemed to be actively traded.

*Equity securities:* Valued at the price reported on the active market on which the individual securities are traded.

*U.S. government securities and certificates of deposit:* Valued using pricing models maximizing the use of observable inputs for similar securities.

*Pooled Funds:* Reported by the United Methodist Foundation (UMF) and Wespeth Benefits and Investments to the Conference, these pooled funds represent the allocable share of the underlying investments. These investments include numerous securities that are combined with the investment portfolios of other organizations held by the UMF and Wespeth Benefits and Investments. As such, these investments are valued at the net asset value of the units held by the Conference and are excluded from the fair value hierarchy.

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

**NOTE 6 - FAIR VALUE MEASUREMENTS (Concluded)**

The preceding methods described may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, although the Conference believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

The following is a market value summary by the level of the inputs used in evaluating the Conference's assets carried at fair value at December 31. The inputs or methodology used for valuing securities may not be an indication of the risk associated with investing in those securities.

	<u>2018</u>	<u>2017</u>
Level 1:		
Direct investments:		
Equity securities	\$ 2,310,822	\$ 2,582,646
U.S. Treasury Notes	65,500	65,500
Mutual funds - Equity	264,011	858,358
Mutual funds - Fixed income	964,729	314,260
Certificates of deposit	<u>345,798</u>	<u>339,025</u>
Total investments measured at fair value	3,950,860	4,159,789
Money market funds at cost	239,960	188,351
Investments measured at net asset value	<u>4,429,045</u>	<u>6,286,150</u>
Total investments	<u>\$ 8,619,865</u>	<u>\$ 10,634,290</u>

**NOTE 7 - PROPERTY AND EQUIPMENT**

Property and equipment consist of the following at December 31:

	<u>2018</u>	<u>2017</u>
Parsonages:		
Conference	\$ 2,246,032	\$ 1,794,183
Area	213,878	213,878
Conference center furniture and equipment	<u>543,725</u>	<u>488,413</u>
	3,003,635	2,496,474
Less accumulated depreciation	<u>794,553</u>	<u>735,415</u>
Net property and equipment	<u>\$ 2,209,082</u>	<u>\$ 1,761,059</u>

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

**NOTE 7 - PROPERTY AND EQUIPMENT (Concluded)**

	<u>2018</u>	<u>2017</u>
Conference parsonages:		
Marquette District Superintendent - Marquette	\$ 316,523	\$ 316,523
Crossroad's District Superintendent - Flint	218,010	218,010
Ann Arbor Superintendent - Ann Arbor	278,372	278,372
Detroit Renaissance District Superintendent - Farmington Hills	425,617	425,617
Bluewater District Superintendent - Fort Gratiot	305,327	305,327
Saginaw Bay District Superintendent - Midland	250,334	250,334
Director of Human Resources and Benefits - Parsonage	451,849	-
Total conference parsonages	<u>\$ 2,246,032</u>	<u>\$ 1,794,183</u>
Area parsonages:		
15160 Duxbury Lane, DeWitt Township	<u>\$ 213,878</u>	<u>\$ 213,878</u>

The area parsonages are owned jointly with the Council of Finance and Administration of the West Michigan Annual Conference. The above amount represents the Detroit Annual Conference of the United Methodist Church's share, which approximates 58% of the original cost basis of the property.

Land included in the parsonages listed above amounted to approximately \$155,300 for the years ended December 31, 2018 and 2017.

**NOTE 8 - NOTES AND LOANS RECEIVABLES**

Financing receivables consist of the following at December 31:

	<u>2018</u>	<u>2017</u>
Interest-free advances to Conference officials.	\$ 1,000	\$ 2,000
Note receivable (MI Area Headquarters) - original balance of \$40,000, receivable in one lump sum at maturity, no interest accumulated, unsecured, final maturity January 2019.	40,000	40,000
Land procurement loan receivable from Canton Friendship United Methodist Church, with annual interest payments of \$7,470 at 4.5%, maturity to be determined.	166,000	166,000
	<u>\$ 207,000</u>	<u>\$ 208,000</u>

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

**NOTE 8 - NOTES AND LOANS RECEIVABLES (Concluded)**

Maturities of financing receivables at December 31 are as follows:

Years ending December 31,	
2019	\$ 40,000
2020	-
2021	-
2022	-
2023	-
Thereafter	167,000
	<u>\$ 207,000</u>

Notes receivable are carried at unpaid principal balances, less an allowance for doubtful collection. Management periodically evaluates the adequacy of the allowance based on past experience and potential adverse situations that may affect the borrower's ability to repay. It is management's policy to write off a loan only when they are deemed permanently uncollectible. As of December 31, 2018 and 2017, management believes that no allowance is necessary.

The classification of notes receivable regarding age and interest accrual status at December 31 are as follows:

	2018			2017		
	Principal	Interest	Total	Principal	Interest	Total
Current	\$ 207,000	\$ -	\$ 207,000	\$ 208,000	\$ -	\$ 208,000
Past due:						
30 - 59 days	-	-	-	-	-	-
60 - 89 days	-	-	-	-	-	-
≥ 90 days	-	74,700	74,700	-	67,230	67,230
Total past due	-	74,700	74,700	-	67,230	67,230
Total financing receivables	<u>\$ 207,000</u>	<u>\$ 74,700</u>	<u>\$ 281,700</u>	<u>\$ 208,000</u>	<u>\$ 67,230</u>	<u>\$ 275,230</u>

Past due interest has not been accrued under the modified cash basis of accounting.

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

**NOTE 9 - LEASES**

The Conference leases office space in Dewitt, Michigan set to expire December 31, 2022. The Conference also leases a copier set to expire March 2022. The future minimum lease payments for the Detroit Annual Conference are as follows:

Year ending December 31,	
2019	\$ 50,896
2020	52,300
2021	53,754
2022	51,528

Beginning January 1, 2019, the West Michigan Annual Conference and the Detroit Annual Conference will join to become a single organizational body located in Dewitt, Michigan. Lease obligations for both conferences will transfer to the new organization. The West Michigan Annual Conference leases office space for approximately \$24,000 per year in Grand Rapids, Michigan which is set to expire December 31, 2022.

**NOTE 10 - PENSION AND OTHER POST-EMPLOYMENT BENEFITS**

From 1982 through 2006, the conference contributed to the Ministerial Pension Plan that was administered by Wespeth Benefits and Investments to fund clergy retirement benefits. Wespeth Benefits and Investments has taken the position that the Conference is responsible for funding any shortfall in benefits. Beginning January 1, 2019, the West Michigan Annual Conference and the Detroit Annual Conference will join to become a single organizational body and pension obligations for both conferences will transfer to the new organization. As a result, the combined total estimated actuarial liability based on the actuarial calculation as of January 1, 2017 is projected to be \$129,842,074 in 2019. The expected combined contribution for both organizations for 2019 is \$0. Amounts reported as remittances to the board of pensions represent payments made to Wespeth Benefits and Investments for the purpose of providing pensions and other post-employment benefits to Conference clergy. Amounts on deposit with Wespeth Benefits and Investments at December 31, 2018 and 2017 were approximately \$121,000,000 and \$134,000,000, respectively, which were invested in diversified investment funds and are available to provide for future post-employment benefits.

The Conference participates in a voluntary multi-employer defined contribution pension plan that covers substantially all Conference lay employees. The Conference contributes 6.5% of each participant's annual wages. Contributions made by the Conference approximated \$85,000 and \$72,000 for the years ended December 31, 2018 and 2017, respectively.

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

**NOTE 10 - PENSION AND OTHER POST-EMPLOYMENT BENEFITS (Concluded)**

Additionally, the Conference has an interest in a clergy defined benefit pension plan for service prior to 1982 that is frozen. The Plan is administered by Wespath Benefits and Investments and management believes that the plan is fully funded.

Effective January 1, 2007, the Conference adopted the Clergy Retirement Security Program (CRSP-DB). This program is an amendment and restatement of the previous clergy pension program. Regular contributions made by the Conference approximated \$795,000 and \$1,073,000 for the years ended December 31, 2018 and 2017, respectively. The Conference was also required to make additional contributions of \$1,728,312 for the year ended December 31, 2018. Beginning January 1, 2019, the West Michigan Annual Conference and the Detroit Annual Conference will join to become a single organizational body and pension obligations for both conferences will transfer to the new organization. The combined expected contribution based on the most recent actuarial calculation as of January 1, 2017 was projected to be \$2,873,999 for 2019.

The Conference's policy is to fund all costs of qualified retirees' (clergy and lay employees) health care coverage expense when paid. No expenses were required in 2017 as the coverage was considered fully funded. Based on the most recent actuarial calculation dated October 23, 2017, the post-employment medical benefit liability is projected to reflect an estimated overfunded amount of \$25,514,000 as of January 1, 2017.

**NOTE 11 - RELATED PARTY TRANSACTIONS**

The Conference conducts essentially all transactions, other than purchases of goods and services and sales of certain property, with affiliated congregations. Certain administrative expenses are reimbursed by related organizations. The Conference also processes payroll transactions for affiliated organizations at no charge. The value of these services has not been determined but is not considered significant to the financial statements.

In December 2014, the Conference advanced \$40,000 to the Michigan Area Headquarters (Headquarters) to finance the completion of the Ministry Center. This loan matures in 2019 with no interest.

Additionally, the Conference has recorded amounts receivable from Headquarters to reimburse for operational costs incurred by the Conference in the amounts of \$129,365 and \$94,189, for the years ended December 31, 2018 and 2017, respectively.

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

**NOTE 11 - RELATED PARTY TRANSACTIONS (Concluded)**

In August 2013, the Michigan Area United Methodist Ministry Center and the Michigan Area Headquarters entered into an \$825,000 mortgage agreement, the proceeds of which were used for the acquisition of office space for Headquarters. The Conference has entered into an agreement with Headquarters and the West Michigan Annual Conference of the United Methodist Church to provide support to Headquarters for the mortgage payments. Payments are to be sufficient to repay the underlying mortgage note plus interest at 4.74% per annum. The Conference's estimated portion of remaining payments is as follows:

Year ending December 31,	Principal	Interest	Total commitment
2019	\$ 323,590	\$ 10,011	\$ 333,601

**NOTE 12 - NET ASSETS**

Net assets activity with donor restriction were available for the following purposes at December 31, 2018:

	December 31, 2017	Inflows	Outflows	December 31, 2018
Subject to expenditure for specific purpose:				
LeBlanc Fund - restricted for pension benefits; for clergy in cases of disability, divorce or death	\$ 596,221	\$ -	\$ -	\$ 596,221
Mission and Ministry Fund - contributions restricted by local churches	269,771	175,845	(343,779)	101,837
Detroit flood relief - contributions restricted by local churches	59,574	3,190	-	62,764
Total purpose restricted net assets	925,566	179,035	(343,779)	760,822
Endowment fund:				
Reed Fund School of Ministry - restricted endowment for inspirational speakers	76,417	(5,959)	-	70,458
Original gifts in perpetuity subject to spending policy and appropriations:				
Reed Fund School of Ministry	63,509	-	-	63,509
Total endowment net assets	139,926	(5,959)	-	133,967
Total net assets with donor restriction	\$ 1,065,492	\$ 173,076	\$ (343,779)	\$ 894,789



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

**NOTE 12 - NET ASSETS (Concluded)**

Net assets activity with donor restriction were available for the following purposes at December 31, 2017:

	December 31, 2016	Revenue	Expenses	December 31, 2017
Subject to expenditure for specific purpose:				
LeBlanc Fund - restricted for pension benefits; for clergy in cases of disability, divorce or death	\$ 596,221	\$ -	\$ -	\$ 596,221
Mission and Ministry Fund - contributions restricted by local churches	249,416	248,744	(228,389)	269,771
Detroit flood relief - contributions restricted by local churches	88,706	7,842	(36,974)	59,574
Total purpose restricted net assets	<u>934,343</u>	<u>256,586</u>	<u>(265,363)</u>	<u>925,566</u>
Endowment fund:				
Reed Fund School of Ministry - restricted endowment for inspirational speakers	57,075	19,342	-	76,417
Original gifts in perpetuity subject to spending policy and appropriations:				
Reed Fund School of Ministry	63,509	-	-	63,509
Total endowment net assets	<u>120,584</u>	<u>19,342</u>	<u>-</u>	<u>139,926</u>
Total net assets with donor restriction	<u>\$ 1,054,927</u>	<u>\$ 275,928</u>	<u>\$ (265,363)</u>	<u>\$ 1,065,492</u>

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

**NOTE 13 - ENDOWMENTS**

Endowments consist of funds established for a variety of purposes and may include both donor-restricted funds and funds internally designated to function as endowments. Net assets associated with endowment funds, both donor restricted and funds designated by the Conference, are reported based on the existence or absence of donor-imposed restrictions.

The Conference has interpreted the Michigan Uniform Prudent Management of Institutional Funds Act (MUPMIFA) as permitting the preservation of the historical value of the original gift of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Organization classifies as net assets with donor restrictions (a time restriction in perpetuity) (a) the original value of gifts donated to the donor restricted endowment, (b) the original value of subsequent gifts to the donor restricted endowment, and (c) accumulations to the donor restricted endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. Investment income from the donor restricted endowment is classified as net assets with donor restrictions (a purpose restriction) until those amounts are appropriated for expenditure by the Organization in a manner consistent with the donor stipulated purpose within the standard of prudence prescribed by MUPMIFA. Donor-restricted amounts not retained in perpetuity are subject to appropriation for expenditure by the Conference in a manner consistent with the standard of prudence prescribed by MUPMIFA. In accordance with MUPMIFA, 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 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 investment policies of the Conference.

The Conference's investment and spending practices for endowment assets attempt to provide a predictable stream of funding to programs supported while seeking to maintain the purchasing power of the endowment assets.

The Conference has adopted an endowment spending policy that directs it to budget the anticipated amount of endowment income and distribute based on budgeted amounts to the beneficiaries or programs specified by the endowment agreements.

From time to time, certain donor-restricted endowment funds may have fair values less than the amount required to be maintained by donors or by law (underwater endowments). The Conference has interpreted MUPMIFA to permit spending from underwater endowments in accordance with prudent measures required under law. There were no such deficiencies for the years ended December 31, 2018 and 2017, respectively.

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

**NOTE 13 - ENDOWMENTS (Concluded)**

Endowment net assets composition as of December 31, 2018 and 2017:

	Accumulated investment gains	Original gift in perpetuity by donor	Total
Endowment net assets January 1, 2017	\$ 57,075	\$ 63,509	\$ 120,584
Investment return:			
Interest and dividends, net	3,478	-	3,478
Realized and unrealized gain (loss)	15,864	-	15,864
Total investment return, net	19,342	-	19,342
Endowment net assets December 31, 2017	76,417	63,509	139,926
Investment return:			
Interest and dividends, net	4,402	-	4,402
Realized and unrealized gain (loss)	(10,361)	-	(10,361)
Total investment return, net	(5,959)	-	(5,959)
Endowment net assets December 31, 2018	\$ 70,458	\$ 63,509	\$ 133,967

**NOTE 14 - CONTINGENCIES**

From time to time the Conference is involved in various legal proceedings that have arisen in the ordinary course of business. The Conference is party to various local congregation loan obligations and may be contingently liable upon default. Management believes that the outcome of any contingent liabilities, either individually or in the aggregate, will not have a material adverse effect on the Conference's financial position or future results of operations.

Effective January 1, 2007 the Conference became primarily self-insured, up to certain limits, for health claims through Blue Cross Blue Shield of Michigan. The plan includes all participating Conference employees as well as affiliated congregation clergy. The Conference has purchased stop-loss insurance, which will reimburse the Conference for individual policy claims that exceed \$100,000 annually. Claims are expensed as paid. The amount of claims incurred but not reported attributable to the Conference has not been determined. The total expense under the program was approximately \$404,000 and \$395,000 for Conference employees for the years ended December 31, 2018 and 2017, respectively. The Conference is reimbursed for stop loss premiums and claims paid for affiliates covered under the Plan.

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

**NOTE 15 - CONTRIBUTION TO CAMPING MINISTRIES**

Effective January 1, 2017, the Detroit Annual Conference along with the West Michigan Conference have elected to transfer all assets held on behalf of their camping and outdoor ministries to Michigan Area United Methodist Camping. The goal of the conferences is to centralize the camping and outdoor ministries program under one organization to focus on marketing and providing quality year-round camp and retreat facilities and programs that offer and promote Christian faith for people of diverse backgrounds and ages. Michigan Area United Methodist Camping (a non-profit organization) was incorporated May 2016 as a charitable, nonprofit provider under Section 501(c)3 of the Internal Revenue Code.

The following summarizes the items contributed to Michigan Area United Methodist Camping for the year ended December 31, 2017:

Cash and cash equivalents	\$ 717,496
Investments	988,116
Property and equipment	<u>2,542,151</u>
Total contribution expense	<u>\$ 4,247,763</u>

**NOTE 16 - NEW ACCOUNTING STANDARD**

In August 2016, the FASB issued ASU No. 2016-14, "*Presentation of Financial Statement of Not-for-Profit Entities*" (Topic 958). The ASU amends the current reporting model for nonprofit organizations 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 the use of the placed in service approach to recognize the expirations of restrictions on gifts used to acquire or construct long-lived assets absent explicit donor stipulations otherwise, (d) requiring that all nonprofits present an analysis of expenses by function and nature in either the statement of activities, a separate statement, or in the notes and disclose a summary of the allocation methods used to allocate costs, (e) requiring the disclosure of quantitative and qualitative information regarding liquidity and availability of resources, (f) presenting investment return net of external and direct internal investment expenses, and (g) modifying other financial statement reporting requirements and disclosures intended to increase the usefulness of nonprofit financial statements. In addition, ASU 2016-14 removes the requirement that not-for-profit entities that chose to prepare the statements of cash flows using the direct method must also present a reconciliation (the indirect method). The Conference adopted ASU No. 2016-14 for the year ending December 31, 2018. The December 31, 2017 comparative information has been reclassified to conform to the current year presentation.

**SUPPLEMENTARY INFORMATION**

**DETROIT ANNUAL CONFERENCE  
COMBINING STATEMENT OF SUPPORT, REVENUE  
AND OTHER RECEIPTS, EXPENSES, OTHER DISBURSEMENTS AND  
CHANGES IN NET ASSETS - MODIFIED CASH BASIS  
YEAR ENDED DECEMBER 31, 2018  
(with comparative totals for the year ended December 31, 2017)**

	2018				
	Connectional ministry and administration fund	Conference leadership team fund	Mission and ministry fund	General church apportionments fund	New church development fund
<b>SUPPORT, REVENUE AND OTHER RECEIPTS:</b>					
Support and revenue:					
Apportionments	\$ 3,061,756	\$ 1,557,058	\$ -	\$ 1,231,450	\$ -
Special offerings/Ministry Jubilee	-	-	-	-	-
Investment return, net	(3,755)	10,381	-	-	(121,187)
Other income	69,816	-	-	-	537,174
Net assets released from restrictions	-	-	343,779	-	-
Total support and revenue	<u>3,127,817</u>	<u>1,567,439</u>	<u>343,779</u>	<u>1,231,450</u>	<u>415,987</u>
Other receipts:					
Pension apportionment	-	-	-	-	-
Past years pension apportionments	-	-	-	-	-
Insurance reimbursements	-	-	-	-	-
Total support, revenue and other receipts	<u>3,127,817</u>	<u>1,567,439</u>	<u>343,779</u>	<u>1,231,450</u>	<u>415,987</u>
<b>EXPENSES AND OTHER DISBURSEMENTS:</b>					
Expenses:					
Salaries	1,138,404	579,996	-	-	72,662
Health insurance	211,416	94,930	-	-	-
Pension and post-employment benefit expense	50,246	2,933	-	-	-
Other employee costs	66,456	90,529	-	-	-
Training and continuing education	16,140	895	-	-	-
Travel, meeting and moving expenses	420,886	54,271	-	-	-
Operating and administrative expenses	936,928	160,249	-	-	-
Personage and building expenditures	48,487	-	-	-	-
Remittances to general church	322,776	-	-	1,232,872	-
Conference benevolence	57,304	711,010	463,701	-	497,291
Contributions	-	-	-	-	-
Depreciation	-	-	-	-	-
Total expenses	<u>3,269,043</u>	<u>1,694,813</u>	<u>463,701</u>	<u>1,232,872</u>	<u>569,953</u>
Other disbursements:					
Remittances to Board of Pensions	-	-	-	-	-
Health insurance	-	-	-	-	-
Total expenses and other disbursements	<u>3,269,043</u>	<u>1,694,813</u>	<u>463,701</u>	<u>1,232,872</u>	<u>569,953</u>
CHANGE IN NET ASSETS	(141,226)	(127,374)	(119,922)	(1,422)	(153,966)
NET ASSETS - beginning of year	459,977	1,393,592	(442,186)	-	1,284,262
NET ASSETS - end of year	<u>\$ 318,751</u>	<u>\$ 1,266,218</u>	<u>\$ (562,108)</u>	<u>\$ (1,422)</u>	<u>\$ 1,130,296</u>

2018							
Pension and health benefits fund	Plant fund	Other designated funds	Total without donor restrictions	With donor restrictions	Total	2017	
\$ -	\$ -	\$ -	\$ 5,850,264	\$ -	\$ 5,850,264	\$ 5,870,549	
-	-	-	-	175,845	175,845	248,744	
(380,852)	-	(81,215)	(576,628)	(5,959)	(582,587)	1,321,100	
-	-	1,094,443	1,701,433	3,190	1,704,623	1,366,395	
-	-	-	343,779	(343,779)	-	-	
(380,852)	-	1,013,228	7,318,848	(170,703)	7,148,145	8,806,788	
1,701,155	-	-	1,701,155	-	1,701,155	1,739,285	
35,491	-	-	35,491	-	35,491	11,975	
8,487,254	-	-	8,487,254	-	8,487,254	8,722,742	
9,843,048	-	1,013,228	17,542,748	(170,703)	17,372,045	19,280,790	
159,011	-	246,182	2,196,255	-	2,196,255	1,919,363	
87,865	-	10,104	404,315	-	404,315	394,756	
12,882	-	196	66,257	-	66,257	46,503	
-	-	10,224	167,209	-	167,209	150,082	
14,839	-	-	31,874	-	31,874	30,311	
9,413	-	-	484,570	-	484,570	400,697	
373,121	-	-	1,470,298	-	1,470,298	1,467,588	
-	-	-	48,487	-	48,487	33,379	
-	-	-	1,555,648	-	1,555,648	1,635,400	
5,773	-	1,417,249	3,152,328	-	3,152,328	2,512,089	
-	-	-	-	-	-	4,247,763	
-	59,138	-	59,138	-	59,138	53,275	
662,904	59,138	1,683,955	9,636,379	-	9,636,379	12,891,206	
1,164,991	-	-	1,164,991	-	1,164,991	1,144,412	
8,770,859	-	-	8,770,859	-	8,770,859	8,440,665	
10,598,754	59,138	1,683,955	19,572,229	-	19,572,229	22,476,283	
(755,706)	(59,138)	(670,727)	(2,029,481)	(170,703)	(2,200,184)	(3,195,493)	
12,743,427	700,572	(2,311,704)	13,827,940	1,065,492	14,893,432	18,088,925	
\$ 11,987,721	\$ 641,434	\$ (2,982,431)	\$ 11,798,459	\$ 894,789	\$ 12,693,248	\$ 14,893,432	

COUNCIL OF FINANCE AND ADMINISTRATION OF THE  
WEST MICHIGAN ANNUAL CONFERENCE OF THE  
UNITED METHODIST CHURCH

REPORT ON FINANCIAL STATEMENTS  
(with supplementary information)

YEAR ENDED DECEMBER 31, 2018  
(with comparative totals for the year ended December 31, 2017)





## CONTENTS

	<u>Page</u>
Independent auditor's report .....	3 - 4
Financial statements	
Statements of assets, liabilities and net assets - modified cash basis .....	5
Statement of support, revenue and other receipts, expenses, other disbursements and changes in net assets - modified cash basis .....	6
Statement of functional expense - modified cash basis .....	7 - 8
Notes to financial statements .....	9 - 29
Supplementary information .....	30
Combining statement of support, revenue and other receipts, expenses, other disbursements and changes in net assets - modified cash basis .....	31 - 32



Maner Costerisan PC  
2425 E. Grand River Ave.  
Suite 1  
Lansing, MI 48912-3291  
T: 517 323 7500  
F: 517 323 6346  
www.manercpa.com

## INDEPENDENT AUDITOR'S REPORT

To the Council of Finance and Administration of the  
West Michigan Annual Conference of the United Methodist Church

### Report on the Financial Statements

We have audited the accompanying financial statements of the Council of Finance and Administration of the West Michigan Annual Conference of the United Methodist Church which comprise the statements of assets, liabilities and net assets - modified cash basis as of December 31, 2018 and 2017, and the related statements of support, revenue and other receipts, expenses, other disbursements, and changes in net assets - modified cash basis and functional expenses - modified cash basis for the year ended December 31, 2018, 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 financial statements in accordance with the modified cash basis of accounting described in Note 1; this includes determining that the modified cash basis of accounting is an acceptable basis for the preparation of the financial statements in the circumstances. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit 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 financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the 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 entity'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 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 financial statements referred to above present fairly, in all material respects, the assets, liabilities and net assets of the Council of Finance and Administration of the West Michigan Annual Conference of the United Methodist Church as of December 31, 2018 and 2017, and its support, revenue and other receipts, expenses, other disbursements and changes in net assets for the year ended December 31, 2018, in accordance with the basis of accounting as described in Note 1.

#### **Report on Summarized Comparative Information**

We have previously audited the Council of Finance and Administration of the West Michigan Annual Conference of the United Methodist Church's 2017 financial statements, and our report dated May 22, 2018, expressed an unmodified opinion on those audited financial statements. In our opinion, the summarized comparative information presented in the statement of support, revenue and other receipts, expenses, other disbursements and changes in net assets - modified cash basis and in the statement of functional expenses - modified cash basis for the year ended December 31, 2017 is consistent, in all material respects, with the audited financial statements from which it has been derived.

#### **Basis of Accounting**

We draw attention to Note 1 of the financial statements, which describes the basis of accounting. The financial statements are prepared on the modified cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to that matter.

#### **Report on Supplementary Information**

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The supplementary information, as identified in the table of contents, is presented for purposes of additional analysis and is not a required part of the 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 financial statements. The information has been subjected to the auditing procedures applied in the audits of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the 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 financial statements as a whole.

*Manes Costeiran PC*

May 21, 2019

**COUNCIL OF FINANCE AND ADMINISTRATION OF THE  
WEST MICHIGAN ANNUAL CONFERENCE OF THE UNITED METHODIST CHURCH  
STATEMENTS OF ASSETS, LIABILITIES AND  
NET ASSETS - MODIFIED CASH BASIS  
DECEMBER 31, 2018 AND 2017**

	<u>2018</u>	<u>2017</u>
<b>ASSETS</b>		
Cash and cash equivalents	\$ 1,221,396	\$ 1,285,066
Investments	22,491,345	24,210,155
Receipts in transit	561,929	174,995
Notes and loans receivable	128,476	254,302
Property and equipment - net	<u>1,291,509</u>	<u>772,720</u>
<b>TOTAL ASSETS</b>	<u>\$ 25,694,655</u>	<u>\$ 26,697,238</u>
<b>LIABILITIES AND NET ASSETS</b>		
<b>LIABILITIES:</b>		
Assets held on behalf of others	<u>\$ 1,416,528</u>	<u>\$ 1,573,552</u>
<b>NET ASSETS:</b>		
Without donor restrictions	23,553,682	24,514,857
With donor restrictions	<u>724,445</u>	<u>608,829</u>
<b>Total net assets</b>	<u>24,278,127</u>	<u>25,123,686</u>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<u>\$ 25,694,655</u>	<u>\$ 26,697,238</u>

See notes to financial statements.

5

**COUNCIL OF FINANCE AND ADMINISTRATION OF THE  
WEST MICHIGAN ANNUAL CONFERENCE OF THE UNITED METHODIST CHURCH  
STATEMENT OF SUPPORT, REVENUE AND OTHER RECEIPTS, EXPENSES,  
OTHER DISBURSEMENTS AND CHANGES IN NET ASSETS - MODIFIED CASH BASIS  
YEAR ENDED DECEMBER 31, 2018  
(with comparative totals for the year ended December 31, 2017)**

	2018			2017
	Without donor restrictions	With donor restrictions	Total	
<b>SUPPORT, REVENUE AND OTHER RECEIPTS:</b>				
Support and revenue:				
Ministry shares	\$ 5,031,073	\$ 7,008	\$ 5,038,081	\$ 5,361,057
Special offerings	-	879,359	879,359	1,368,498
Investment return, net	(1,355,410)	(6,641)	(1,362,051)	2,669,582
Registration fees	19,438	-	19,438	192,765
Other income	1,331,369	158,908	1,490,277	619,218
Net assets released from restrictions	923,018	(923,018)	-	-
Total support and revenue	5,949,488	115,616	6,065,104	10,211,120
Other receipts:				
Pension billings	2,386,433	-	2,386,433	1,780,436
Insurance billings	4,758,399	-	4,758,399	4,525,155
Total support, revenue and other receipts	13,094,320	115,616	13,209,936	16,516,711
<b>EXPENSES AND OTHER DISBURSEMENTS:</b>				
Expenses:				
Salaries	1,419,056	-	1,419,056	1,454,047
Health and life insurance	1,776,215	-	1,776,215	1,780,108
Pension and post-employment benefits expense	152,044	-	152,044	183,660
Other employee costs	141,997	-	141,997	140,041
Training and continuing education	43,689	-	43,689	45,192
Travel, meeting and moving expenses	366,524	-	366,524	643,606
Operating and administrative expenses	689,112	-	689,112	763,796
Parsonage and building expenditures	50,437	-	50,437	45,752
World Service	659,423	-	659,423	784,582
Programs and conference benevolence	1,925,684	-	1,925,684	2,369,486
Depreciation and amortization	33,526	-	33,526	35,152
Contribution to camping ministries	-	-	-	2,954,332
Remittances to General Conference	837,607	-	837,607	820,561
Total expenses	8,095,314	-	8,095,314	12,020,315
Other disbursements:				
Remittances to Board of Pensions	765,818	-	765,818	619,732
Health and life insurance	5,194,363	-	5,194,363	4,413,544
Total expenses and other disbursements	14,055,495	-	14,055,495	17,053,591
Change in net assets	(961,175)	115,616	(845,559)	(536,880)
Net assets - beginning of year	24,514,857	608,829	25,123,686	25,660,566
Net assets - end of year	<u>\$ 23,553,682</u>	<u>\$ 724,445</u>	<u>\$ 24,278,127</u>	<u>\$ 25,123,686</u>

See notes to financial statements.

**COUNCIL OF FINANCE AND ADMINISTRATION OF THE  
WEST MICHIGAN ANNUAL CONFERENCE OF THE UNITED METHODIST CHURCH  
STATEMENT OF FUNCTIONAL EXPENSES - MODIFIED CASH BASIS  
YEAR ENDED DECEMBER 31, 2018  
(with comparative totals for the year ended December 31, 2017)**

	Program services				
	Connectional ministry and administration	World Service and Conference Benevolence	Six Lanes and Advance Specials	Ministerial Education and Black College	Pension and Health Benefits and Life Insurance
Salaries	\$ -	\$ 305,902	\$ -	\$ -	\$ -
Health and life insurance	-	89,955	-	-	1,439,300
Pension and post-employment benefit	-	29,415	-	-	-
Other employee costs	-	16,874	-	-	15,477
Training and continuing education	-	13,161	-	-	-
Travel, meeting and moving expenses	264,227	74,471	-	-	-
Operating and administrative expenses	-	110,338	-	-	-
Parsonage and building expenditures	-	-	-	-	-
World Service	-	659,423	-	-	-
Programs and conference benevolence	-	653,452	714,073	59,862	-
Depreciation and amortization	-	-	-	-	-
Contribution to camping ministries	-	-	-	-	-
Remittances to General Conference	-	31,787	108,623	313,525	-
	<u>\$ 264,227</u>	<u>\$ 2,074,778</u>	<u>\$ 822,696</u>	<u>\$ 373,387</u>	<u>\$ 1,454,777</u>

See notes to financial statements.

7

**COUNCIL OF FINANCE AND ADMINISTRATION OF THE  
WEST MICHIGAN ANNUAL CONFERENCE OF THE UNITED METHODIST CHURCH  
STATEMENT OF FUNCTIONAL EXPENSES - MODIFIED CASH BASIS  
YEAR ENDED DECEMBER 31, 2018  
(with comparative totals for the year ended December 31, 2017)**

	Program services					
	New Church Development	Other program activity	Total	Management and general	Total	2017
Salaries:	\$ 115,997	\$ 95,762	\$ 607,661	\$ 811,395	\$ 1,419,056	\$ 1,454,047
Health and life insurance	26,820	21,870	1,577,945	198,270	1,776,215	1,780,108
Pension and post-employment benefit	17,715	8,897	56,027	96,017	152,044	183,660
Other employee costs	10	16,728	49,089	92,908	141,997	140,041
Training and continuing education	2,653	25,510	41,324	2,365	43,689	45,192
Travel, meeting and moving expenses	-	-	338,698	27,826	366,524	643,606
Operating and administrative expenses	10,385	389,499	510,222	178,890	689,112	763,796
Parsonage and building expenditures	-	-	-	50,437	50,437	45,752
World Service	-	-	659,423	-	659,423	784,582
Programs and conference benevolence	199,400	15,792	1,642,579	283,105	1,925,684	2,369,486
Depreciation and amortization	-	-	-	33,526	33,526	35,152
Contribution to camping ministries	-	-	-	-	-	2,954,332
Remittances to General Conference	-	-	453,935	385,672	837,607	820,561
	<u>\$ 372,980</u>	<u>\$ 574,058</u>	<u>\$ 5,936,903</u>	<u>\$ 2,158,411</u>	<u>\$ 8,095,314</u>	<u>\$ 12,020,315</u>

See notes to financial statements.

8

**COUNCIL OF FINANCE AND ADMINISTRATION OF THE  
WEST MICHIGAN ANNUAL CONFERENCE OF THE UNITED METHODIST CHURCH  
NOTES TO FINANCIAL STATEMENTS**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Basis of accounting** - The books and records of the Council are maintained on the modified cash basis of accounting. Under this method, income is recognized when received and expenses are recorded at the time of payment except for the recognition of certain assets and liabilities related to the timing of local church contributions at year end, reimbursement of health insurance premiums, payroll deductions, investments, property and equipment, notes and loans receivable and assets held on behalf of others in an agency capacity. Additionally, certain amounts held on the Council's behalf at Wespeth Benefits and Investments are not included in these financial statements and related cash flows attributable to local churches are reported as other receipts and disbursements. See Note 10.

**Financial statement presentation** - The statements of support, revenue and other receipts, expenses, other disbursements and changes in net assets - modified cash basis and functional expenses - modified cash basis include certain prior-year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with the modified cash basis of accounting. Accordingly, such information should be read in conjunction with the Council's prior-year financial statements from which the summarized information was derived.

**Net assets** - Net assets, revenues, gains and losses are classified based on the existence or absence of donor or grantor imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

*Net assets without donor restrictions* - Net assets available for use in general operations and not subject to donor or grantor restrictions.

*Net assets with donor restrictions* - Net assets subject to donor (or grantor) imposed restrictions. Some donor restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor restrictions are perpetual in nature, where the donor stipulates that resources are maintained in perpetuity. Gifts of long-lived assets and gifts of cash restricted for the acquisition of long-lived assets are recognized as revenue when the assets are placed in service. Donor restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, or when the stipulated purpose has been accomplished (See Note 12).



**COUNCIL OF FINANCE AND ADMINISTRATION OF THE  
WEST MICHIGAN ANNUAL CONFERENCE OF THE UNITED METHODIST CHURCH  
NOTES TO FINANCIAL STATEMENTS**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

Fund accounting - to facilitate observance of limitations and restrictions placed on the use of available resources, the accounts are maintained in accordance with the principles of fund accounting. Funds are established according to the nature and purpose of resources available to the Council. The assets, liabilities, net assets and financial activity of the Council are recorded in the following self-balancing fund groups:

- Connectional Ministry and Administration fund - resources available for current operations in supervision and administration of the mission and ministry of the West Michigan Annual Conference of the United Methodist Church.
- World Service and Conference Benevolence fund - resources available for distribution to the United Methodist denominational programs and the West Michigan Annual Conference of the United Methodist Church program agencies.
- Six Lanes and Advanced Specials fund - resources to allow churches direct involvement in the causes promoted by the Council agencies. Member churches select individual causes to fund from a listing prepared by the Council.
- Ministerial Education and Black College fund - resources available for providing financial support for the recruitment and education of ordained ministers and to provide financial support to traditionally black colleges related to the Church.
- Pension and Health Benefits and Life Insurance fund - resources available for support, relief, assistance and pensioning of clergy, lay workers for the various units of the Council and their families.
- Plant fund - property and equipment owned and used directly in the operation of the Council.
- Loan Program funds - resources used to assist local churches and camps in financing capital expenditures.
- New Church Development fund - resources available for new church development.
- Other funds - resources for designated purposes related to other programs the Council supports.

COUNCIL OF FINANCE AND ADMINISTRATION OF THE WEST MICHIGAN ANNUAL CONFERENCE OF THE UNITED METHODIST CHURCH NOTES TO FINANCIAL STATEMENTS

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Concluded)

Cash and cash equivalents includes all highly liquid investments purchased with an original maturity of 3 months or less.

Investments are recorded at fair value and consist of various debt and equity securities. Investments in money market funds are recorded at cost. Net investment return or loss is included in the statement of support, revenue and other receipts, expenses, other disbursements and changes in net assets - modified cash basis and consists of interest and dividend income, realized and unrealized gains and losses, less investment expenses.

Receipts in transit include contributions collected by local ministries during the years ended December 31, 2018 and 2017, but not received by the Council until after year end.

Notes and loans receivable consists of outstanding principal for loans the Council provided to local churches to help finance capital expenditures.

Property and equipment is capitalized at cost. Donated assets are recorded at fair value at date of donation. Parsonages are recorded at original cost plus the cost of subsequent additions. Depreciation is computed over the estimated useful life of assets using the straight-line method. Additions to property and equipment over \$1,000 are capitalized. Cost of maintenance and repairs are charged to expense when incurred. The useful lives adopted for the purpose of computing depreciation are:

Parsonages and improvements	30 to 40 years
Furniture, equipment and vehicles	5 to 7 years

Assets held on behalf of others includes cash held in an agency capacity.

Functional allocation of expenses - The costs of providing program and other activities have been reported in the statement of support, revenue and other receipts, expenses, other disbursements and changes in net assets - modified cash basis. The statement of functional expenses - modified cash basis presents the natural classification of expenses that are allocated to program or supporting functions of the Council. Allocated expenses primarily consist of payroll and related and various other expense classifications necessary to support the day-to-day operations of the Council. Employee driven expenses are allocated based on salary and wage analysis. All other allocated expenses utilize management's estimated use of resources.

**COUNCIL OF FINANCE AND ADMINISTRATION OF THE  
WEST MICHIGAN ANNUAL CONFERENCE OF THE UNITED METHODIST CHURCH  
NOTES TO FINANCIAL STATEMENTS**

**NOTE 2 - ORGANIZATION, RISKS AND UNCERTAINTIES**

The Council of Finance and Administration of the West Michigan Annual Conference of the United Methodist Church (the Council) is a Michigan non-profit corporation. The purpose of the Council is to develop and administer a comprehensive and coordinated plan of fiscal and administrative policies, procedures, and management services for the annual conference. The member churches are located in the western half of the Lower Peninsula of Michigan. Using ministry shares and special offerings received from its member churches, the Council contributes to denominational ministries and provides support for various missions, educational programs and summer youth camps. The Council is exempt from income taxes under provisions of Section 501(c)(3) of the Internal Revenue Code.

The Council is required to disclose significant concentrations of credit risk regardless of the degree of such risk. Financial instruments which potentially subject the organization to concentrations of significant credit risk consist of cash and cash equivalents, and investments. The Council places its cash with FDIC insured financial institutions and thereby limits the amount of credit exposure to any one financial institution. Credit risk with respect to investments is limited due to the wide variety of companies and industries. Although such investments and cash balances may exceed the federally insured limits at certain times during the year and at year-end they are, in the opinion of management, subject to minimal risk. The Council maintains a diversified investment portfolio which is subject to market risk.

Investments are disclosed in Notes 5 and 6 and consist largely of amounts invested in various funds by the United Methodist Foundation of Michigan (UMF) as well as Wespeth Benefits and Investments (WBI).

**UMF Pooled Trust Fund** - The fund is available for exclusive investment by the UMF arising from charitable contributions made through charitable remainder trusts, other charitable trusts, funds operating as charitable trusts, or gift annuity contracts. The primary investment objective of the fund is to provide for long term capital growth. The UMF also may consider investments in securities of other United Methodist organizations based primarily upon their religious affiliation and the desire of the UMF to support their ministry. The fund seeks to achieve its investment objectives by investing in a diversified portfolio of common stocks, bonds and money market instruments.

**UMF Stock Fund** - The fund seeks to achieve long-term capital appreciation through investments in stocks and other securities, with primary emphasis on U.S. large capitalization companies and secondary emphasis on global and international equities and on U.S. small and middle capitalization companies. The fund is subject to the general investment restrictions and the socially responsible investment criteria as adopted by the UMF.

**COUNCIL OF FINANCE AND ADMINISTRATION OF THE  
WEST MICHIGAN ANNUAL CONFERENCE OF THE UNITED METHODIST CHURCH  
NOTES TO FINANCIAL STATEMENTS**

**NOTE 2 - ORGANIZATION, RISKS AND UNCERTAINTIES (Continued)**

**UMF Bond Fund** - The fund's primary objective is to achieve a high level of current income, with capital appreciation as a secondary objective, by investing in investment-grade debt securities. The Fund invests in U.S. Treasury and agency securities, municipal securities, corporate bonds, mortgage back securities, preferred shares and other fixed income securities rated as investment grade by a Nationally Recognized Statistical Rating Organization. The fund is subject to the general investment restrictions and the socially responsible investment criteria as adopted by the UMF.

**UMF Money Market Investment Account** - The fund's objective is to seek maximum current income consistent with liquidity and the maintenance of a portfolio of high quality short-term money market securities. The fund attempts to achieve its objective by investing in a diversified portfolio of U.S. dollar denominated money market securities. These securities primarily consist of short term U.S. Government securities, U.S. Government agency securities, and securities issued by U.S. Government sponsored enterprises and U.S. Government instrumentalities, commercial paper and repurchase agreements.

**WBI Short Term Investment Fund** - The fund seeks to maximize current income consistent with preservation of capital. The fund seeks to achieve its investment objective through the exposure to short-term fixed income securities in the sweep account. The fund exclusively holds cash and cash equivalents in the form of units of the sweep account. The sweep account holds U.S. government bonds, agency bonds, corporate bonds, securitized projects, dollar denominated international fixed income securities, commercial paper, certificates of deposit, and other similar types of investments. The performance objective of the fund is to slightly outperform its performance benchmark, the Bank of America Merrill Lynch 3-Month Treasury Bill Index.

**WBI Fixed Income Fund** - The fund seeks to earn current income by investing in a broad mix of fixed-income instruments. The performance objective of the fund is to outperform the performance benchmark (Barclays Capital U.S. Universal Index, excluding Mortgage-Backed Securities) by 0.50% (net of fees) over a market cycle (5 to 7 years). The fund is primarily composed of a broad range of fixed-income instruments, such as U.S. and non-U.S. government bonds, agency bonds, corporate bonds, mortgage-backed securities and asset-backed securities.

**WBI International Equity Fund** - The fund seeks to attain long-term capital appreciation from a diversified portfolio of non-U.S. domiciled, publicly owned companies, and to a lesser extent, international privately-owned companies, private real estate and equity index futures. The performance objective of the fund is to outperform the investment returns of its performance benchmark, the MSCI All Country World Index (ACWI) by 0.75% on average per year over a market cycle (5 to 7 years).

**WBI U.S. Equity Fund** - The fund seeks to earn long-term capital appreciation from a broadly diversified portfolio of U.S. listed equities and traded on a regulated U.S. equity exchange. The performance objective of the fund is to match the investment returns of its performance benchmark, the Russell 3000 Index, by 0.35% on average per year over a market cycle (5 to 7 years).

**COUNCIL OF FINANCE AND ADMINISTRATION OF THE  
WEST MICHIGAN ANNUAL CONFERENCE OF THE UNITED METHODIST CHURCH  
NOTES TO FINANCIAL STATEMENTS**

**NOTE 2 - ORGANIZATION, RISKS AND UNCERTAINTIES (Concluded)**

**WBI U.S. Equity Index Fund** - The fund seeks to earn long-term capital appreciation from a passively managed broadly diversified portfolio of U.S. listed equities. The performance objective of the fund is to match the investment returns of its performance benchmark, the Russell 3000 Index, over a market cycle (5 to 7 years).

**WBI Multiple Asset Fund** - The fund seeks to maximize long-term investment returns, including current income and capital appreciation, while reducing short-term risk by investing in a broad mix of investments. The performance objective of the fund is to outperform the investment returns of its performance benchmark (35% Russell 3000 Index, 30% MSCI ACWI excluding USA IMI, 25% Barclays U.S. Universal Index excluding Mortgage Backed Securities, and 10% Inflation Protection Fund Custom Benchmark by 0.8% on average per year (net of fees) over a market cycle (5 to 7 years).

The process of preparing financial statements requires the use of estimates and assumptions regarding certain types of assets, revenues, and expenditures. Such estimates primarily relate to unsettled transactions and events as of the date of the financial statements. Accordingly, upon settlement, actual results may differ from estimated amounts.

Tax positions are taken based on interpretation of federal, state and local income tax laws. Management periodically reviews and evaluates the status of uncertain tax positions and makes estimates of amounts, including interest and penalties, ultimately due or owed. No amounts have been identified, or recorded, as uncertain tax positions. Federal, state and local tax returns generally remain open for examination by the various taxing authorities for a period of 3 to 4 years.

The Council evaluates events and transactions that occur after year end for potential recognition or disclosure in the financial statements. As of May 21, 2019, which is the date the financial statements were available to be issued, there were no subsequent events which required recognition or disclosure.

**NOTE 3 - MICHIGAN UNITED METHODISTS VOTE TO BECOME ONE**

In a live state-wide web address held on June 10, 2015, Michigan Area Bishop Deborah Lieder Kiesey, announced that the Detroit Annual Conference and the West Michigan Annual Conference have voted to create a single organizational body in Michigan by January 1, 2019. The decision will impact over 140,000 professing members in the state, attending nearly 850 local churches.

**COUNCIL OF FINANCE AND ADMINISTRATION OF THE  
WEST MICHIGAN ANNUAL CONFERENCE OF THE UNITED METHODIST CHURCH  
NOTES TO FINANCIAL STATEMENTS**

**NOTE 4 - LIQUIDITY AND AVAILABILITY**

The Council regularly monitors the availability of resources required to meet its operating needs and other contractual commitments, while also striving to maximize the investment of its available funds. For purposes of analyzing resources available to meet general expenditures over a 12-month period, the Council considers all expenditures related to its ongoing program service activities as well as the conduct of services undertaken to support those activities to be general expenditures.

The following reflects the Council's financial assets as of December 31, 2018, which are deemed available for general expenditures within one year of the date of the statement of assets, liabilities and net assets - modified cash basis:

Financial assets	
Cash and cash equivalents	\$ 1,221,396
Investments	22,491,345
Receipts in transit	561,929
Notes and loans receivable, current portion	<u>52,576</u>
Total financial assets	24,327,246
Contractual or donor-imposed restrictions:	
Less: net assets with donor restrictions	<u>(724,445)</u>
Financial assets available to meet cash needs for general expenditures within one year	23,602,801
Funds budgeted for future pension and benefit obligations	<u>(20,235,972)</u>
	<u>\$ 3,366,829</u>

In addition to financial assets available to meet general expenditures over the next 12 months, the Council operates with a balanced budget and anticipates collecting sufficient revenue to cover general expenditures. The Council also maintains a line of credit available to meet short-term needs. The Council is substantially supported by contribution revenue. Because a donor's restriction may require resources to be used in a particular manner or in a future period, the Council must maintain sufficient resources to meet those requirements. Therefore, certain financial assets may not be available for general expenditure within one year. The Council structures its financial assets to be available as its general expenditures, liabilities and other obligations come due.

**NOTE 5 - INVESTMENTS**

The Council invests certain amounts with the United Methodist Foundation of Michigan (UMF). The UMF was formed as a nonprofit organization by member churches of the West Michigan Annual Conference and Detroit Annual Conference. It is governed and monitored by its own independent commission. The UMF's primary purpose is to broaden the financial base of member churches by assisting in and receiving planned and deferred gifts, assisting in the set-up and marketing of endowment funds, and the generation of market-level returns on invested monies through the use of investment pools.

**COUNCIL OF FINANCE AND ADMINISTRATION OF THE  
WEST MICHIGAN ANNUAL CONFERENCE OF THE UNITED METHODIST CHURCH  
NOTES TO FINANCIAL STATEMENTS**

**NOTE 5 - INVESTMENTS (Continued)**

The Council also invests funds with Wespath Benefits and Investments, which is a not-for-profit administrative agency of The United Methodist Church, responsible for the general supervision and administration of investments and benefit services according to the principles of The United Methodist Church.

Investments at December 31 consist of the following:

	2018	2017
Direct investments:		
Mutual funds:		
Consumer goods	\$ -	\$ 1,957
Common stocks:		
Basic materials	284,493	288,752
Financials	1,531,938	1,721,497
Industrial goods	768,207	520,298
Health care	1,838,639	1,287,619
Technology	2,333,394	2,452,998
Consumer goods	1,203,114	998,946
Conglomerates	82,231	264,789
Services	634,456	1,295,374
REITs	494,206	322,123
Utilities	247,945	446,067
Retail services	87,601	96,340
Energy	483,149	1,071,510
Food and beverages	548,072	602,236
Insurance	239,854	489,265
Corporate bonds	2,069,712	2,113,322
Money market	633,734	495,036
Government and agency securities	2,516,216	2,594,956
Pooled funds managed by the Foundation:		
UMF Pooled Trust Fund	10,734	12,057
UMF Stock Fund	828,716	1,152,666
UMF Bond Fund	498,716	658,973
Pooled funds managed by Wespath Benefits and Investments:		
Short Term Investment Fund	861,261	571,491
Fixed Income Fund	633,009	869,348
International Equity Fund	245,375	200,093
U.S. Equity Fund	531,055	482,636
U.S. Equity Index Fund	52,324	55,072
Multiple Asset Fund	2,833,194	3,144,734
Total investments	<u>\$ 22,491,345</u>	<u>\$ 24,210,155</u>

**COUNCIL OF FINANCE AND ADMINISTRATION OF THE  
WEST MICHIGAN ANNUAL CONFERENCE OF THE UNITED METHODIST CHURCH  
NOTES TO FINANCIAL STATEMENTS**

**NOTE 5 - INVESTMENTS (Concluded)**

Investment return, net from cash deposits and investments consist of the following for the year ended December 31:

	2018	2017
Interest and dividends, net	\$ 99,254	\$ 394,734
Realized and unrealized gain (loss)	(1,461,305)	2,274,848
Total investment return, net	\$ (1,362,051)	\$ 2,669,582

**NOTE 6 - FAIR VALUE MEASUREMENTS**

Accounting standards establish a hierarchy that prioritizes the inputs to valuation techniques giving the highest priority to readily available unadjusted quoted prices in active markets for identical assets (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements) when market prices are not readily available or reliable. The three levels of the hierarchy are described below:

- Level 1: Quoted prices in active markets for identical securities.
- Level 2: Prices determined using other significant observable inputs. Observable inputs are inputs that other market participants may use in pricing a security. These may include quoted prices for similar securities, interest rates, prepayment speeds, credit risk and others.
- Level 3: Prices determined using significant unobservable inputs. In situations where quoted prices or observable inputs are unavailable or deemed less relevant (for example, when there is little or no market activity for an investment at the end of the period), unobservable inputs may be used. Unobservable inputs reflect the Council's own assumptions about the factors market participants would use in pricing an investment, and would be based on the best information available.

From time to time, changes in valuation techniques may result in reclassification of an investment's assigned level within the hierarchy.

The asset or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs. The following is a description of valuation methodologies used to determine how an asset is measured at fair value. There have been no changes in the methodologies used at December 31, 2018 and 2017.



**COUNCIL OF FINANCE AND ADMINISTRATION OF THE  
WEST MICHIGAN ANNUAL CONFERENCE OF THE UNITED METHODIST CHURCH  
NOTES TO FINANCIAL STATEMENTS**

**NOTE 6 - FAIR VALUE MEASUREMENTS (Continued)**

*Mutual funds:* Valued at the daily closing price as reported by the fund. Mutual funds held by the Council are open-end mutual funds that are registered with the Securities and Exchange Commission. These funds are required to publish their daily net asset value (NAV) and to transact at that price. The mutual funds held by the Council are deemed to be actively traded.

*Equities:* For its investments with asset managers that hold public common, preferred stocks, and other equity securities, the Council has position-level transparency into individual holdings. These investments are priced using nationally recognized pricing services based on observable market data.

*Corporate bonds:* The bonds held by the Council generally do not trade in active markets on the measurement date. Therefore these investments are valued using inputs including yields currently available on comparable securities of issuers with similar credit ratings, recent market price quotations (where observable), bond spreads, and fundamental data relating to the issuer.

*Government Securities:* Government securities consist of treasury notes and various other government agency securities. These are valued using pricing models maximizing the use of observable inputs for similar securities.

*Unit investment trusts:* Unit investment trusts consist of open-ended pooled funds. The fair value of these investments is determined by each manager using either in-house or third-party securities valuation firms. The securities valuation firms generate fair value amounts based on numerous inputs and other information received from the underlying partnership. As such, these investments are valued at the net asset value of the units (ownership percentage) held by the Conference and are excluded from the fair value hierarchy.

*Limited partnerships:* The limited partnerships consist of pooled investment and private equity funds. The fair value of these investments is determined by each manager using either in-house or third-party securities valuation firms. The securities valuation firms generate fair value amounts based on numerous inputs and other information received from the underlying partnership. As such, these investments are valued at the net asset value of the units (ownership percentage) held by the Conference and are excluded from the fair value hierarchy.

*Pooled funds:* Reported by the United Methodist Foundation (UMF) and Wespeth Benefits and Investments to the Conference, these pooled funds represent the allocable share of the underlying investments. These investments include numerous securities that are combined with the investment portfolios of other organizations held by the UMF and Wespeth Benefits and Investments. As such, these investments are valued at the net asset value of the units held by the Conference and are excluded from the fair value hierarchy.

**COUNCIL OF FINANCE AND ADMINISTRATION OF THE  
WEST MICHIGAN ANNUAL CONFERENCE OF THE UNITED METHODIST CHURCH  
NOTES TO FINANCIAL STATEMENTS**

**NOTE 6 - FAIR VALUE MEASUREMENTS (Concluded)**

The preceding methods described may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, although the Council believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in different fair value measurements.

The following is a market value summary by the level of the inputs used in evaluating the Council's assets carried at fair value at December 31. The inputs or methodology used for valuing securities may not be an indication of the risk associated with investing in those securities.

	2018	2017
Level 1:		
Mutual funds:		
Consumer goods	\$ -	\$ 1,957
Common stocks:		
Basic materials	284,493	288,752
Financials	1,531,938	1,721,497
Industrial goods	768,207	520,298
Health care	1,838,639	1,287,619
Technology	2,333,394	2,452,998
Consumer goods	1,203,114	998,946
Conglomerates	82,231	264,789
Services	634,456	1,295,374
Energy	483,149	1,071,510
Retail services	87,601	96,340
REITs	494,206	322,123
Utilities	247,945	446,067
Food and beverages	548,072	602,236
Insurance	239,854	489,265
Level 2:		
Corporate bonds	2,069,712	2,113,322
Government and agency securities	2,516,216	2,594,956
Total investments measured at fair value	15,363,227	16,568,049
Money market funds at cost	633,734	495,036
Investments measured at net asset value	6,494,384	7,147,070
Total investments	<u>\$ 22,491,345</u>	<u>\$ 24,210,155</u>

**COUNCIL OF FINANCE AND ADMINISTRATION OF THE  
WEST MICHIGAN ANNUAL CONFERENCE OF THE UNITED METHODIST CHURCH  
NOTES TO FINANCIAL STATEMENTS**

**NOTE 7 - PROPERTY AND EQUIPMENT**

Property and equipment consist of the following at December 31.

	2018	2017
Parsonages:		
Conference	\$ 1,070,346	\$ 518,031
Area	209,469	209,469
Conference center furniture and equipment	605,236	605,236
Conference offices furniture, equipment and vehicles	149,402	149,402
Area office furniture and equipment	41,690	41,690
	2,076,143	1,523,828
Less accumulated depreciation	784,634	751,108
Net property and equipment	\$ 1,291,509	\$ 772,720
Conference parsonages:		
DCM	\$ 599,093	\$ 256,981
Grand Traverse Superintendent	261,050	261,050
Midwest District Superintendent	210,203	-
Total conference parsonages	\$ 1,070,346	\$ 518,031
Area parsonages:		
15160 Duxbury Lane, DeWitt Township	\$ 209,469	\$ 209,469

The area parsonages are owned jointly with the Detroit Annual Conference. The above amount represents the Council of Finance and Administration of the West Michigan Annual Conference's share, which approximates 42% of the original cost basis of the property.

Land included in the parsonages listed above amounted to approximately \$220,000 and \$125,000 at December 31, 2018 and 2017.

**COUNCIL OF FINANCE AND ADMINISTRATION OF THE  
WEST MICHIGAN ANNUAL CONFERENCE OF THE UNITED METHODIST CHURCH  
NOTES TO FINANCIAL STATEMENTS**

**NOTE 8 - NOTES AND LOANS RECEIVABLE**

Notes and loans receivable consist of the following, as of December 31.

	2018	2017
Note receivable from the Millville UMC, with monthly payments of \$2,153, including interest of 3% maturing December 2020.	\$ -	\$ 74,412
Note receivable from the Climax/Scotts UMC, with monthly payments of \$845, including interest of 3% maturing June 2019.	3,376	14,774
Note receivable from the Valley UMC, with monthly payments of \$971, including interest of 3% maturing April 2027.	85,100	94,028
Note receivable from the Courtland-Oakfield UMC, with monthly payments of \$1,402, including interest of 3% paid off in 2018	-	31,088
Note receivable from the Michigan Area Headquarters with interest of 0%, the entire balance is due January 2019, unsecured.	40,000	40,000
	\$ 128,476	\$ 254,302

Maturities of financing receivables at December 31 are as follows:

Years ending December 31,	
2019	\$ 52,576
2020	9,480
2021	9,768
2022	10,065
2023	10,371
Thereafter	36,216
	\$ 128,476

**COUNCIL OF FINANCE AND ADMINISTRATION OF THE  
WEST MICHIGAN ANNUAL CONFERENCE OF THE UNITED METHODIST CHURCH  
NOTES TO FINANCIAL STATEMENTS**

**NOTE 8 - NOTES AND LOANS RECEIVABLE (Concluded)**

Notes receivable are carried at unpaid principal balances, less an allowance for doubtful collection. Management periodically evaluates the adequacy of the allowance based on past experience and potential adverse situations that may affect the borrower's ability to repay. It is management's policy to write off a loan only when they are deemed permanently uncollectible. As of December 31, 2018 and 2017, management believes that no allowance is necessary.

The classification of notes receivable regarding age and interest accrual status at December 31 are as follows:

	2018			2017		
	Principal	Interest	Total	Principal	Interest	Total
Current	\$ 128,476	\$ -	\$ 128,476	\$ 254,302	\$ -	\$ 254,302

**NOTE 9 - LEASES**

The Council leases office space in Grand Rapids, set to expire December 31, 2022. The future minimum lease payments for the Council are as follows:

Year ending December 31,	
2019	\$ 24,205
2020	24,931
2021	25,679

Beginning January 1, 2019, the West Michigan Annual Conference and the Detroit Annual Conference will join to become a single organizational body located in Dewitt, Michigan. Lease obligations for both conferences will transfer to the new organization. The Detroit Annual Conference leases office space for approximately \$50,000 per year in Dewitt which is set to expire December 31, 2022.

**COUNCIL OF FINANCE AND ADMINISTRATION OF THE  
WEST MICHIGAN ANNUAL CONFERENCE OF THE UNITED METHODIST CHURCH  
NOTES TO FINANCIAL STATEMENTS**

**NOTE 10 - PENSION AND OTHER POST-EMPLOYMENT BENEFITS**

From 1982 through 2006, the Council contributed to the Ministerial Pension Plan (MPP) that was administered by Wespeth Benefits and Investments to fund clergy retirement benefits. Wespeth Benefits and Investments has taken the position that the Council is responsible for funding any shortfall in benefits. Beginning January 1, 2019, the West Michigan Annual Conference and the Detroit Annual Conference will join to become a single organizational body and pension obligations for both conferences will transfer to the new organization. As a result, the combined total estimated actuarial liability based on the actuarial calculation as of January 1, 2017 is projected to be \$129,842,074 in 2019. The expected combined contribution for both organizations for 2019 is \$0.

The Council participates in a voluntary multi-employer defined contribution pension plan that covers substantially all Council lay and clergy employees. The Council contributes between 9% and 12% of each participant's annual wages. Contributions made by the Council approximated \$45,000 and \$55,000 for each of the years ended December 31, 2018 and 2017, respectively.

Additionally, the Council participates in a defined benefit pension plan that is frozen (Pre-1982 Plan). The Plan is administered by Wespeth Benefits and Investments. The Council's plan assets exceeded the estimated actuarial plan liability based on the actuarial calculation as of January 1, 2017 by \$4,505,476 or 105% for 2019. The Council's plan assets exceeded the estimated actuarial plan liability based on the most recent actuarial calculation as of January 1, 2018 by \$5,868,884 or 107% for 2020.

Effective January 1, 2007, the Council adopted the Clergy Retirement Security Program (CRSP-DB). This program is an amendment and restatement of the previous clergy pension program. Regular contributions made by the Council approximated \$370,000 and \$375,000 for the years ended December 31, 2018 and 2017, respectively. The Council was also required to make additional contributions of \$1,322,786 and \$1,400,963 for the years ended December 31, 2018 and 2017, respectively. Beginning January 1, 2019, the West Michigan Annual Conference and the Detroit Annual Conference will join to become a single organizational body and pension obligations for both conferences will transfer to the new organization. The combined expected contribution based on the most recent actuarial calculation as of January 1, 2017 was projected to be \$2,873,999 for 2019.

The Council's policy is to fund the majority of costs of qualified retirees' (clergy and lay employees) health care coverage. Such costs are expensed when paid and amounted to approximately \$1,195,000 and \$1,168,000 for the years ended December 31, 2018 and 2017, respectively. Based on the most recent actuarial calculation dated December 27, 2017, the post-employment medical benefit liability is projected to reflect an estimated unfunded amount of \$6,163,000 as of January 1, 2017.

**COUNCIL OF FINANCE AND ADMINISTRATION OF THE  
WEST MICHIGAN ANNUAL CONFERENCE OF THE UNITED METHODIST CHURCH  
NOTES TO FINANCIAL STATEMENTS**

**NOTE 11 - RELATED PARTY TRANSACTIONS**

The Council conducts essentially all transactions, other than purchases of goods and services and sales of certain property, with affiliated congregations. Certain administrative expenses are reimbursed by related organizations. The Council also processes payroll transactions for affiliated organizations at no charge. The value of these services has not been determined but is not considered significant to the financial statements.

In August 2013, the Michigan Area United Methodist Ministry Center and the Michigan Area Headquarters entered into an \$825,000 mortgage agreement, the proceeds of which were used for the acquisition of office space for Headquarters. The Council has entered into an agreement with the Headquarters and the Detroit Annual Conference of the United Methodist Church to provide support to the Headquarters for the mortgage payments. Payments are to be sufficient to repay the underlying mortgage note plus interest at 4.74% per annum. The Council's estimated portion of remaining payments is as follows:

Year ending December 31,	Principal	Interest	Total commitment
2019	\$ 323,590	\$ 10,011	\$ 333,601

**COUNCIL OF FINANCE AND ADMINISTRATION OF THE  
WEST MICHIGAN ANNUAL CONFERENCE OF THE UNITED METHODIST CHURCH  
NOTES TO FINANCIAL STATEMENTS**

**NOTE 12 - NET ASSETS**

Net assets activity with donor restrictions are available for the following purposes at December 31, 2018:

	2017	Inflows	Outflows	2018
Subject to expenditures for specified purpose:				
New Church Investment fund - restricted for development of new churches	\$ 183,462	\$ (4,641)	\$ -	\$ 178,821
Special offerings - contributions designated by local churches	265,747	208,419	(219,750)	254,416
Ministerial training - restricted for the training of clergy	149,013	834,856	(703,268)	280,601
Total purpose restricted net assets	<u>598,222</u>	<u>1,038,634</u>	<u>(923,018)</u>	<u>713,838</u>
Endowment fund:				
Original gifts in perpetuity subject to spending policy and appropriations:				
World service	10,607	-	-	10,607
Total net assets with donor restrictions	<u>\$ 608,829</u>	<u>\$ 1,038,634</u>	<u>\$ (923,018)</u>	<u>\$ 724,445</u>



**COUNCIL OF FINANCE AND ADMINISTRATION OF THE  
WEST MICHIGAN ANNUAL CONFERENCE OF THE UNITED METHODIST CHURCH  
NOTES TO FINANCIAL STATEMENTS**

**NOTE 12 - NET ASSETS (Concluded)**

Net assets activity with donor restrictions are available for the following purposes at December 31, 2017:

	2016	Inflows	Outflows	2017
Subject to expenditures for specified purpose:				
New Church Investment fund - restricted for development of new churches	\$ 71,291	\$ 112,171	\$ -	\$ 183,462
Campgrounds - restricted for the upkeep and running of camps	790,193	-	(790,193)	-
Special offerings - contributions designated by local churches	171,500	333,261	(239,014)	265,747
Ministerial training - restricted for the training of clergy	144,017	1,149,512	(1,144,516)	149,013
Total purpose restricted net assets	<u>1,177,001</u>	<u>1,594,944</u>	<u>(2,173,723)</u>	<u>598,222</u>
Endowment fund:				
Original gifts in perpetuity subject to spending policy and appropriations:				
World service	10,607	-	-	10,607
Total net assets with donor restrictions	<u>\$ 1,187,608</u>	<u>\$ 1,594,944</u>	<u>\$ (2,173,723)</u>	<u>\$ 608,829</u>

**COUNCIL OF FINANCE AND ADMINISTRATION OF THE  
WEST MICHIGAN ANNUAL CONFERENCE OF THE UNITED METHODIST CHURCH  
NOTES TO FINANCIAL STATEMENTS**

**NOTE 13 - ENDOWMENTS**

Endowments consist of funds established for a variety of purposes and may include both donor-restricted funds and funds internally designated to function as endowments. Net assets associated with endowment funds, both donor restricted and funds designated by the Council, are reported based on the existence or absence of donor-imposed restrictions.

The Council has interpreted the Michigan Uniform Prudent Management of Institutional Funds Act (MUPMIFA) as permitting the preservation of the historical value of the original gift of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result, when directed by the gift instrument, the Council classifies as net assets with donor restrictions (a time restriction in perpetuity) (a) the original value of gifts donated to the donor restricted endowment, (b) the original value of subsequent gifts to the donor restricted endowment, and (c) accumulations to the donor restricted endowment made in accordance with the direction of the applicable donor gift instrument. Investment income from the donor restricted endowment is classified as net assets with donor restrictions (a purpose restriction) until those amounts are appropriated for expenditure by the Council in a manner consistent with the donor stipulated purpose within the standard of prudence prescribed by MUPMIFA. In accordance with MUPMIFA, the Organization 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 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 organization.
7. The investment policies of the Council.

The Council's investment and spending practices for endowment assets attempt to provide a predictable stream of funding to programs supported while seeking to maintain the purchasing power of the endowment assets.

From time to time, certain donor-restricted endowment funds may have fair values less than the amount required to be maintained by donors or by law (underwater endowments). We have interpreted MUPMIFA to permit spending from underwater endowments in accordance with prudent measures required under law. There were no such deficiencies for the years ended December 31, 2018 and 2017, respectively.

**COUNCIL OF FINANCE AND ADMINISTRATION OF THE  
WEST MICHIGAN ANNUAL CONFERENCE OF THE UNITED METHODIST CHURCH  
NOTES TO FINANCIAL STATEMENTS**

**NOTE 13 - ENDOWMENTS (Concluded)**

Endowment net assets composition as of December 31, 2018 and 2017:

	With donor restrictions		Total
	Accumulated investment gains	Original gift in perpetuity by donor	
Endowment net assets January 1, 2017	\$ 790,193	\$ 10,607	\$ 800,800
Appropriated for expenditure	(790,193)	-	(790,193)
Endowment net assets December 31, 2017	-	10,607	10,607
Appropriated for expenditure	-	-	-
Endowment net assets December 31, 2018	\$ -	\$ 10,607	\$ 10,607

**NOTE 14 - CONTINGENCIES**

From time to time the Council is involved in various legal proceedings that have arisen in the ordinary course of business. Management does not believe that the outcome of these proceedings, either individually or in the aggregate, will have a material adverse effect on the Council's financial position or future results of operations.

Effective September 1, 2009 the Council became primarily self-insured, up to certain limits, for health claims through Professional Benefits Services. The plan includes all participating Council employees as well as affiliated congregation clergy. The Council has purchased stop-loss insurance, which will reimburse the Council for individual policies that exceed \$100,000 annually. Claims are expensed as paid. The total claims expense under the program was approximately \$4,975,000 and \$4,500,000 for Council employees for the years ended December 31, 2018 and 2017, respectively. The Council is reimbursed for stop loss premiums and claims paid for affiliates covered under the plan. The total amount of claims incurred but not reported attributable to the Council has not been determined, however, claims incurred in December estimated in the amount of \$143,000 were paid in 2019.

**COUNCIL OF FINANCE AND ADMINISTRATION OF THE  
WEST MICHIGAN ANNUAL CONFERENCE OF THE UNITED METHODIST CHURCH  
NOTES TO FINANCIAL STATEMENTS**

**NOTE 15 - CONTRIBUTION TO CAMPING MINISTRIES**

Effective January 1, 2017, the West Michigan Conference along with the Detroit Annual Conference have elected to transfer all assets held on behalf of their camping and outdoor ministries to Michigan Area United Methodist Camping. The goal of the conferences is to centralize the camping and outdoor ministries program under one organization to focus on marketing and providing quality year-round camp and retreat facilities and programs that offer and promote Christian faith for people of diverse backgrounds and ages. Michigan Area United Methodist Camping (a non-profit organization) was incorporated May 2016 as a charitable, nonprofit provider under Section 501(c)3 of the Internal Revenue Code.

The following summarizes the items contributed to Michigan Area United Methodist Camping:

Cash and cash equivalents	\$ 508,725
Investments	799,576
Property and equipment	<u>1,646,031</u>
Total contribution expense	<u>\$ 2,954,332</u>

**NOTE 16 - NEW ACCOUNTING STANDARD**

In August 2016, the FASB issued ASU No. 2016-14, "*Presentation of Financial Statement of Not-for-Profit Entities*" (Topic 958). The ASU amends the current reporting model for nonprofit organizations 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 the use of the placed in service approach to recognize the expirations of restrictions on gifts used to acquire or construct long-lived assets absent explicit donor stipulations otherwise, (d) requiring that all nonprofits present an analysis of expenses by function and nature in either the statement of activities, a separate statement, or in the notes and disclose a summary of the allocation methods used to allocate costs, (e) requiring the disclosure of quantitative and qualitative information regarding liquidity and availability of resources, (f) presenting investment return net of external and direct internal investment expenses, and (g) modifying other financial statement reporting requirements and disclosures intended to increase the usefulness of nonprofit financial statements. In addition, ASU 2016-14 removes the requirement that not-for-profit entities that chose to prepare the statements of cash flows using the direct method must also present a reconciliation (the indirect method). The Organization adopted ASU No. 2016-14 for the year ending December 31, 2018. The December 31, 2017 comparative information has been reclassified to conform to the current year presentation.

**SUPPLEMENTARY INFORMATION**

**COUNCIL OF FINANCE AND ADMINISTRATION OF THE  
WEST MICHIGAN ANNUAL CONFERENCE OF THE UNITED METHODIST CHURCH  
COMBINING STATEMENT OF SUPPORT, REVENUE AND OTHER RECEIPTS, EXPENSES,  
OTHER DISBURSEMENTS AND CHANGES IN NET ASSETS - MODIFIED CASH BASIS  
YEAR ENDED DECEMBER 31, 2018  
(with comparative totals for the year ended December 31, 2017)**

	2018				
	Connectional Ministry and Administration fund	World Service and Conference Benevolence fund	Six Lanes and Advance Specials fund	Ministerial Education and Black College fund	Pension and Health Benefits and Life Insurance fund
<b>SUPPORT, REVENUE AND OTHER RECEIPTS:</b>					
Support and revenue:					
Ministry shares	\$ 2,457,456	\$ 1,956,274	\$ -	\$ 387,098	\$ -
Special offerings	-	-	-	-	-
Investment return, net	(485,498)	(1,884)	-	-	(836,258)
Registration fees	90	18,605	-	-	-
Other income	965,354	32,137	-	-	61,963
Net assets released from restrictions	-	7,665	822,696	-	-
Total support and revenue	2,937,402	2,012,797	822,696	387,098	(774,295)
Other receipts:					
Pension billings	-	-	-	-	2,386,433
Insurance billings	56,861	-	-	-	4,701,538
Total support, revenue and other receipts	2,994,263	2,012,797	822,696	387,098	6,313,676
<b>EXPENSES AND OTHER DISBURSEMENTS:</b>					
Expenses:					
Salaries	811,395	395,902	-	-	-
Health and life insurance	198,270	89,955	-	-	1,430,300
Pension and post-employment benefit expense	96,017	29,415	-	-	-
Other employee costs	92,908	16,874	-	-	15,477
Training and continuing education	2,365	13,161	-	-	-
Travel, meeting and moving expenses	264,227	74,471	-	-	410
Operating and administrative expenses	75,861	110,338	-	-	103,006
Parsonage and building expenditures	50,437	-	-	-	-
World Service	-	659,423	-	-	-
Programs and conference benevolence	283,105	653,452	714,073	59,862	-
Depreciation and amortization	-	-	-	-	-
Contribution to camping ministries	-	-	-	-	-
Remittances to general conference	383,672	31,787	108,623	313,525	-
Total expenses	2,258,257	2,074,778	822,696	373,387	1,558,193
Other disbursements:					
Remittances to Board of Pensions	-	-	-	-	765,818
Health and life insurance	-	-	-	-	5,194,363
Total expenses and other disbursements	2,258,257	2,074,778	822,696	373,387	7,518,374
Change in net assets before transfers	736,006	(61,981)	-	13,711	(1,204,698)
Transfers	-	-	-	-	-
Change in net assets	736,006	(61,981)	-	13,711	(1,204,698)
Net assets - beginning of year	1,419,215	471,147	-	(3,424)	20,686,494
Net assets - end of year	\$ 2,155,221	\$ 409,166	\$ -	\$ 10,287	\$ 19,481,796

2018							
Plant fund	Loan Program funds	New Church Development fund	Other funds	Total without donor restrictions	With donor restrictions	Totals	2017
\$ -	\$ -	\$ 230,245	\$ -	\$ 5,031,073	\$ 7,008	\$ 5,038,081	\$ 5,361,057
-	-	-	-	-	879,359	879,359	1,368,498
-	(31,770)	-	-	(1,355,410)	(6,641)	(1,362,051)	2,669,582
-	-	-	743	19,438	-	19,438	192,765
-	3,893	22,293	245,729	1,331,369	158,908	1,490,277	619,218
-	-	-	92,657	923,018	(923,018)	-	-
-	(27,877)	252,538	339,129	5,949,488	115,616	6,065,104	10,211,120
-	-	-	-	2,386,433	-	2,386,433	1,780,436
-	-	-	-	4,758,399	-	4,758,399	4,525,155
-	(27,877)	252,538	339,129	13,094,320	115,616	13,209,936	16,516,711
-	-	115,997	95,762	1,419,056	-	1,419,056	1,454,047
-	-	26,820	21,870	1,776,215	-	1,776,215	1,780,108
-	-	17,715	8,897	152,044	-	152,044	183,660
-	-	10	16,728	141,997	-	141,997	140,041
-	-	2,653	25,510	43,689	-	43,689	45,192
-	-	23,540	3,876	366,524	-	366,524	643,606
-	23	10,385	389,499	689,112	-	689,112	763,796
-	-	-	-	50,437	-	50,437	45,752
-	-	-	-	659,423	-	659,423	784,582
-	-	199,400	15,792	1,925,684	-	1,925,684	2,369,486
33,526	-	-	-	33,526	-	33,526	35,152
-	-	-	-	-	-	-	2,954,332
-	-	-	-	837,607	-	837,607	820,561
33,526	23	396,520	577,934	8,095,314	-	8,095,314	12,020,315
-	-	-	-	765,818	-	765,818	619,732
-	-	-	-	5,194,363	-	5,194,363	4,413,544
33,526	23	396,520	577,934	14,055,495	-	14,055,495	17,053,591
(33,526)	(27,900)	(143,982)	(238,805)	(961,175)	115,616	(845,559)	(536,880)
-	-	-	-	-	-	-	-
(33,526)	(27,900)	(143,982)	(238,805)	(961,175)	115,616	(845,559)	(536,880)
1,202,702	1,287,941	(32,212)	(517,006)	24,514,857	608,829	25,123,686	25,660,566
\$ 1,169,176	\$ 1,260,041	\$ (176,194)	\$ (755,811)	\$ 23,553,682	\$ 724,445	\$ 24,278,127	\$ 25,123,686





**Financial Policies**  
**as Presented by the**  
**Council on Finance and Administration**

The following index is provided as a quick method to access this important document.

Stewardship Recommendation.....	CFA-2
Ministry Shares Calculations.....	CFA-2
Section I. Administrative Policies.....	CFA-5
A. Local Church Contributions.....	CFA-5
B. Clergy Support Items.....	CFA-5
C. Cabinet Level Salaries.....	CFA-6
Section II. Travel Policies.....	CFA-6
Section III. Moving Policy.....	CFA-8
Section IV. Investment Policies.....	CFA-12
Section V. Miscellaneous Policies.....	CFA-15
A. Conference-Wide Appeal for Funds.....	CFA-15
B. World Service Apportionment.....	CFA-15
C. General Church Apportionments.....	CFA-15
D. Presentation of Proposed Budgets.....	CFA-16
E. Auditing Requirements.....	CFA-16
F. Bonding of Treasurers.....	CFA-16
G. Control System.....	CFA-16
H. Housing/Furnishing Allowance.....	CFA-17
I. Conflict of Interest.....	CFA-17
J. Depositories.....	CFA-17
K. Interest Earnings.....	CFA-17
L. Electronic Mail and Internet Usage.....	CFA-18
Special Offerings.....	CFA-19
Calendar Dates for Year-end Reports.....	CFA-19
Budget Summary.....	CFA-20

Note: For other specific rules of a financial nature please check the following:  
 Board of Equitable Compensation  
 Board of Pension & Health Benefits

### Stewardship Recommendation

The members of the Annual Conference strongly urge each local church to conduct an every-member commitment program as outlined by Discipleship Ministries or some other effective means of involving the congregation in the needs and program of the church. (Resources are also available through Discipleship Ministries of the United Methodist Church.)

### Ministry Shares Calculation

Ministry Shares represent the connectional commitment of the United Methodist Church. All United Methodist churches share in support of the programs and ministries of the UMC as it offers Christ through district, conference, or worldwide activities. The Ministry Share components addressed through these policies include ministries managed by the Michigan Conference, the Ministerial Pension Fund, Church World Service, and the Episcopal Fund.

1. For the purpose of establishing a uniform system of financing the Conference, all Ministry Shares made by the Conference and Districts shall be based on the Grade Figure System employed by the Conference for the common budget.
2. The Council on Finance and Administration shall apportion the amount comprising the annual budget among the churches of the Michigan Annual Conference for the fiscal year (January through December.) These Ministry Shares shall be based on the Grade Figure System and in conformity with the requirements of *The Book of Discipline of The United Methodist Church* and rules adopted by the Annual Conference.
3. The Grade Figure System has been chosen because it allows Ministry Shares for the local church to be based upon the financial relationship of the local church to the total of the churches in the Conference. Each church is expected to assume its portion of the common budget. Giving in addition to Ministry Shares, such as designated special day offerings, authorized General and Conference Advance Specials, etc. is to be made in keeping with the *Discipline* affirmation that "payment in full [of the World Service apportionment] by local churches is the first benevolent responsibility of the church (§812)."
4. The grade figure for the common budget shall be determined by the current operating expense budget (lines 40 - 47 of the Local Church Report) plus non-United Methodist benevolent giving (line 38 of the Local Church Report), except that in any year when the Ministry Shares are paid in full, the non-United Methodist benevolent giving amount will be excluded from the calculation. Annual variances in the resulting calculation will be moderated by using a four-year rolling average of these numbers. (Note: the line numbers can change based upon changes to the Statistical Report.)
5. Steps in determining the grade figure for the common budget:
  - a. For each local church, for each of the four most recent years reported, find the sum of lines 40 through 47 of the Local Church Report (plus line 38 non UMC benevolences – unless ministry shares are paid in full). For each year that Ministry Shares were paid in full, exclude the amount from Line 38. Add the four annual sums and find the simple average.
  - b. Divide the simple average by the Conference total (simple average) for the same lines.
  - c. Example:

Local church total 2017 = \$89,750	Conference total 2017 = \$57,147,624
Local church total 2016 = \$86,317	Conference total 2016 = \$58,487,020
Local church total 2015 = \$71,725	Conference total 2015 = \$56,025,720
Local church total 2014 = \$75,726	Conference total 2014 = \$51,369,385
Sum divided by four = \$80,879	Sum divided by four = \$55,757,437

Local church average \$80,879 divided by Conference average \$55,757,437 equals grade figure of .001451; multiply by the total common budget to calculate the Ministry Shares.

6. Benefits Ministry Shares provide funding for the following areas: contributions for the denomination's retirement plan; premiums for the denomination's welfare plan; all expenses related to operations of the Conference Benefits Office and Conference Board of Pension & Health Benefits. Therefore, every local church will be administered a Benefits Ministry Share in connectional support of these conference ministries. The calculation for Benefits Ministry Shares shall be separate from the grade figure for the common budget and shall be based upon the annual compensation paid by each local church to its Appointed Clergy person or District Superintendent Assignment. The Conference Benefits Office will bill the Benefits Ministry Share to each local church monthly.
7. Steps in calculating the Benefits Ministry Shares billing:
  - a. For the purpose of Benefits Ministry Shares calculations, compensation includes base cash salary plus housing if provided. Twenty-five (25) percent of the base cash salary is added to the salary to determine compensation if a parsonage is provided. If a housing allowance is provided, the actual amount of the housing allowance is added to the salary to determine total compensation.
  - b. A fixed percentage of total compensation is used to calculate Benefits Ministry Shares. The fixed percentage will be established annually by CFA in collaboration with the Conference Board of Pensions and Health Benefits.
  - c. A reduced percentage will be used in situations of Retired Clergy Appointments, District Superintendent Assignments (DSA), or temporary situations of no appointment/assignment.
  - d. Benefits Ministry Share amounts will be adjusted the first of the month following a change in compensation or appointment status.
  - e. Example with Benefits Ministry Share percentage fixed at 12%:
    1. Compensation = \$40,000 salary plus parsonage  
Local church Benefits Ministry Share compensation is  $\$40,000 + 25\%$  of  $\$40,000$  or  $\$50,000 \times 12\% = \$6,000$  annually, billed \$500 monthly
    2. Compensation = \$27,000 salary plus \$15,000 housing allowance  
Local church Benefits Ministry Share compensation is  $\$27,000 + \$15,000$  or  $\$42,000 \times 12\% = \$5,040$  annually, billed \$420 monthly
    3. Compensation = \$34,000 salary with no housing  
Local church Benefits Ministry Share is  $\$34,000 \times 12\% = \$4,080$  annually, billed \$340 monthly
    4. Compensation = \$18,000 with no housing for a DSA  
Benefits Ministry Share percentage is reduced to 4% to reflect the DSA  
Local church Benefits Ministry Share is  $\$18,000 \times 4\% = \$720$  annually, billed \$60 monthly
8. Overpayment of a church's Benefits Ministry and Common Budget Ministry Shares will be carried over to that church's Benefits Ministry and Common Budget Ministry Shares for the following year.
9. Special policies are further set out below for churches without a 4-year history:
  - a. Calculation of Ministry Shares for new churches: a new church will be assigned Ministry Shares by the Conference and the District 20% of its "full" amount during the first calendar year after the effective charter year. During the second calendar year, the Ministry Shares will be at 40%; during the third year 60%, fourth year 80%; fifth year and thereafter 100%. Prior to the end of the year of their chartering, new church starts are expected to send a tithe (10%) of their giving receipts to the Conference on a quarterly basis.

- b. Calculation of Ministry Shares for merged churches: the statistics of the merging churches will be added together before calculating the Ministry Shares of the newly formed church for the ensuing year. Reasons for departure from this procedure will be reviewed by CF&A upon appeal, and adjustments may be made on a case-by-case basis.
  - c. Calculation of Ministry Shares for vital merger churches: a new classification of merged churches will be "Vital Mergers." Those mergers fulfilling the Vital Merger qualifications will be considered a new church start by the New Church Development Committee. As part of the Vital Merger process, the congregations involved will create a proposed budget for the merged church which will go into effect on the date the merged church begins worshipping and meeting as one congregation. This budget will be developed in consultation with, and given approval by, the District Superintendent and the District Committee on Church Building and Location. This budget will then be forwarded to the Conference Treasurers office to be used to formulate Ministry Share figures for the newly merged church. A new total base figure will be calculated for the merged church based on the formula outlined in paragraph 6. This new total base figure will be in effect until the actual financial records of the merged church are reported for the first full year of its existence and can be used to calculate a total base figure based on actual expenditures. The Vital Merger church will be assigned Ministry Shares by the Conference and District at 25% of its "full" amount during the first calendar year after the merger. During the second calendar year, the Ministry Shares will be 50%; 75% for the third calendar year; and 100% for the fourth calendar year and thereafter. The church must submit to the District Superintendent and Conference Treasurer's offices and the Board of Pensions a plan for managed debt repayment for any conference pension or health care arrearages.
  - d. Calculation of Ministry Shares for adoption merger churches: a new classification of merged churches will be "Adoption Mergers." In an Adoption Merger, a larger, healthy congregation (known as the parent congregation) agrees to partner with a smaller, usually struggling congregation (known as the partner congregation), assuming leadership and all assets and liabilities of the partner church, with the intention that the partner church is absorbed by the parent church but remains open and the church becomes a multi-site congregation. The adoption will be approved by the New Start Team, the District Superintendent, and the District Committee on Church Building and Location. The Ministry Shares for churches involved in the Adoption will be calculated as follows: 1) the year the Adoption becomes effective the Ministry Shares calculation will be calculated on the parent church only, using the standard calculation of a four-year rolling average, 2) the second year the Ministry Shares will be calculated on the parent church's expenses for the four preceding years, which will include one year of the combined expenses of both campuses, 3) the third year the Ministry Shares will be calculated on the parent church's expenses for the four preceding years, which will include two years of the combined expenses, 4) the fourth year the Ministry Shares will be calculated on the parent church's expenses for the four preceding years, which will include three years of the combined expenses. The church must submit to the District Superintendent, the Conference Treasurer's office and the Director of Benefits and Human Resources a plan for managed debt repayment for any conference pension or health care arrearages.
10. As Ministry Shares are received during the year, the World Service apportionment from the General church shall be paid at the level of receipts.

11. The portion of the Ministry Share for each local church designated for the Episcopal Fund shall be paid in the same proportion as the church pays its pastor. (§18.3 of *The Book of Discipline of The United Methodist Church 2016*)

12. Funds received in excess of expenses for the Conference fiscal year shall be placed in the reserves of the respective Ministry Share funds and maintained by the Conference Treasurer.

13. During the Conference fiscal year, the Council on Finance and Administration, by a two-thirds (2/3) vote of its members, may use for the benefit of, or distribute to, Conference agencies and causes from the respective funds, such amounts as the Council by its action, upon concurrence with the Bishop, shall determine are required for use or distribution before the next session of the Annual Conference.

#### Section I - Administration

##### A. Local Church Contributions

1. All ministry shares apportioned to individual churches for the conference fiscal year shall be divided in ten (10) monthly installments. A statement will be sent from the treasurer's office 12 times a year.
2. All contributions, whether apportioned or un-apportioned, for Michigan Conference agencies and institutions, and for all benevolent causes of The United Methodist Church, shall be sent to the Conference Treasurer for distribution.

##### B. Clergy Support Items

1. Travel Reimbursement - Churches shall reimburse pastors of local congregations for travel expenses using a voucher system based on reimbursement equivalent to the IRS allowance for business mileage.
2. Expense Reimbursement - Churches may reimburse pastors of local congregations for professional expenses as defined by IRS code. A voucher system shall be used for such reimbursement.
3. Utilities - Churches shall pay all utilities in full for their parsonages, including heat, electricity, water, sewage, and basic telephone service.
4. Annual Conference - The Michigan Conference recommends that the local church pay living expenses for their clergy and lay members who attend Annual Conference. Such expenses should be paid at the rate specified for registration, meals and lodging as shown on the Annual Conference registration materials.
5. Health Insurance
  - a. Enrollment in the conference active group health care plan in most situations will be mandatory for all eligible participants. Enrollment of eligible dependents is optional at the discretion of the participant.
  - b. Each charge or conference-approved group shall share with the participant the full cost of conference group health insurance covering the pastor/conference lay employee and his/her dependents according to the approved premium sharing schedule.
  - c. Even if a pastor is enrolled as a dependent in a spouse's health care plan, the church will be expected to share a portion of the cost of the conference active group health care.
  - d. In the case of health benefits coverage for dependents when there is a legal separation or divorce, please refer to the conditions established by the healthcare policy of the Conference Board of Pension & Health Benefits.
  - e. At the time of a pastoral move, the insurance should be paid to the end of the billing period by the church from which the pastor is moving.
  - f. If a pastor chooses to be enrolled as a dependent on a spouse's health insurance plan, the pastor must have a signed waiver of coverage placed in the file in the

Benefit's office. Joining the active conference group health care plan during the open enrollment period is always an option. Enrollment since the last previous open enrollment period is a prerequisite to receiving certain retirement benefits.

6. Effective dates for salary and Clergy Retirement Security Plan/Comprehensive Protection Plan (CRSP/CPP) Payments for Ministerial Appointment Changes
  - a. The salary shall be paid through June 30 when an appointment change is made at the session of Annual Conference. Salary payments for mid-year appointments will coincide with the effective date of the appointment.
  - b. Payment on CRSP/CPP billing from the General Board of Pension and Health Benefits shall be made for the entire month of June for those appointment changes made during the session of Annual Conference. CRSP/CPP payments for mid-year appointments with an effective date of the first of the month shall be made for the previous month for the outgoing pastor and for the current month for the incoming pastor. Payments for appointment changes effective the 15<sup>th</sup> of a month shall be made for half of the current month for the outgoing pastor and half of the current month for the incoming pastor.
7. United Methodist Personal Investment Plan (UMPIP) - This is the pastor's recommended contribution (at least three percent) to his/her own personal retirement account. The local church is not required to contribute to this. Where churches do, however, it shall be considered as part of the total cash salary and so reported.

C. **Cabinet Level Salaries**

The salaries of District Superintendents, Director of Connectional Mission and Ministries, Director of Conference Benefits and Human Resources Services, Director of Administrative Services and Conference Treasurer, Director of Communications, Director of Clergy Excellence, and the Director of Congregational Vibrancy shall be set by Council of Finance & Administration. Council of Finance & Administration shall consider the best information available, including, but not limited to, the denominational average compensation, Conference average compensation, the average salary of the top 10 highest paid pastors, and the US Consumer Price index or inflation rate.

**Section I – Travel Expense Policies**

A. **Conference travel**

Expenses incurred due to travel on behalf of the Michigan Conference of the United Methodist Church may be reimbursed. All persons who are entitled to travel and other expense reimbursements must complete and submit an expense reimbursement form on a regular basis. Expenses within the appropriate budget limits will be reimbursed. Each form should include detailed explanations of trip expenses and mileage. Receipts for all expenses exceeding \$10 must be attached to the report. According to IRS regulations, reimbursed expenses which are inadequately supported or un-documented may be considered additional compensation and thus be taxable to the recipient.

1. **Who May Request Travel Reimbursement** – Any Conference employee or member of a Commission, Board, or agency who has traveled for a required Conference purpose may request travel reimbursement. Such amounts must be reasonable. Expenses relating to commuting will not be reimbursed.
2. **Information and Documentation Requirements**
  - a) **Airlines** – Receipt from airline must be provided. Electronic tickets may be documented with the emailed receipt from the airline company. Air travel insurance is not a reimbursable expense.

b) Auto Expenses – Includes parking fees, tolls, car rental (see below), taxicab, shuttles and other expense incurred in ground transportation; all of which are eligible to be reimbursed. No police or court fines or tickets for parking violations will be reimbursed.

c) Car Rental – Rental cars are reimbursable where common carriers are not available or feasible due to scheduling needs, or actual rental cost including gas and other charges are less than the standard mileage rate or common carrier cost.

d) Dates of Travel – The expense report should clearly indicate the dates of travel for each trip.

e) Incidentals – Tips for baggage handling, porters, bellhops, restaurant service, and business telephone charges are reimbursable. Incidentals should not exceed \$10 per day.

f) Lodging – Lodging should be obtained at the most reasonable rate available for the location. A copy of the bill should be submitted with the expense report. Actual cost will be reimbursed when a copy of the bill is submitted. Entertainment expenses are not reimbursable.

g) Meals – Meals are reimbursable when travel begins prior to or ends after the normal meal time. Reimbursement will not be made for alcoholic beverages. Generally, meals should not exceed \$40 per day. The maximum daily meal allowance begins when you leave your office. The trip ends when you arrive back at your office but excludes personal travel during the total trip.

h) Mileage – Miles traveled on Conference business will be reimbursed at the appropriate rate approved by the Internal Revenue Service. Total miles per trip should be itemized for each day reported. Mileage to be reimbursed is the round-trip miles from the primary office location unless the trip originates from home in a different city in which case the mileage to be reimbursed is the lesser of the round-trip miles from the primary office location or the home location. Odometer readings are not required but may be reported. Commuting miles and miles incurred for personal business enroute for Conference business are not reimbursable. A group mileage report may be completed for committee meetings where there are no other expenses which require receipts to be attached to the report. Any expense reimbursement requiring a receipt must be reported separately by individuals.

i) Purpose – The business purpose of each trip must be clearly documented on the travel expense report. Confidential information need not be disclosed but should be maintained in a personal log or diary for your own records. Group meal receipts must document all individuals included in the expense.

j) Receipts – Receipts must be submitted for all expenses exceeding \$10. The receipt should report individual items purchased. The original detailed receipts and the credit card authorization receipt showing the partial card number and any tip amounts must accompany any requisition submitted for expenses paid by credit card. Please submit original receipts only. If costs are being shared by another organization and receipts are required for that entity, a copy of the shared items and corresponding expense report submitted to the second organization may be submitted.

k) Registration Fees – Evidence of fees paid must be submitted.

l) Spouse Expenses – Spousal travel expenses will only be reimbursed in situations where their presence is required by the Conference on Conference business. To avoid any perception that personal expenses are being reimbursed, Board minutes or other written documentation should document a spouse's required presence.

3. **Who May Approve Expense Reports**  
 The Bishop may approve travel reimbursement of District Superintendents; the Director of Connectional Ministries may approve travel reimbursement request for Associate Directors and Treasurer. The Treasurer may approve reimbursement requests by any employee of the Conference and the Bishop. No individual may approve a reimbursement to themselves.  
 Group Mileage Reports may be approved by an officer of the committee, Director of Connectional Ministries or Treasurer. The individual approving the group travel should not be listed as a payee for travel on the same report.
4. **Timing of Check Requests and Processing**  
 Forms for each month should be received in the Treasurer's Office as soon as feasible after the month's travel is completed. Travel expense reimbursement requests will be processed in the normal processing schedule. Forms which are incomplete or improperly filled out may result in a delay in processing the check or may be returned for further information.
5. **Travel and other expense advances are issued only in very rare instances, except for District Superintendents and conference staff. Upon signing a promissory note, an advance may be obtained, which will be due and payable when the person leaves the staff position.**
6. **Conference personnel who draw travel allowance by voucher shall receive reimbursement equivalent to the federal IRS allowance for business mileage. This is designed to cover the cost of automobile operation.**
7. **All others drawing travel expenses from conference funds shall receive reimbursement equivalent to the federal IRS allowance for moving and medical care mileage for car and travel and \$.02 per mile per passenger up to five people. This is designed to cover out-of-pocket expenses (i.e. gas and oil).**
- B. **Travel expense by conference agencies**
  1. **The travel expense of authorized representatives of conference agencies attending meetings convened by conference agencies drawing their full budget from the conference shall be paid by the agency which calls the meeting.**
  2. **Dependent reimbursement cost necessary for dependents (children, sick or elderly) may be distributed from the Administrative budget for a member of any board, commission or committee meeting. The amount reimbursed shall not exceed \$40 per day, per member.**
  3. **Travel to non-United Methodist agencies - The travel expenses of authorized conference representatives attending meetings convened by non-United Methodist agencies within the state of Michigan, shall be paid by the conference, as provided in Part I of this section, to the extent the expenses are not borne by the convening agency.**

### Section III – Moving Expense Policy

- A. **Eligible Persons and Moves**
  1. **No moving expenses will be approved until the Appointment Status Sheet is received by the Conference Treasurer's office.**
  2. **All pastors under active appointment within the Michigan Conference structure are eligible to receive moving expense benefits. This will include local church pastors, district superintendents, staff members of conference or district councils, boards, and agencies, treasurers, bishop's assistants, superintendents or directors of parish development, conference-approved evangelists, and campus ministers.**



3. Seminary students and pastors from outside the Michigan Conference who are accepting appointment in the conference are eligible for moving expense benefits as provided in this code up to a limit of 750 miles.
  4. The conference will pay for one retirement move for pastors who have retired or plan to retire from Episcopal appointment in the conference. The move must be taken within five years of the retirement date. The designation of a retirement move must be declared in writing before the moving expenses are incurred. A move within the state of Michigan shall be paid in accordance with the provisions of this code. A move outside the state shall be paid up to the cost equivalent of 600 miles beyond the state border. Pastors called out of retirement and assigned to a charge will be granted an additional retirement move.
  5. A disability move or the move of the surviving spouse of an eligible pastor shall be paid in accordance with the policy for retiring pastors. The conference shall pay for the move out of the parsonage or other approved housing, to another residence in the event of an eligible pastor's death, in accordance with the policy for retiring pastors.
  6. When a separation or pending divorce action makes a move advisable, the spouse of a pastor is entitled to reimbursement for one move. Benefits are the same as those available to a surviving spouse of a deceased pastor.
  7. Moves within a charge from one parsonage to another are the responsibility of the local charge unless ordered by the cabinet.
8. Pastors not eligible for moving expense benefits include those:
- a. under appointment outside the structure of the conference.
  - b. on sabbatical, leave of absence, or location.
  - c. who no longer have membership in the annual conference.
- B. Policy for Moves
1. Interstate moves – Moves to or from states other than Michigan. Interstate moves are very competitive, and 2 or 3 estimates should be obtained before choosing a moving company to get the lowest rate available. Most movers will provide a “Not to Exceed” estimate.
  2. Intrastate moves - Moves greater than 40 miles within the State of Michigan. These moves are regulated by State Law and the cost is based solely on weight and distance. Multiple estimates are not required.
  3. Local zone moves (40 miles outside of corporate limits) - Local zone moves are not regulated as are other moves within the state. Therefore, 2 or 3 estimates should be obtained to get the lowest rate available. Charges will be based on an hourly rate times the number of employees involved. Most movers will provide “Not To Exceed” estimates if asked.
  4. Family travel - Family travel for pastors covered by this policy will be paid upon request, for one car, at the IRS rate (except the first 100 miles), plus tolls. One overnight lodging will be paid for moves of more than 350 miles upon presentation of receipts.
5. Expenses covered by this code:
- a. Normal state tariff provision for loading, transporting and unloading of household goods up to a maximum weight of 20,000 pounds, including professional books and equipment. Reasonable additional weight will be allowed for clergy couples to enable movement of professional books and equipment for each clergy person. Handwritten weight certificates will not be accepted.
  - b. Up to \$150 will be paid by the conference to cover needed packing materials, including wardrobes and dish packs. Mattress boxes will be provided.
  - c. One extra pickup and one extra delivery for each clergy person defined as the church office or local storage unit within 15 miles of the clergy member's housing.
  - d. Reasonable charges for necessary handling of special items such as a piano or freezer.
  - e. Standard liability insurance of 60 cents per pound which is furnished by the moving company, at no extra charge, under basic tariff provisions.

NOTE: It is now required that the householder sign a release statement on the Bill of Lading on the day of the move to release the shipment to a value of 60 cents per pound per article. Failure to do this will allow the moving company to charge a premium for insurance to cover the shipment at a value of up to \$1.50 per pound.

- f. Where there are medically recognized physical limitations, up to \$1,000 additional shall be allowed for packing. A physician's authorization must be provided. Contact the Conference Treasurer for authorization.
  - g. Storage charges are the responsibility of the local church if the parsonage is not ready for occupancy. The conference will pay only to the place of storage.
  - h. When a moving company has been selected and an estimate given, contact the treasurer's office for authorization to be given to the mover. Because Michigan in-state moves are regulated by tariff, only one estimate is needed if items 1 and 2 above do not apply to the move.
6. Expenses NOT covered by this code:
- a. Moving of items other than normal household goods and books, such as boats, trailers, autos, building materials, firewood, fishing shanties, dog houses, etc.
  - b. Packing and/or unpacking services, except as noted in 5.f.
  - c. Full value insurance beyond standard liability insurance provided by the moving company.
  - d. Charges for waiting time, extra labor, connecting and disconnecting appliances.
  - e. Consequential damages resulting from any part or aspect of the move.
  - f. Emotional or pain and suffering damages arising directly or indirectly, from any part or aspect of the move.
- C. Miscellaneous Policies
1. No moving company shall employ a pastor or an immediate member of his/her family to solicit business at any time for the purpose of receiving a commission or other consideration.
  2. No company shall be allowed to establish an office at the seat of the conference for the purpose of soliciting business.
  3. Each pastor is advised to request a copy of his/her inventory sheet from the mover at the time of loading and that it be signed by both the pastor and the moving company.
  4. Pastors may want to check with their moving company or home insurance company and request an all-risk policy that would cover all damages in the moving of their household goods from one residence to another.
- D. Administration
1. The Conference Treasurer shall administer the Moving Expense Fund.
  2. Pastors anticipating a move shall consult with the Conference Treasurer's office to review the guidelines of this code.
  3. The pastor shall be responsible for contacting a moving company and for scheduling the loading and unloading of household goods.
  4. A written estimate of the cost of moving services shall be made by the moving company and a copy shall be sent to the conference treasurer's office in advance of the move.
  5. A letter of authorization shall be sent from the Conference Treasurer's office in advance of the move.
  6. Billing for the cost of moving expenses covered by this code shall be made directly to the Conference Treasurer's office. Moving expenses not covered by this code shall be billed directly to the pastor.
  7. Provision for payment of any unusual expenses which are not defined by this code shall be arranged through consultation with the Conference Treasurer prior to the move.

8. Requests for exception to the provisions of this code shall be made to the Conference Treasurer in advance of the move. The Treasurer shall review and decide on each exception after consultation with the cabinet and/or CFA, as necessary.
9. **Pursuant to IRS rules, employer paid moves are considered taxable to the employee. The treasurer's office will provide 1099-MISC to the employee in accordance with the IRS rules.**

**Approved Moving Companies**  
(Listed Alphabetically)

- |                                                                                                                                                                                                                                                                                 |                                                                                                                                                                                                                                                                                                                               |
|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <p>1.** Corrigan Moving Systems<br/>United Van Lines</p> <p>4204 Holiday Dr.<br/>Flint 48507<br/>810-235-9700 / 800-695-0540</p> <p>7409 Expressway Court St<br/>Grand Rapids 49548<br/>616-455-4500<br/><a href="http://www.Corriganmoving.com">www.Corriganmoving.com</a></p> | <p>5. Palmer Moving &amp; Storage<br/>North American Van Lines<br/>24660 Dequindre<br/>Warren 48091-3332<br/>800-521-3954</p> <p>6.** Rose Moving &amp; Storage<br/>Allied Van Lines<br/>41775 Ecorse Road, #190<br/>Belleville, MI 48111<br/>800-521-2220<br/><a href="http://www.rosemoving.com">www.rosemoving.com</a></p> |
| <p>2. Escanaba Moving Systems<br/>United Van Lines<br/>2601 Danforth<br/>Escanaba 49829<br/>906-786-8205</p>                                                                                                                                                                    | <p>7. Stevens Worldwide Van Lines<br/>Clergy Move Center<br/>527 Morley Drive<br/>Saginaw 48601<br/>989-755-3000 / 800-678-3836<br/><a href="http://www.stevensworldwide.com">www.stevensworldwide.com</a></p>                                                                                                                |
| <p>3. Frisbie Moving and Storage<br/>United Van Lines<br/>14225 Schaefer Hwy<br/>Detroit 48227<br/>313-837-0808</p>                                                                                                                                                             | <p>8. Taylor Moving &amp; Storage<br/>8320 Hilton Rd.<br/>Brighton, MI 48114<br/>810-229-7070 / 800-241-7122<br/><a href="http://www.taylormoving-storage.com">www.taylormoving-storage.com</a></p>                                                                                                                           |
| <p>4. Guindon Moving &amp; Storage Co.<br/>1600 3<sup>rd</sup> Ave. N.<br/>Escanaba 49829<br/>800-562-1075 / 906-786-6560</p>                                                                                                                                                   |                                                                                                                                                                                                                                                                                                                               |

\*\* These companies are "Preferred Movers" and may offer additional services. Please contact the movers directly to find out what additional services they may be able to offer.

## Section IV – Investment Policy

A. **Statement of Purpose**

The purpose of this Investment Policy (IP) is to provide governance and oversight to investments of conference funds under the control and responsibility of the Michigan Conference Council of Finance & Administration. The intent is to facilitate and not hinder conference agencies in the execution of their duties related to the management of their investment portfolios and in the use of their funds as provided in the *2016 Book of Discipline of The United Methodist Church*. In recognition of its fiduciary responsibilities and the mandate of the *2016 Book of Discipline of The United Methodist Church (613.5)*, the Council of Finance & Administration has developed this IP governing investment of their respective conference funds.

B. **Delineation of Responsibilities**

1. Under the *2016 Book of Discipline of The United Methodist Church (612.1)*, the purpose of the Council of Finance & Administration shall be to develop, maintain, and administer a comprehensive and coordinated plan of fiscal and administrative policies, procedures, and management services for the conference. Accordingly, the Council of Finance & Administration is responsible for establishing principles, policies, standards and guidelines for the investment of all monies, assets and properties of the conference.
2. The Council of Finance & Administration is ultimately responsible for the financial integrity and oversight of conference financial resources. Under this IP all operational and implementation of policy decisions may be delegated to the Investment Committee.
3. The Council of Finance & Administration shall at least once per year review the IP, the effectiveness of the Investment Committee and the overall results of the investments and will acknowledge in writing that they have done so.

C. **Members of the Investment Committee**

The Conference Investment Committee shall be a sub-committee of Council of Finance & Administration and be composed of five Council of Finance & Administration members selected by Council of Finance & Administration. The members' individual terms shall not exceed eight years and shall be staggered to provide for continuity and experienced leadership. The chairperson and other offices shall be nominated by the Committee from among its members and approved by the Council of Finance & Administration.

Responsibilities of the Investment Committee:

1. To define and develop investment goals, and other operational guidelines.
2. To recommend to the Council of Finance & Administration the selection and discharge of the Investment Managers.
3. To monitor and evaluate the performance results and risk posture of the Investment Manager(s).
4. To provide semi-annually to the Council of Finance & Administration a written account of the investment results, accounting summary and any significant developments.
5. To provide annually to the Council of Finance & Administration a written annual evaluation of the Investment Managers.
6. To require all portfolios will be managed with the aim of maximizing funds available for mission in a manner consistent with the preservation of capital, the

Policies Relative to Socially Responsible Investments and the Social Principles of The United Methodist Church.

7. To establish effective communication procedures between the Committee, Council of Finance & Administration, the staff and the outside service providers.
8. To monitor and control investment expenses.
9. To delegate the execution and administration of certain Committee responsibilities as appropriate to the Conference Treasurer who serves as its staff.
10. To carry out any other duties required for the legal operations of the investments, including but not limited to hiring outside vendors to perform various services.
11. To report to the Council of Finance & Administration any significant deviations from this policy for prior approval before they are implemented.

**D. Investment Managers**

To achieve its investment objectives and to ensure alignment with United Methodist Policies Relative to Socially Responsible Investments and Social Principles, the Investment Managers of Conference Funds, shall be The United Methodist Foundation of Michigan and Wespath Benefits and Investments.

**E. Investment Performance Benchmarks**

The investment performance of total portfolios and asset class components will be measured against the published benchmark for the respective investment funds, as well as, against commonly accepted performance benchmarks. Consideration shall be given to the extent to which the investment results are consistent with the investment objectives and guidelines as set forth in this IP. The standard of care when making decisions is the Prudent Expert Standard, defined as:

“...the care, skill, prudence and diligence under the circumstances then prevailing that a prudent person acting in a like capacity and familiar with such matters would use in the conduct of an enterprise of a like character and with like aims.”

**F. Responsibilities of Investment Managers**

The Investment Managers shall provide the Investment Committee quarterly or as necessary the following written reports:

1. the portfolio's complete holdings;
2. a review of the investment performance measured against the respective benchmarks;
3. a commentary on investment results in light of the current investment environment on the goals and guidelines;
4. a review of the key investment decisions and the rationale for these decisions;
5. a discussion of the manager's outlook and what specific decisions this outlook may indicate;
6. any recommendations as to changes in goals and guidelines in light of material and sustained changes in the capital market; and any significant change in the manager's investment outlook, ownership or key employees.

**G. Socially Responsible Investment Guidelines**

As an Annual Conference of The United Methodist Church we are committed to implementation of the socially responsible investment policies in *2016 Book of Discipline of The United Methodist Church (717)*. (We encourage all of our congregations to be socially responsible investors.)

“Sustainable and Socially Responsible Investments-In the investment of money, it shall be the policy of The United Methodist Church that all general boards and agencies, including Wespath Benefits and Investments, and all administrative agencies and institutions, including hospitals, homes, educational institutions, annual conferences, foundations, and local churches, make a conscious effort to invest in institutions, companies, corporations, or funds with policies and practices

that are socially responsible, consistent with the goals outlined in the Social Principles. All United Methodist institutions shall endeavor to seek investments in institutions, companies, corporations, or funds that promote racial and gender justice, protect human rights, prevent the use of sweatshop or forced labor, avoid human suffering, and preserve the natural world, including mitigating the effects of climate change. In addition, United Methodist institutions shall endeavor to avoid investments in companies engaged in cored business activities that are not aligned with the Social Principles through their direct or indirect involvement with the production of anti-personnel weapons and armaments (both nuclear and conventional weapons), alcoholic beverages or tobacco; or that are involved in privately operated correctional facilities, gambling, pornography or other forms of exploitative adult entertainment. The boards and agencies are to give careful consideration to environmental, social, and governance factors when making investment decisions and actively exercise their responsibility as owners of the companies in which they invest. This includes engaging with companies to create positive change and hold them accountable for their actions, while also considering exclusion if companies fail to act responsibly.”

#### H. **Target Asset Allocations and Rebalancing Guidelines**

The purpose of allocating among asset classes is to ensure the proper level of diversification and risk for each portfolio. The primary considerations in the asset allocation decision process are:

1. maintaining inflation-adjusted purchasing power;
2. growing the corpus of the funds to meet future obligations;
3. achieving a minimum return in excess of inflation but with minimal annual fluctuations in the corpus; and,
4. maintaining the longevity of the assets and their distributions while taking into consideration that there may be no additional contributions.

#### I. **General Investment Policies**

- a. Not less than 30% nor more than 70% of the market value of the assets of the fund shall be in equity securities, unless otherwise determined by the Investment Committee.
- b. Not more than 20% of the market value of the assets of the fund shall be in cash or cash equivalents, unless otherwise determined by the Investment Committee.
- c. No more than 10% of the market value of the assets are in the securities of any one issuer, except for securities of the U.S. Government or its agencies.
- d. No more than 20% of the market value of the equity assets are in the equity issues of companies in any one industry.
- e. Periodically market conditions may cause the portfolio’s investments in various equities (mutual funds) to temporarily vary from the established industry allocation policy.

#### J. **General Investment Policies**

- a. Fixed-Income securities may be held only if such securities are issued by the U.S. Treasury or any agency of the U.S. Government, or are corporate bonds rated in one of the top two letter classifications by Moody’s or Standard and Poor’s. Convertible securities will be considered as equity securities.
- b. Short-term securities may be held only if such securities are issued by the U.S. Treasury or an agency of the U.S. Government; are commercial paper rated P-1 by Moody’s, A-1 by Standard and Poor’s or F-1 by Fitch’s; or are certificates of deposit of U.S. banks which have or whose holding companies have a Standard and Poor’s rating of A+ or better.

- c. No direct investments shall be made in foreign currency denominated securities, including American Depository Receipts except as follows: Investments may be made in common stocks, bonds and American Depository Receipts of those foreign securities listed on the New York, American or NASDAQ exchanges. Investments in a foreign securities pooled fund operated by a U.S. based money manager is also permitted provided that all transactions are in dollars.
- d. Investments shall not be made in commodities, real estate (except Real Estate Investment Trusts [REITS]), commodity contracts, financial futures, oil, gas mineral leases, mineral rights or royalty contracts.
- e. Margin transactions, short sales, options, put, calls, straddles, and/or spreads shall not be used.
- f. Investments shall not be made in the securities of an issuer which, together with any predecessor, has been in operation for less than three years.
- g. Investments shall not be made in securities for which market quotations are not readily available.
- h. Investments shall not be made in securities for the purpose of exercising control or management.
- i. Private placements of debt or equity will not be purchased.
- j. Investments shall not knowingly be made in securities of companies which have significant interest in the following activities: alcoholic beverages, tobacco, or gambling.
- k. Investments shall not knowingly be made in voting securities of companies which derive more than 15% of revenue from military contracts including both domestic and foreign customers. In the case of nonvoting securities, the limit shall be 5% of revenue.
- l. Investments shall not knowingly be made in companies which derive more than 3% of revenue from nuclear weapons contracts.
- m. Investments shall not be made if such investments will result in income which would require the filing of federal, state or local tax returns.

**K. Amendments and Revisions**

Amendments or changes to this IP may be made by the Council of Finance & Administration and incorporated directly into the policy as a revision and restatement or acknowledged and noted in an addendum until such time as the IP is revised and restated.

**L. Investment of Other Conference Funds**

The Conference Board of Pensions and Health Benefits and the Board of Trustees are given separate authority and responsibility in *2016 Book of Discipline of The United Methodist Church* for the management and investment of funds under their control. In carrying out their investment responsibilities, they may, if they determine, engage the services of the Investment Managers under this Policy to manage their funds, provided such funds shall be maintained in separate accounts. They shall also acknowledge that the responsibilities of the Investment Committee and Investment Managers and other investment guidelines as outlined in the Policy shall apply to their separate funds.

**Section V – Miscellaneous Policies**

**A. Conference-Wide Appeal for Funds**

No proposal for apportionments or conference-wide appeals for funds shall be recognized from the conference floor until it has first been submitted to the Council on

Finance and Administration prior to completion by the Council of its annual budget recommendation to the conference [See ¶614.5 a-c of *The 2016 Book of Discipline*.]

**B. World Service Apportionment**

1. Special attention should be given to the *2016 Book of Discipline* which reads in part: "The World Service Fund is basic in the financial program of The United Methodist Church. World Service on apportionment represents the minimum needs of the general agencies of the church. Payment in full of these apportionments by local churches and annual conferences is the first benevolent responsibility of the church." (¶812 of *The 2016 Book of Discipline*).
2. Likewise, attention is called to ¶820.5 which reads: "Churches and individuals shall give priority to the support of the World Service and conference benevolences and other apportioned funds."

- C. General Church Apportionments** - Recognizing the importance of ministries supported by the General Church apportionments, the Michigan Conference shall make every effort to support all apportioned items at 100%. If the level of receipts in any year is insufficient to do so, the CFA shall use general reserve funds to achieve the 100% goal, at the discretion of the Council of Finance & Administration. The Episcopal Fund shall be paid at 100%.

The Michigan Conference will continue to make monthly remittance on General Church Apportionments and challenges its churches to do the same. Interpretive, educational and motivational assistance will be given to local church leaders in an effort to improve understanding of and support for all Ministry Shares.

- D. Presentation of Proposed Budgets** - The budgets of all conference boards, commissions, committees, institutions and agencies seeking support from the conference or from churches, groups or individual members of the churches of the conference, shall present their proposed budget for the ensuing year to the Council on Finance and Administration for recommendation to and approval by the annual conference. Conference program budgets will be processed by the Conference Leadership Council.

The following limitations shall apply only to those conference boards, commissions, committees, institutions, and agencies which receive their total budget support from the conference through Ministry Shares, fees, or gifts.

1. No annual conference agency expense of the budget under Connectional Ministry and Administration shall exceed the annual amount budgeted except as authorized by the conference Council on Finance and Administration.
2. Gifts and Bequests
  - a) No board, agency or commission may accept gifts or bequests that will obligate that board, agency or commission beyond its present budget.
  - b) If the receipt of such gifts or bequests could obligate the annual conference in the future, it cannot be received or accepted until it has been approved by the board, agency or commission, the Council on Finance and Administration, and the Annual Conference.
  - c) If the acceptance of such a gift or bequest must be determined prior to a session of the annual conference, approval may be given by a two-thirds vote each of the Board of Trustees and the Council on Finance and Administration voting separately.
3. Within the budget approved by the Annual Conference, the various conference boards, commissions, committees, institutions and agencies are individually given the task of distributing this in ways consistent with their assigned responsibilities.



4. No funds shall be shifted between budget areas of administration, program, and projects without the approval of the Council of Finance & Administration.
  5. No program should be initiated or continued unless there is a reasonable assurance of adequate funds on a continuing basis to allow the program to be successful.
- E. **Auditing Requirements** - All agencies receiving financial support from conference benevolences, or from any other authorized conference-wide appeal, shall make audited reports (as defined in the *2016 Book of Discipline*) to the Council on Finance and Administration concerning all such receipts and the disbursement thereof in such detail and at such times as the Council may direct. Furthermore, the books of the Conference Treasurer shall be audited annually as defined in the *2016 Book of Discipline of The United Methodist Church*.
- F. **Bonding of Treasurers** - The conference contracts for fidelity bonds covering financial personnel of the conference agencies located in the conference headquarters and the conference treasurer as required by the *2016 Book of Discipline of The United Methodist Church*. In addition, a fidelity bond is provided for each conference trustee and for related staff up to \$1,000,000 by the General Council on Finance and Administration through the General Church Insurance Program.
- G. **Control System** - The Council on Finance and Administration shall have a system of control in the disbursement of funds apportioned for conference staff, boards and agencies to ensure that they remain within their allocated budget. During the first six months of the fiscal year, the conference treasurer's office will honor vouchers presented for expenditures up to 70% of the amount approved by the annual conference for that board or agency. For the remainder of the year, spending by a board or agency may not exceed that board or agency's prorated amount of Ministry Shares receipts to date not yet expended, with the exception of salaries and like expenses. Exceptions will be made only with the approval of the appropriate supervising council or its executive committee (Conference Leadership Council or the Council on Finance and Administration) as documented in its minutes.

There shall be no carrying forward of budgeted funds from Ministry Shares receipts from one year to the next by any agency or board of the conference without approval of the Council on Finance and Administration. The following exceptions have been approved:

- a. A fund of up to \$10,000 may be accumulated for transitional activities at the time of a change of bishop, administered by the Episcopacy Committee.
  - b. A fund of up to \$25,000 may be accumulated for maintenance of conference-owned properties, administered by the Board of Trustees.
  - c. A fund of up to \$25,000 may be accumulated for counseling needs, administered by the Conference Treasurer at the direction of the Episcopal Office, for victims of clergy sexual misconduct.
  - d. A fund of up to \$14,000 may be accumulated for district office equipment, to be administered by the Cabinet, and \$7,500 for equipment for the Conference Treasurer's office.
- H. **Housing/Furnishing Allowance** - An amount of the salaries of the District Superintendents, Director of Connectional Mission and Ministries, Director of Conference Benefits and Human Resources Services, Director of Administrative Services and Conference Treasurer, Director of Communications, Director of Clergy Excellence, Director of Congregational Vibrancy, Associate Directors, assistant to the bishop and director of the United Methodist Foundation (if listed under the appointments) may be designated by that person and approved by CFA as a fair housing/furnishing allowance for Internal Revenue Service Section 107 purposes.

- I. **Conflict of Interest** - Michigan Conference officials, employees and/or members of the various boards and commissions of the conference shall not, during their time of service, receive any compensation or have any financial interest in any contract or in any firm or corporation which provides goods or services (excluding publicly held companies where the official employee or member owns less than 1 percent of the voting stock thereof) or in any contract for the supply of goods or services or the procurement of furnishings or equipment, interest in any construction project of the conference, site procurement by the conference, or any other business whatsoever unless approved in writing in advance by the official's or employee's immediate supervisor and/or the board or commission upon which the member participates after full disclosure of the conflict including the amount of compensation and/or benefit the official, employee, or member will receive.

The term "official" "employee" or "member of the board or commission" shall include the official's, employee's or member's immediate family. Immediate family shall be defined as any person residing with the official, employee or member and their mother, father, and/or sons or daughters.

- J. **Depositories** - Depositories for the funds of Central Treasury shall be determined by the Council of Finance & Administration upon recommendation by the Conference.
- K. **Interest Earnings** - All interest earned on General Funds carried in Central Treasury shall be accumulated in a General Funds Interest Account. (This does not include funds in Central Treasury which are being held for specific purposes and have been designated as Interest Earning Funds by the Council.) At the end of each fiscal year, this General Interest Account shall be transferred and accumulated in the Conference Contingency Fund to be administered by the Council of Finance & Administration.
- L. **Policy on Electronic Mail and Internet Usage.** Conference employees are provided with e-mail and Internet access for the purpose of furthering the business of the Michigan Conference. All computing equipment provided to employees for their use remains the property of the Michigan Conference, and use thereof is subject at any time to monitoring by management without notice.

Use of conference e-mail accounts is limited to business purposes. As such, they may not be used to solicit participation in any non-conference-sponsored activities. Employees who engage in personal use of conference e-mail do so at their own risk and expense. The Michigan Conference will neither assume nor share any responsibility for any harassment, defamation, copyright violation, or other violations of civil or criminal law that may occur as a result of personal and/or inappropriate e-mail use. Responsibility for such incidents shall rest solely with the person who engages in such activities. Employees are prohibited from accessing other employees' files without the express consent of appropriate management personnel. Employees are also prohibited from using conference computer equipment and e-mail accounts to forward chain letters, jokes, or "spam."

Employees are reminded that e-mail communications should be drafted with the same thought and concern that would be devoted to other types of written communications, such as letters or memoranda.

The conference reserves the right at any time and without notice to access and disclose all messages, sent from and received by conference e-mail accounts.

Employee access to the Internet on conference-owned computer equipment is strictly limited to business purposes. Employees are expressly prohibited from accessing any illegal websites. Accessing websites with racist, pornographic, defamatory, sexist, or otherwise offensive content is strictly prohibited. Employees who download copyrighted material in violation of the Copyright Act of 1976, 17 U.S.C. §101, *et seq.*, are reminded that they are subject to federal criminal prosecution. The Michigan Conference will not assume any responsibility for any civil or criminal prosecutions of employees in connection with improper Internet activity, nor will the Detroit Annual Conference bear any portion of any legal fee's employees may incur in connection with such improper activity.

The use of chat rooms with conference-owned computer equipment is strictly prohibited.

Conference employees are urged to exercise caution in opening e-mail attachments from unknown persons due to the risk of computer worms and viruses. Any conference employees who knowingly allow conference computer equipment to become infected by a virus or worm shall be subject to disciplinary action, up to and including immediate termination. Such employees may also be held legally and financially liable for these actions. The Detroit Annual Conference reserves the right to commence civil litigation or to press criminal charges in such circumstances.

Violation of any conference rule regarding e-mail and Internet usage may result in disciplinary action, up to and including immediate discharge from employment.

### Special Offerings

The annual conference recommends:

- A. The support of general and conference Advance Specials as particularly approved by the annual conference (see *Jubilee/Spotlight Book*).
- B. The special days designated in the *Discipline* and by the Michigan Conference with offerings for:
  - 1. Christian Education Sunday
  - 2. World Communion Sunday
  - 3. Rural Life Sunday
  - 4. United Methodist Student Day
  - 5. Human Relations Day
  - 6. One Great Hour of Sharing
  - 7. Native American Sunday
  - 8. Golden Cross Sunday
  - 9. Peace With Justice Sunday
  - 10. Disability Awareness Sunday (without offering)

### Calendar

The following dates are established:

- A. **January 10, 2020** Last day for submitting payments to the conference treasurer for credit on the previous conference fiscal year.
- B. **January 24, 2020** Deadline for all boards, commissions, committees, and agencies to submit their budget requests for the ensuing conference fiscal year to the Council on Finance and Administration
- C. **January 27, 2020** Last day for receiving pastor's annual report by the conference statistician and treasurer.

**2020 Michigan Conference Budget**

	2018-Combined Budget	2019 - Michigan Budget	2020 - Michigan Budget	Increase/ (Decrease)
A) Clergy Support Budget				
1) District Superintendents	\$ 2,611,429	\$ 2,102,743	\$ 2,126,446	23,703
2) Episcopal Fund	\$ 575,310	\$ 562,632	\$ 568,025	5,393
3) Ministerial Education Fund	\$ 656,151	\$ 641,692	\$ 647,843	6,151
4) Episcopal Residency Committee	\$ 7,500	\$ 7,500	\$ 7,500	-
5) Equitable Compensation Committee	\$ 151,200	\$ 125,000	\$ 120,000	(5,000)
6) Clergy Advocacy	\$ 2,000	\$ 2,000	\$ 2,000	-
7) Abuse Prevention Team	\$ 10,500	\$ 10,500	\$ 10,500	-
8) Clergy Moving Expense Fund	\$ 419,000	\$ 350,000	\$ 300,000	(50,000)
Sub-total Clergy Support Budget	\$ 4,424,090	\$ 3,802,067	\$ 3,782,314	(19,753)
Provision for Unpaid Ministry Shares	\$ 800,198	\$ 601,976	\$ 597,042	(4,934)
Total Clergy Support Budget	\$ 5,224,288	\$ 4,404,043	\$ 4,379,356	(24,687)
B) Administration Budget				
1) Council on Finance & Administration	\$ 2,700	\$ 2,000	\$ 2,000	-
2) Treasurer's Office	\$ 743,461	\$ 684,164	\$ 734,900	50,736
3) Jurisdictional Conference	\$ 36,723	\$ 36,723	\$ 36,723	-
4) General Conference Delegation	\$ 4,500	\$ 20,000	\$ 28,000	8,000
5) General Church Administration	\$ 230,679	\$ 225,596	\$ 227,758	2,162
6) Area Administration	\$ 605,232	\$ 556,453	\$ 556,453	-
7) Operations	\$ 206,018	\$ 332,783	\$ 312,783	(20,000)
8) Conference Secretary	\$ 18,300	\$ 18,300	\$ 18,300	-
9) Conference Statistician	\$ 3,600	\$ 3,600	\$ 3,600	-
10) Conference Trustees	\$ 145,795	\$ 1,000	\$ 1,000	-
11) Committee on Archives & History	\$ 38,342	\$ 40,586	\$ 45,000	4,414
12) Committee on Human Resources	\$ 3,000	\$ 5,000	\$ 5,000	-
13) Legal Fees	\$ 55,000	\$ 55,000	\$ 55,000	-
14) Contingency Funds	\$ 53,500	\$ 50,000	\$ 50,000	-
Sub-total Administration Budget	\$ 2,146,850	\$ 2,031,205	\$ 2,072,517	41,712
Provision for Unpaid Ministry Shares	\$ 397,630	\$ 343,926	\$ 351,459	7,533
Total Administration Budget	\$ 2,544,480	\$ 2,375,131	\$ 2,424,376	49,245
C) Conference Benevolence Budget				
J) Agencies Relating to Christ-Centered Mission and Ministry				
a) Commission on Annual Conference Session	\$ 334,500	\$ 325,000	\$ 275,000	(50,000)
b) Commission on Communications	\$ 347,126	\$ 396,000	\$ 427,000	31,000
c) Committee on Journal	\$ 11,220	\$ 11,220	\$ 11,220	-
d) Board of Justice	\$ 6,950	\$ 15,000	\$ 15,000	-
e) Board of Global Ministries	\$ 118,567	\$ 210,000	\$ 210,000	-
f) Engage Program Promotion	\$ 7,000	\$ -	\$ -	-

