

**THE FLORIDA ANNUAL CONFERENCE OF  
THE UNITED METHODIST CHURCH AND ITS DISTRICTS**

**COMBINED FINANCIAL STATEMENTS**  
December 31, 2018 and 2017

THE FLORIDA ANNUAL CONFERENCE OF THE UNITED METHODIST CHURCH AND ITS DISTRICTS  
Lakeland, Florida

COMBINED FINANCIAL STATEMENTS  
December 31, 2018 and 2017

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## INDEPENDENT AUDITOR'S REPORT

The Audit Committee on  
Finance and Administration  
The Florida Annual Conference of  
The United Methodist Church and its Districts  
Lakeland, Florida

**Report on the Financial Statements**

We have audited the accompanying combined financial statements of The Florida Annual Conference of The United Methodist Church and its Districts, which comprise the combined statements of financial position as of December 31, 2018 and 2017 and the related combined statements of activities and cash flows for the years then ended, and the related notes to the combined financial statements.

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

Management is responsible for the preparation and fair presentation of these combined 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 combined 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 combined financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the combined financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the combined financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the combined 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 combined 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 combined financial statements.

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

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(Continued)

## **Opinion**

In our opinion, the combined financial statements referred to above present fairly, in all material respects, the financial position of The Florida Annual Conference of The United Methodist Church and its Districts 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.

## **Emphasis of Matters**

As discussed in Note 1, the combined financial statements being presented are only for The Florida Annual Conference of The United Methodist Church and its Districts and do not include the assets, liabilities and net assets, and the revenues and expenses of the entire Board of Trustees of The Florida Annual Conference of The United Methodist Church, Inc. that are recorded in the accounts of the other organizations of the Board of Trustees of The Florida Annual Conference of The United Methodist Church, Inc. which include Florida Southern College and The Florida United Methodist Children's Home. Accordingly, the accompanying combined financial statements are not intended to present the financial position of the entire Board of Trustees of The Florida Annual Conference of The United Methodist Church, Inc. as of December 31, 2018 and 2017, or the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

As discussed in Note 1 to the financial statements, The Florida Annual Conference of The United Methodist Church and its Districts, has adopted ASU 2016-14 – *Not-for-Profit Entities (Topic 958): Presentation of Financial statements for Not-For-Profit Entities*. Our opinion is not modified with respect to this matter.

## **Other Matter**

Our audits were conducted for the purpose of forming an opinion on the combined financial statements as a whole. The supplementary information on pages 35-40 is presented for purposes of additional analysis and is not a required part of the combined 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 combined financial statements. The information has been subjected to the auditing procedures applied in the audit of the combined financial statements and certain other procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the combined financial statements or to the combined 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 combined financial statements as a whole.



Crowe LLP

Tampa, Florida  
June 4, 2019

THE FLORIDA ANNUAL CONFERENCE OF THE UNITED METHODIST CHURCH AND ITS DISTRICTS  
 COMBINED STATEMENTS OF FINANCIAL POSITION  
 December 31, 2018 and 2017

|  | <u>2018</u>           | <u>2017</u>           |
|--|-----------------------|-----------------------|
| <b>ASSETS</b>  |                       |                       |
| Cash and cash equivalents                                      | \$ 6,934,846          | \$ 5,906,074          |
| Accounts receivable  | 5,763,814             | 5,183,623             |
| Less allowance for doubtful accounts:                          |                       |                       |
| Health/pension benefits  | (189,280)             | (228,513)             |
| Ministry protection  | <u>(2,102,046)</u>    | <u>(1,999,953)</u>    |
| Net accounts receivable (Note 8)                               | 3,472,488             | 2,955,157             |
| Contributions receivable, net (Notes 4 and 8)                  | 499,131               | 199,422               |
| Grants Receivable  | 3,908,235             | -                     |
| Notes and mortgage notes receivable (Notes 5 and 8)            | 3,226,102             | 3,369,726             |
| Less allowance for loan losses                                 | <u>(160,633)</u>      | <u>(163,033)</u>      |
| Net notes and mortgage notes receivable                        | 3,065,469             | 3,206,693             |
| Assets held for sale (Note 11)                                 | 7,775,500             | 22,105,800            |
| Investments  |                       |                       |
| Held with affiliated organizations (Notes 6 and 8)             | 12,956,412            | 13,971,948            |
| Beneficial interest in trusts held with others (Notes 8 and 9) | 1,950,427             | 2,098,806             |
| Held with third party brokers (Notes 7 and 8)                  | 95,370,117            | 97,512,940            |
| Certificates of deposit (Notes 7 and 8)                        | <u>206,255</u>        | <u>105,262</u>        |
| Total investments  | 110,483,211           | 113,688,956           |
| Property and equipment, net (Note 11)                          | 62,980,980            | 52,134,346            |
| Other assets   | <u>195,325</u>        | <u>304,170</u>        |
| Total assets   | <u>\$ 199,315,185</u> | <u>\$ 200,500,618</u> |
| <b>LIABILITIES AND NET ASSETS</b>                              |                       |                       |
| Liabilities  |                       |                       |
| Accounts payable and accrued expenses                          | \$ 2,862,110          | \$ 1,159,136          |
| Accrued loss reserves (Note 12)                                | 7,770,841             | 8,954,956             |
| Notes payable (Notes 8 and 13)                                 | 5,684,685             | 5,435,074             |
| Lines of credit (Notes 8 and 14)                               | 928,029               | 2,323,796             |
| Other postemployment benefit liability (Note 15)               | 30,368,350            | 49,630,018            |
| Funds held as agent  | <u>1,610,776</u>      | <u>1,668,017</u>      |
| Total liabilities  | 49,224,791            | 69,170,997            |
| Net assets   |                       |                       |
| Net assets without donor restrictions                          | 27,059,921            | 25,329,155            |
| Board designated   |                       |                       |
| Ministry protection (Note 12)                                  | 8,063,457             | 8,895,889             |
| Pension and health benefits (Notes 15)                         | <u>16,265,232</u>     | <u>3,913,769</u>      |
| Total net assets without donor restrictions                    | 51,388,610            | 38,138,813            |
| Net assets with donor restrictions                             | <u>98,701,784</u>     | <u>93,190,808</u>     |
| Total net assets   | <u>150,090,394</u>    | <u>131,329,621</u>    |
| Total liabilities and net assets                               | <u>\$ 199,315,185</u> | <u>\$ 200,500,618</u> |

See accompanying notes to combined financial statements.

THE FLORIDA ANNUAL CONFERENCE OF THE UNITED METHODIST CHURCH AND ITS DISTRICTS  
 COMBINED STATEMENT OF ACTIVITIES  
 Year ended December 31, 2018

|  | Net Assets<br>Without Donor<br><u>Restrictions</u> | Net Assets<br>With Donor<br><u>Restrictions</u> | <u>Total</u>          |
|--|--|---|-----------------------|
| <b>Revenue</b>   |  |   |                       |
| Contributions and apportionments   |  |   |                       |
| Conference benevolences, clergy support and church development                 | \$ 12,241,980                                      | \$ -  | \$ 12,241,980         |
| Conference service and administration  | 5,199,308  | -   | 5,199,308             |
| Closed church real property contributions                                      | -  | 15,301,437                                      | 15,301,437            |
| Other contributions and grants   | 478,784  | 24,587,569                                      | 25,066,353            |
| Self-insurance program (Notes 12)  | 14,542,204   | -   | 14,542,204            |
| Interest income on loans   | -  | 143,752   | 143,752               |
| Interest and dividends (Notes 6 and 7)   | 1,711,239  | 1,054,831                                       | 2,766,070             |
| Change in valuation of beneficial interest in trusts held with others (Note 9) | -  | (148,379)                                       | (148,379)             |
| Net investment return (Notes 6 and 7)  | (7,235,479)  | (4,780,963)                                     | (12,016,442)          |
| Fees for services  | 4,003,075  | 431,297   | 4,434,372             |
| Other income   | 2,410,961  | 1,274,759                                       | 3,685,720             |
| Gain (loss) on sale/disposal of fixed assets                                   | 33,155   | (3,641,823)                                     | (3,608,668)           |
| Net assets released from restrictions (Note 18)                                | <u>28,711,504</u>                                  | <u>(28,711,504)</u>                             | <u>-</u>              |
| Total revenue  | <u>62,096,731</u>                                  | <u>5,510,976</u>                                | <u>67,607,707</u>     |
| <b>Expenses</b>  |  |   |                       |
| Conference benevolences, clergy support and church development                 | 8,357,985  | -   | 8,357,985             |
| Conference service and administration  | 10,728,086   | -   | 10,728,086            |
| Other benevolences and grant expenditures                                      | 9,194,852  | -   | 9,194,852             |
| Self-insurance program (Notes 12 and 13)                                       | 14,002,656   | -   | 14,002,656            |
| Depreciation (Note 11)   | 1,722,655  | -   | 1,722,655             |
| Costs of services and other expenses   | <u>21,928,397</u>                                  | <u>-</u>  | <u>21,928,397</u>     |
| Total expenses   | <u>65,934,631</u>                                  | <u>-</u>  | <u>65,934,631</u>     |
| <b>Change in net assets before other changes</b>                               | (3,837,900)  | 5,510,976                                       | 1,673,076             |
| Other post retirement changes other than net periodic cost (Note 15)           | <u>17,087,697</u>                                  | <u>-</u>  | <u>17,087,697</u>     |
| <b>Change in net assets</b>  | 13,249,797   | 5,510,976                                       | 18,760,773            |
| Net assets at beginning of year  | <u>38,138,813</u>                                  | <u>93,190,808</u>                               | <u>131,329,621</u>    |
| <b>Net assets at end of year</b>   | <u>\$ 51,388,610</u>                               | <u>\$ 98,701,784</u>                            | <u>\$ 150,090,394</u> |

See accompanying notes to combined financial statements.

THE FLORIDA ANNUAL CONFERENCE OF THE UNITED METHODIST CHURCH AND ITS DISTRICTS  
 COMBINED STATEMENT OF ACTIVITIES  
 Year ended December 31, 2017

|   | Net Assets<br>Without Donor<br><u>Restrictions</u> | Net Assets<br>With Donor<br><u>Restrictions</u> | <u>Total</u>          |
|---|--|---|-----------------------|
| <b>Revenue</b>  |  |   |                       |
| Contributions and apportionments  |  |   |                       |
| Conference benevolences, clergy<br>support and church development                 | \$ 12,772,249                                      | \$ -  | \$ 12,772,249         |
| Conference service and administration   | 8,609,791  | -   | 8,609,791             |
| Closed church real property contributions   | -  | 19,577,861                                      | 19,577,861            |
| Other contributions and grants  | 1,260,188  | 6,482,634                                       | 7,742,822             |
| Self-insurance program (Notes 11 and 12)  | 9,839,364  | -   | 9,839,364             |
| Interest income on loans  | -  | 133,002   | 133,002               |
| Interest and dividends (Notes 5 and 6)  | 1,447,413  | 760,860   | 2,208,273             |
| Change in valuation of beneficial interest<br>in trusts held with others (Note 8) | -  | 179,819   | 179,819               |
| Net investment return (Notes 5 and 6)   | 8,297,100  | 4,221,436                                       | 12,518,536            |
| Fees for services   | 4,051,633  | 365,220   | 4,416,853             |
| Other income  | 820,237  | 390,638   | 1,210,875             |
| Gain (loss) on sale/disposal of fixed assets                                      | -  | (389,462)                                       | (389,462)             |
| Net assets released from restrictions (Note 19)                                   | <u>7,545,343</u>                                   | <u>(7,545,343)</u>                              | <u>-</u>              |
| Total revenue   | <u>54,643,318</u>                                  | <u>24,176,665</u>                               | <u>78,819,983</u>     |
| <b>Expenses</b>   |  |   |                       |
| Conference benevolences, clergy<br>support and church development                 | 7,178,629  | -   | 7,178,629             |
| Conference service and administration   | 11,194,409   | -   | 11,194,409            |
| Other benevolences and grant expenditures   | 5,756,655  | -   | 5,756,655             |
| Self-insurance program (Notes 11 and 12)  | 12,667,345   | -   | 12,667,345            |
| Depreciation (Note 10)  | 2,376,790  | -   | 2,376,790             |
| Costs of services and other expenses  | <u>4,823,239</u>                                   | <u>-</u>  | <u>4,823,239</u>      |
| Total expenses  | <u>43,997,067</u>                                  | <u>-</u>  | <u>43,997,067</u>     |
| <b>Change in net assets before other changes</b>                                  | 10,646,251   | 24,176,665                                      | 34,822,916            |
| Other post retirement changes other than net<br>periodic cost (Note 15)           | <u>(3,944,993)</u>                                 | <u>-</u>  | <u>(3,944,993)</u>    |
| <b>Change in net assets</b>   | 6,701,258  | 24,176,665                                      | 30,877,923            |
| Net assets at beginning of year   | <u>31,437,555</u>                                  | <u>69,014,143</u>                               | <u>100,451,698</u>    |
| <b>Net assets at end of year</b>  | <u>\$ 38,138,813</u>                               | <u>\$ 93,190,808</u>                            | <u>\$ 131,329,621</u> |

See accompanying notes to combined financial statements.

THE FLORIDA ANNUAL CONFERENCE OF THE UNITED METHODIST CHURCH AND ITS DISTRICTS  
 COMBINED STATEMENTS OF CASH FLOWS  
 Years ended December 31, 2018 and 2017

|  | <u>2018</u>         | <u>2017</u>         |
|--|---------------------|---------------------|
| <b>Cash flows from operating activities</b>  |                     |                     |
| Change in net assets   | \$ 18,760,773       | \$ 30,877,923       |
| Adjustments to reconcile change in net assets to net cash provided by operating activities |                     |                     |
| Provision for bad debts  | 60,460              | 155,970             |
| Depreciation   | 1,722,655           | 2,376,790           |
| Postretirement benefit changes other than periodic cost                                    | (17,087,697)        | 3,944,993           |
| Unrealized loss (gain) on investments  | 14,226,676          | (10,095,274)        |
| Realized gain on investments   | (2,524,513)         | (2,920,357)         |
| Contribution of closed church real property  | (15,301,437)        | (19,505,000)        |
| Loss (gain) on sale/disposal of property and equipment                                     | 3,608,668           | (389,462)           |
| Contributions with donor restriction endowments  | (5,510,976)         | (749,164)           |
| Changes in assets and liabilities  |                     |                     |
| (Increase) in accounts and contributions receivable  | (879,900)           | (492,193)           |
| (Increase) in grants receivable  | (3,908,235)         | -                   |
| Decrease (increase) in other assets  | 108,845             | (289,854)           |
| Increase (decrease) in accounts payable and accrued expenses                               | 1,702,974           | (392,639)           |
| (Decrease) in OPEB liability   | (2,173,971)         | (510,897)           |
| (Decrease) in accrued loss reserves  | (1,184,115)         | 820,442             |
| (Decrease) in funds held as agent  | (57,241)            | 252,725             |
| Net cash (used in) provided by operating activities  | <u>(8,437,034)</u>  | <u>3,084,003</u>    |
| <b>Cash flows from investing activities</b>  |                     |                     |
| Purchases of property and equipment  | (556,397)           | (1,608,805)         |
| Proceeds from sale of property and equipment   | 14,010,177          | 932,983             |
| Proceeds from the repayment of notes and mortgage notes receivables                        | 143,624             | 312,628             |
| Purchase of investments  | (33,783,345)        | (32,913,665)        |
| Proceeds from sale of investments  | <u>25,286,927</u>   | <u>30,281,181</u>   |
| Net cash provided by (used in) investing activities  | 5,100,986           | (2,995,678)         |
| <b>Cash flows from financing activities</b>  |                     |                     |
| Borrowings on long-term debt   | 1,000,000           | -                   |
| Payments on long-term debt   | (2,146,156)         | (926,271)           |
| Contributions with donor restriction endowments  | <u>5,510,976</u>    | <u>749,164</u>      |
| Net cash provided by (used in) financing activities  | <u>4,364,820</u>    | <u>(177,107)</u>    |
| Change in cash and cash equivalents  | 1,028,772           | (88,782)            |
| Cash and cash equivalents at beginning of year   | <u>5,906,074</u>    | <u>5,994,856</u>    |
| <b>Cash and cash equivalents at end of year</b>  | <u>\$ 6,934,846</u> | <u>\$ 5,906,074</u> |
| <b>Supplemental disclosure of cash flow information</b>                                    |                     |                     |
| Interest paid  | <u>\$ 265,870</u>   | <u>\$ 297,609</u>   |

See accompanying notes to combined financial statements.



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

Nature of Organization: The Florida Annual Conference of The United Methodist Church and its Districts (the Conference) is composed of the clergy and lay members of approximately 600 churches and missions located in Florida from the Apalachicola River to Key West, and is a part of The United Methodist Church. The primary financial responsibility of the Conference is to serve as a conduit for monies contributed by individual church members through their local churches for the programs of The United Methodist Church at the district, conference, jurisdictional and national levels.

The entities, boards, and committees for which funds are included in the accompanying combined financial statements of the Conference include the Conference Board of Pension and Health Benefits, the Ministry Protection Committee, the Board of Camps and Retreat Ministries, the Committee on New Church Development, the Preachers' Relief Board, the Florida Conference Episcopal Office, and other committees and boards that are part of the ministry of the Conference. Also included in the accompanying combined financial statements is the Conference's nine district offices and the Cabinet Development Fund. All significant balances and transactions among the Conference entities included in the accompanying combined financial statements have been eliminated.

These combined financial statements do not include all the assets, liabilities, and net assets, and revenues and expenses of the entire Board of Trustees of the Florida Annual Conference of the United Methodist Church, Inc. ("Board of Trustees") that are recorded in the accounts of other organizations that generally accepted accounting principles in the United States of America (GAAP) requires be consolidated into the financial statements of the Board of Trustees because the Board of Trustees have a controlling interest in these organizations. These organizations are Florida Southern College and The Florida United Methodist Children's Home.

Basis of Accounting: The combined financial statements of the Conference have been prepared on the accrual basis of accounting and accordingly, reflect all significant receivables, payables and other liabilities.

Affiliated Organizations: The Florida United Methodist Foundation, Inc. (the Foundation) is a 501(c) (3) not-for-profit organization organized on June 19, 1966. The Foundation is an agency of the Conference and the United Methodist Church. Members of the Foundation are the lay and clergy members of the Florida Annual Conference. The Board of Directors is elected by the corporate members of the Foundation at the annual meeting of the Florida United Methodist Foundation. Because of the way the Board of Directors is selected, the Foundation is not required to be consolidated with the Conference financial statements.

The purpose of the Foundation is to facilitate low-interest loans to United Methodist churches and agencies of the Conference, and to facilitate charitable giving to churches, institutions, boards, and agencies of the Conference. As such, the Foundation serves as a channel in the handling of gifts to United Methodist institutions through charitable and estate planning opportunities. The Foundation is legally authorized to serve as trustee in the administration of charitable gift annuities, charitable trusts, donor advised funds, and other gifts created for the benefit of any United Methodist institution, local church or church organization.

The Foundation makes first mortgage loans to United Methodist churches, including loans for the construction and major improvement of churches, parsonages, church schools and other church operated facilities. The Foundation also serves as the agent of the Conference in managing the church loans the Conference owns. For this service, the Foundation receives 2/10ths of 1.0% of loan balances annually which amounted to approximately \$6,239 and \$8,562 for the years ended December 31, 2018 and 2017, respectively, and has been included in Conference service and administration expense in the accompanying combined statements of activities.

The Foundation manages investments on behalf of the Conference. The Conference paid the Foundation \$100,180 and \$83,518 for the years ended December 31, 2018 and 2017, respectively, to manage Conference investments held by the Foundation. The Foundation pays the Conference for property and casualty insurance. The Foundation paid the Conference \$16,205 and \$15,770 for property and casualty insurance for the years ended December 31, 2018 and 2017, respectively.

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(Continued)

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

Florida Southern College (FSC) was founded in 1883. FSC is a liberal arts college with more than fifty academic and pre-professional programs located in Lakeland, Florida. The thirty-seven persons serving on the Board of Trustees of FSC are elected by the Florida Annual Conference of the United Methodist Church in accordance with the FSC by-laws.

The Conference provides financial support to FSC through its apportionment giving budget. FSC received \$209,600 from the Conference Board of Higher Education and Campus Ministry in both 2018 and 2017.

The Florida United Methodist Children's Home, Inc. (the Home) was incorporated in 1908 as a not-for-profit corporation. The purpose of the Home is to care for children who otherwise cannot be provided for. The Home is governed by a Board of Trustees which consists of Florida United Methodist Church members or clergy. Nominations for the Board of Trustees come from the current Board and are approved by the Florida Annual Conference of the United Methodist Church in accordance with the Home's by-laws.

The Conference serves as a conduit for donations made by Florida United Methodist churches for the Home. The Conference forwarded \$562,186 and \$648,352 in 2018 and 2017, respectively, in donations from churches to the Home. In addition, the Home pays the Conference for property and casualty insurance. The Home paid the Conference \$203,131 and \$166,113 for property and casualty insurance for 2018 and 2017, respectively.

Revenue Recognition: The Conference recognizes grants, contracts and contributions of cash or other assets as restricted support if they are received with grantor or donor stipulations that limit the use of the donated assets. A receivable is recognized by the Conference for grants or contracts to be received from the grantor or donor.

The Conference recognizes revenues from exchange transactions when the service is rendered. A receivable is recognized by the Conference for outstanding invoices.

Net Asset Classifications: The combined financial statements report the changes in and totals of each net asset class based on the existence or absence of donor-imposed restrictions. Accordingly, net assets and changes therein are classified as follows:

Net assets without donor restrictions consist of operating funds available for any purpose authorized by the Board of Trustees and the Council on Finance and Administration. The Conference does put certain designations on funds annually which represent unrestricted funds which are used for future shortfalls in budgeted support and revenue for emergency and unanticipated needs of the Conference.

Net assets with donor restrictions consist of funds arising from gifts in which the donor has stipulated, as a condition of the gift, restrictions on how or when the gift may be spent as well as funds arising from a gift or bequest in which the donor has stipulated, as a condition of the gift, the principal be maintained in perpetuity and only the investment income from investment of the funds be expended. Certain donor endowments also specify that a portion of the earnings from the investment be reinvested as principal, or that all income earned over a period of time be reinvested. Amounts are also transferred for specific uses from time to time, as requested by the donor.

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(Continued)

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

Gifts and Contributions: Gifts and contributions are recorded at their fair value on the date of receipt. All contributions are considered to be classified as net assets without donor restrictions unless specifically restricted by the donor. Gifts received that are designated for future periods or restricted by the donor for specific purposes are reported as net assets with donor restrictions.

Closed Church Real Property: The real property of former United Methodist churches are carried at their appraised fair value as of the date title to the property is transferred to the Conference net of accumulated depreciation. In the year of closure the property is recorded as closed church real property contributions in the Cabinet development fund

Net Assets Released from Restrictions: When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities as net assets released from restrictions.

Fair Value of Financial Instruments: The Conference's financial instruments include cash and cash equivalents, accounts receivable, contributions receivable, grants receivable, notes and mortgages receivable, investments, beneficial interests in trusts held with others, accounts payable, and notes payable which approximate fair value at December 31, 2018 and 2017.

Cash and Cash Equivalents: The Conference considers all highly liquid investments with original maturities of three months or less when purchased to be cash equivalents.

Investments: Investments are stated at fair value, as determined by quoted market prices in the statements of financial position; unrealized gains and losses are included in the statement of activities. Realized gains/losses on disposition are based on net proceeds and the adjusted carrying amounts of the securities sold using the specific identification method.

Concentration of Credit Risk: The Conference maintains cash deposits with several financial institutions, sometimes in excess of the \$250,000 limit insured by the Federal Deposit Insurance Corporation (FDIC). Cash balances in excess of \$250,000 will potentially be subject to concentrations of credit risk. Management believes the risk is managed by maintaining all deposits in high quality financial institutions.

Use of Estimates: The preparation of combined financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the combined financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Accounts Receivable: Accounts receivable represents amounts due and what management expects to collect from the churches within the Conference for apportionments, insurance premiums, insurance recoveries and other miscellaneous items and is stated at net realizable value. Interest is not normally charged on accounts receivable. Management provides an allowance for doubtful accounts for any amounts considered to be uncollectible. The allowance for doubtful accounts is \$2,291,326 and \$2,228,466 as of December 31, 2018 and 2017, respectively. A receivable is charged off after collection efforts by the Conference have been exhausted and it is deemed that the receivable is uncollectible.

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(Continued)

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

Contributions Receivable: Unconditional promises to give are recorded as contributions receivable and contribution revenue when received. Unconditional promises to give that are expected to be collected within one year are recorded at net realizable value. Unconditional promises to give that are expected to be collected in future years are recorded at the present value of their estimated future cash flows. Conditional promises to give are not included as support until the conditions are substantially met.

Grants Receivable: Grants are recorded as grants receivable and grant revenue when awarded. The receivable is reduced as grant funds are received from the granting agencies. As of December 31, 2018 grants receivable consist of \$3,087,302 in funds due from the United Methodist Committee on Relief and \$820,933 from the Volunteer Florida Foundation. There were no grants receivable as of December 31, 2017.

Property and Equipment: Property and equipment is stated at cost or, if donated, at the estimated fair value at the date of donation. The Conference follows the practice of capitalizing all expenditures in excess of \$5,000 for property and equipment. Routine repairs and maintenance are expensed as incurred. Depreciation is provided over the estimated useful lives of respective assets on a straight-line basis as follows:

|                                   | <u>Years</u> |
|-----------------------------------|--------------|
| Buildings and improvements        | 10-40        |
| Furniture, fixtures and equipment | 5-10         |

Impairment of Long-Lived Assets: On an ongoing basis, the Conference reviews long-lived assets for impairment whenever events or circumstances indicate that the carrying amounts may be overstated. The Conference recognizes impairment losses if the undiscounted cash flows expected to be generated by the asset are less than the carrying value of the related asset. The impairment loss adjusts the assets to fair value. Impairment on assets held for sale was \$1,534,000 and \$0 at December 31, 2018 and 2017, respectively. This is reflected in the Conference service and administration expenses in the statement of activities and as a reduction to the net property and equipment in the 2018 statement of financial position.

Assets Held for Sale: Real property that is listed for sale within the next twelve months is considered an asset held for sale. The property is carried at the lower of its net book value or its current fair value. An impairment loss is recorded if it is determined that the fair value is less than the property's net book value.

Funds Held as Agent: General church apportionments and other program remittances from individual churches are considered funds held as agent. These remittances are for the benefit of third parties not under the control of the Conference and the use of such funds is also not under the control of the Conference. Consequently, such remittances are not included as revenue in the accompanying combined financial statements.

Funds received from individual churches for benevolences, Conference service and administration, new church starts, certain pension and benefit programs and the ministry protection program are considered unrestricted net assets. These remittances represent funds whose use is determined internally by the Conference through approval of the annual budget.

Donated Goods and Services: Significant non-cash asset contributions are recorded at fair value when received. A number of volunteers have donated significant time to the Conference's administrative and program services; however, no amounts have been reflected for these types of donated services, as there is no objective basis available to measure the value of such services.

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(Continued)

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

Notes and Mortgage Notes Receivable: Notes and mortgage notes receivable primarily represent notes with churches to restructure their delinquent Ministry Protection and Health, Benefits and Pension receivables, and loans made to facilitate the sale of closed church properties. These notes are serviced by the Foundation. The notes are reported on the statements of financial position at the outstanding principal balance. Interest on loans is recognized over the term of the loan and is calculated using the simple interest method on principal amounts outstanding. The repayment term and maturity date of loans 60 days or more past due, based on contractual terms, may be extended at the original contract interest rate.

Allowance for Loan Loss: An allowance for loan loss is maintained at an amount the Conference believes is adequate to provide for potential loan losses. The Conference's periodic evaluation of the adequacy of the allowance is based on known and inherent risks in the notes and mortgage notes receivable portfolio, adverse situations the Conference is aware of that may affect the borrower's ability to repay, the estimated value of any underlying collateral, and current economic conditions. The evaluation is inherently subjective as it requires estimates that are susceptible to significant revision as more information becomes available.

Interest on Notes Receivable: Interest on loans in the Conference's church mortgage loan portfolio is recognized over the term of the loan and is calculated using the simple interest method on principal amounts outstanding.

Functional Allocation of Expenses: The cost of program and administrative activities have been summarized on a functional basis in the statement of activities. The statement of functional expenses presents the natural classification detail of expenses by function. Accordingly, certain costs have been allocated among the programs and supporting services benefited. Most expenses are directly charged to the department/ministry incurring the expense. The expenses that are allocated include allocation of Conference Center costs which are allocated based on number of staff in each department.

Income Tax: The Conference is exempt from federal and state income tax under the provisions of Section 501(c)(3) of the Internal Revenue Code; therefore, no provision for income taxes has been made in the accompanying combined financial statements. The Conference has also been classified as an entity that is not a private foundation within the meaning of Section 509(a) and qualifies for deductible contributions as provided in Section 170(b)(1)(A)(vi) of the Internal Revenue code.

The Conference follows guidance issued by the Financial Accounting Standards Board (FASB) with respect to accounting for uncertainty in income taxes. The Conference does not have any tax benefits recorded at December 31, 2018, and does not expect that position to significantly change in the next year. The Conference would recognize interest and/or penalties related to income tax matters in income tax expense, if applicable, and there were no amounts accrued for interest and penalties at December 31, 2018.

Recently Issued Accounting Pronouncements: In May of 2014, the FASB issued Accounting Standards Update ("ASU") 2014-09, revenue from Contracts with Customers: Topic 606. This ASU affect any entity that either enters into contracts with customers to transfer goods or services or enters into contracts for the transfer of nonfinancial assets unless those contracts are within the scope of other standards. This ASU will supersede the revenue recognition requirements in topic 605, revenue Recognition, and most industry-specific guidance. The core principle of the guidance is that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The amendments in this ASU are effective retrospectively for fiscal years beginning after December 15, 2018. Management is currently evaluating the impact of this ASU on the Conference's financial statements.

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(Continued)

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

In February 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2016-02, Leases (Topic 842), to increase transparency and comparability among organizations by recognizing lease assets and lease liabilities on the statement of financial position and disclosing key information about leasing arrangements for lessees and lessors. The new standard applies a right-or-use model that requires, for all leases with a lease term of more than 12 months, an asset representing its right to use the underlying asset for the lease term and a liability to make lease payments to be recorded. The ASU is effective for fiscal years beginning after December 15, 2019 with early adoption permitted. Management is currently evaluating the impact of this ASU on the Conference's financial statements.

In August 2016, the FASB issued ASU 2016-14, Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities, with the stated purpose of improving financial reporting by not-for-profit entities. The main provisions of the ASU would require a not-for-profit entity to: (a) present two classes of net assets on the statement of financial position entitled "net assets with donor restrictions" and "net assets without donor restrictions," (b) present changes in each of the two classes of net assets on the statement of activities, (c) disclose quantitative and qualitative information surrounding liquidity and availability of resources (d) disclose the amount and purpose of governing board designations, appropriations, and other self-imposed limits on the use of resources, (e) present expenses by both their natural classification and functional classification, (f) disclose methods used to allocate costs among program and support functions, (g) report investment return net of external and direct internal investment expenses, and (h) use the placed-in-service approach for reporting expirations of restrictions on gifts used to acquire or construct long-lived assets in the absence of explicit donor stipulations. The ASU is effective for fiscal years beginning after December 15, 2017. The provisions of the ASU must be applied on a retrospective basis for all years presented, although certain optional practical expedients are available for the periods prior to adoption. Management has applied this ASU retrospectively to all periods presented on the Conference's financial statements, except for the Statement of Functional Expenses, as permitted. The implementation of this ASU did not have a material effect on amounts previously presented.

Reclassifications: Certain reclassifications have been made to present last year's financial statements on a basis comparable to the current year's financial statements. These reclassifications have no effect on the change in net assets and total net assets.

**NOTE 2 – LIQUIDITY AND AVAILABILITY**

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the statement of financial position date, comprise of the following:

|                                  | <u>2018</u>          | <u>2017</u>          |
|----------------------------------|----------------------|----------------------|
| Cash and cash equivalents        | \$ 6,934,846         | \$ 5,906,074         |
| Accounts receivable              | 3,472,488            | 2,955,157            |
| Operating investments            | 68,350,564           | 75,434,161           |
| Contributions receivable, net    | <u>499,131</u>       | <u>199,422</u>       |
| Total financial assets available | <u>\$ 79,257,029</u> | <u>\$ 84,494,814</u> |

The Conference regularly monitors liquidity required to meet its operational needs, 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 ministry-related activities as well as the conduct of services undertaken to support these activities to be general expenditures.

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(Continued)

**NOTE 2 – LIQUIDITY AND AVAILABILITY** (continued)

The investment amount listed above represents assets which could be converted to cash on a short-term basis and thus are available to support cash flow needs and operations. The Conference has adopted a policy of funding administrative expenses from current revenue. This policy results in the Conference maintaining investment portfolios that do not necessarily generate significant amounts of interest and dividend income. Accordingly, the Conference reinvests the interest and dividends generated by its investments and has no immediate plans to liquidate investments to fund current operations.

The Conference's endowment funds consist of donor-restricted endowments. Income from donor-restricted endowments is restricted for specific purposes, with the exception of the amounts available for general use. Donor-restricted endowment funds are not available for general expenditure. As part of the Conference's liquidity management plan, the Conference invests cash in excess of daily requirements in short-term investments, CD's, and money market funds.

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THE FLORIDA ANNUAL CONFERENCE OF THE UNITED METHODIST CHURCH AND ITS DISTRICTS  
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**NOTE 3 – FUNCTIONAL EXPENSE**

|  | Conference Programs                                 |                                |                           |                             |  |                     |                     |                      |                     |                      |
|--|---|--------------------------------|---------------------------|-----------------------------|--|---------------------|---------------------|----------------------|---------------------|----------------------|
|  | Conference Board<br>of Pension & Health<br>Benefits | Ministry Protection<br>Program | New Church<br>Development | Cabinet Development<br>Fund | Board of Camps and<br>Retreat Ministries | Disaster Recovery   | Other Programs      | Total Programs       | Administrative      | Total                |
| Salaries and related costs                         | \$ 192,378  | \$ 354,938                     | \$ 633,655                | -                           | \$ 1,938,228                             | \$ 2,272,241        | \$ 1,675,691        | \$ 7,067,131         | \$ 2,357,558        | \$ 9,424,689         |
| Meetings and travel                                | 2,329   | 28,726                         | 69,510                    | 430                         | 9,043                                    | 267,446             | 144,066             | 521,550              | 214,823             | 736,373              |
| Program development                                | 1,993,393   | 915,678                        | 1,361,240                 | 2,356,670                   | 641,620                                  | 942,291             | 3,144,794           | 11,355,686           | -                   | 11,355,686           |
| Clergy pension fund                                | 5,510,277   | -                              | -                         | -                           | -  | -                   | -                   | 5,510,277            | -                   | 5,510,277            |
| Payments to reinsurers                             | -   | 6,932,509                      | -                         | -                           | -  | -                   | -                   | 6,932,509            | -                   | 6,932,509            |
| Claim payments                                     | -   | 6,154,469                      | -                         | -                           | -  | -                   | -                   | 6,154,469            | -                   | 6,154,469            |
| Disposal of closed church properties held for sale | -   | -                              | -                         | 12,549,929                  | -  | -                   | -                   | 12,549,929           | -                   | 12,549,929           |
| Mission support payments to local churches         | -   | -                              | -                         | -                           | -  | -                   | 976,471             | 976,471              | -                   | 976,471              |
| Program funds to campus ministries                 | -   | -                              | -                         | -                           | -  | -                   | 1,161,252           | 1,161,252            | -                   | 1,161,252            |
| Donation to Alabama/West Florida Conference        | -   | -                              | -                         | -                           | -  | -                   | 1,533,096           | 1,533,096            | -                   | 1,533,096            |
| Office Expense                                     | 7,487   | 12,405                         | 36,606                    | -                           | 171,117                                  | 96,618              | 150,536             | 474,769              | 884,863             | 1,359,632            |
| Depreciation                                       | 31,230  | 46,845                         | 31,230                    | 592,497                     | 568,023                                  | 62,459              | 156,149             | 1,488,433            | 234,223             | 1,722,656            |
| Closed church property mgmt.                       | -   | -                              | -                         | 1,540,083                   | -  | -                   | -                   | 1,540,083            | -                   | 1,540,083            |
| Interest Expense                                   | -   | -                              | -                         | 138,173                     | 24,620                                   | -                   | 103,077             | 265,870              | -                   | 265,870              |
| Other  | 11,425  | 4,464                          | 782,238                   | 1,693,360                   | 975,228                                  | 162,312             | 413,060             | 4,042,087            | 669,552             | 4,711,639            |
|  | <u>\$ 7,748,519</u>                                 | <u>\$ 14,450,034</u>           | <u>\$ 2,914,479</u>       | <u>\$ 18,871,142</u>        | <u>\$ 4,327,879</u>                      | <u>\$ 3,803,367</u> | <u>\$ 9,458,192</u> | <u>\$ 61,573,612</u> | <u>\$ 4,361,019</u> | <u>\$ 65,934,631</u> |

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**NOTE 4 - CONTRIBUTIONS RECEIVABLE**

The following is the detail of the Conference's contributions receivable balances at December 31:

|                                     | <u>2018</u>       | <u>2017</u>       |
|-------------------------------------|-------------------|-------------------|
| Due in less than one year           | \$ 499,131        | \$ 200,000        |
|                                     | 499,131           | 200,000           |
| Unamortized discount                | <u>-</u>          | <u>(578)</u>      |
| Total contributions receivable, net | <u>\$ 499,131</u> | <u>\$ 199,422</u> |

Contributions receivable were discounted using a risk adjusted rate at the time the pledge was made. No allowance for uncollectible contributions is considered necessary at December 31, 2018.

**NOTE 5 - NOTES AND MORTGAGE NOTES RECEIVABLE**

Notes and mortgage notes receivable consisted of the following as of December 31:

|  | <u>2018</u>         | <u>2017</u>         |
|--|---------------------|---------------------|
| Cabinet development loans and mortgage notes | \$ 3,064,669        | \$ 3,205,893        |
| Conference loans to churches                 | <u>161,433</u>      | <u>163,833</u>      |
| Subtotal                                     | 3,226,102           | 3,369,726           |
| Allowance for loan losses                    | <u>(160,633)</u>    | <u>(163,033)</u>    |
| Loans, net of allowance                      | <u>\$ 3,065,469</u> | <u>\$ 3,206,693</u> |

Cabinet development loans and mortgage notes represent loans advanced to entities who have purchased former United Methodist Church real estate. The loans are collateralized by a first mortgage on the church property and a title policy is required showing the Conference as the first lien holder of the property. There are no nonperforming loans that are specifically identified. The Conference considers all loans performing based on communications and agreements with borrowers. No allowance for uncollectible cabinet development notes and mortgage notes receivable are considered necessary at December 31, 2018.

There are no cabinet development fund loans committed but not disbursed as of December 31, 2018.

Conference loans to churches represent notes with churches to restructure their delinquent Ministry Protection and Health, Benefits and Pension receivables. The notes are unsecured and non-interest bearing.

There are no loans to churches committed, but not disbursed, as of December 31, 2018.

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(Continued)

THE FLORIDA ANNUAL CONFERENCE OF THE UNITED METHODIST CHURCH AND ITS DISTRICTS  
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**NOTE 5 - NOTES AND MORTGAGE NOTES RECEIVABLE (Continued)**

The following table represents the aging of loans by class as of December 31, 2018:

|                           | <u>Principal<br/>Not Past Due</u> | <u>30 - 59 Days<br/>Past Due</u> | <u>60 - 89 Days<br/>Past Due</u> | <u>Greater than<br/>90 Days<br/>Past Due</u> | <u>Total</u>        |
|---------------------------|-----------------------------------|----------------------------------|----------------------------------|--|---------------------|
| Cabinet development loans | \$ 2,969,672                      | \$ -                             | \$ -                             | \$ 94,997                                    | \$ 3,064,669        |
| Loans to churches         | <u>-</u>                          | <u>-</u>                         | <u>-</u>                         | <u>161,433</u>                               | <u>161,433</u>      |
| Total                     | <u>\$ 2,969,672</u>               | <u>\$ -</u>                      | <u>\$ -</u>                      | <u>\$ 256,430</u>                            | <u>\$ 3,226,102</u> |

The following table represents the aging of loans by class as of December 31, 2017:

|                           | <u>Principal<br/>Not Past Due</u> | <u>30 - 59 Days<br/>Past Due</u> | <u>60 - 89 Days<br/>Past Due</u> | <u>Greater than<br/>90 Days<br/>Past Due</u> | <u>Total</u>        |
|---------------------------|-----------------------------------|----------------------------------|----------------------------------|--|---------------------|
| Cabinet development loans | \$ 3,107,139                      | \$ -                             | \$ -                             | \$ 98,754                                    | \$ 3,205,893        |
| Loans to churches         | <u>-</u>                          | <u>-</u>                         | <u>-</u>                         | <u>163,833</u>                               | <u>163,833</u>      |
| Total                     | <u>\$ 3,107,139</u>               | <u>\$ -</u>                      | <u>\$ -</u>                      | <u>\$ 262,587</u>                            | <u>\$ 3,369,726</u> |

Notes and mortgage notes receivable are allocated by the Conference's internal risk ratings as follows as of December 31, 2018:

|               | <u>Cabinet<br/>Development</u> | <u>Loans<br/>to Churches</u> | <u>Total</u>        |
|---------------|--------------------------------|------------------------------|---------------------|
| Performing    | \$ 3,064,669                   | \$ -                         | \$ 3,064,669        |
| Nonperforming | <u>-</u>                       | <u>161,433</u>               | <u>161,433</u>      |
| Total         | <u>\$ 3,064,669</u>            | <u>\$ 161,433</u>            | <u>\$ 3,226,102</u> |

Notes and mortgage notes receivable are allocated by the Conference's internal risk ratings as follows as of December 31, 2017:

|               | <u>Cabinet<br/>Development</u> | <u>Loans<br/>to Churches</u> | <u>Total</u>        |
|---------------|--------------------------------|------------------------------|---------------------|
| Performing    | \$ 3,205,893                   | \$ -                         | \$ 3,205,893        |
| Nonperforming | <u>-</u>                       | <u>163,833</u>               | <u>163,833</u>      |
| Total         | <u>\$ 3,205,893</u>            | <u>\$ 163,833</u>            | <u>\$ 3,369,726</u> |

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(Continued)

THE FLORIDA ANNUAL CONFERENCE OF THE UNITED METHODIST CHURCH AND ITS DISTRICTS  
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**NOTE 6 - INVESTMENTS HELD WITH AFFILIATED ORGANIZATIONS**

The Conference's investments held with the Foundation are carried at fair value and consisted of the following at December 31:

|  | <u>2018</u>          | <u>2017</u>          |
|--|----------------------|----------------------|
| Investments in Foundation participation accounts | \$ 11,531,477        | \$ 12,551,521        |
| Other investments offered through the Foundation | <u>845,529</u>       | <u>904,119</u>       |
|  | <u>\$ 12,377,006</u> | <u>\$ 13,455,640</u> |

A summary of return on investments held with the Foundation consisted of the following for the year ended December 31:

|                            | <u>2018</u>       | <u>2017</u>       |
|----------------------------|-------------------|-------------------|
| Interest earnings          | \$ 306,645        | \$ 253,231        |
| Net realized gain          | 5,220             | 44,324            |
| Net unrealized (loss) gain | (89,231)          | 120,290           |
| Fees                       | <u>(1,805)</u>    | <u>(5,395)</u>    |
|                            | <u>\$ 220,829</u> | <u>\$ 412,450</u> |

The Conference investments held with the General Board of Pensions are carried at quoted market prices and consist of the following at December 31:

|  | <u>2018</u>       | <u>2017</u>       |
|--|-------------------|-------------------|
| Investments in stocks and mutual funds | <u>\$ 579,406</u> | <u>\$ 516,308</u> |

A summary of return on investments with the General Board of Pensions consist of the following for the year ended December 31:

|                            | <u>2018</u>         | <u>2017</u>      |
|----------------------------|---------------------|------------------|
| Net realized (loss) gain   | \$ (88,852)         | \$ 39,297        |
| Net unrealized (loss) gain | <u>(31,007)</u>     | <u>48,528</u>    |
|                            | <u>\$ (119,859)</u> | <u>\$ 87,825</u> |

The various investments in stocks, securities, mutual funds and other investments are exposed to a variety of uncertainties, including interest rate, market and credit risks. Due to the level of risk associated with certain investments, it is possible that changes in the values of these investments could occur in the near term. Such changes could materially affect the amounts reported in the combined financial statements of the Conference.

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(Continued)

THE FLORIDA ANNUAL CONFERENCE OF THE UNITED METHODIST CHURCH AND ITS DISTRICTS  
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**NOTE 7 - INVESTMENTS - HELD WITH THIRD PARTY BROKERS AND CERTIFICATES OF DEPOSIT**

Included in the investments - held with third party brokers are stocks and mutual funds held by brokerage firms and managed by the Board of Trustees' Investment Committee. Investments are carried at quoted market prices and consist of the following at December 31:

|  | <u>2018</u>          | <u>2017</u>          |
|--|----------------------|----------------------|
| Stocks and mutual funds                            |                      |                      |
| Current Funds                                      | \$ 3,596,805         | \$ 3,990,760         |
| Church Loan Funds                                  | 14,106,870           | 16,165,184           |
| Cabinet Development Funds                          | 17,903,842           | 13,041,551           |
| Preachers Relief Funds                             | 1,539,916            | 1,485,226            |
| Camp Funds   | 699,114              | 767,146              |
| Conference Board of<br>Pension and Health Benefits | 43,287,836           | 48,374,099           |
| Ministry Protection                                | <u>14,235,734</u>    | <u>13,688,974</u>    |
|  | <u>\$ 95,370,117</u> | <u>\$ 97,512,940</u> |

Certificates of deposit consisted of the following at December 31:

|                         | <u>2018</u>       | <u>2017</u>       |
|-------------------------|-------------------|-------------------|
| Certificates of Deposit |                   |                   |
| Ministry Protection     | <u>\$ 206,255</u> | <u>\$ 105,262</u> |

A summary of (loss) return on investments held with third party brokers consists of the following for the year ended December 31:

|                            | <u>2018</u>           | <u>2017</u>          |
|----------------------------|-----------------------|----------------------|
| Interest earnings          | \$ 2,460,903          | \$ 1,963,295         |
| Net realized gain          | 2,608,145             | 2,836,736            |
| Net unrealized (loss) gain | (13,958,057)          | 9,926,457            |
| Fees                       | <u>(462,953)</u>      | <u>(403,876)</u>     |
|                            | <u>\$ (9,351,962)</u> | <u>\$ 14,322,612</u> |

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#### **NOTE 8 - FAIR VALUE OF FINANCIAL INSTRUMENTS**

Fair value is defined as the price that would be received for an asset or paid to transfer a liability (an exit price) in the Conference's principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date.

GAAP establishes a fair value hierarchy which requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. GAAP describes three levels of inputs that may be used to measure fair value:

Level 1: Quoted prices (unadjusted) for identical assets or liabilities in active markets that the entity has the ability to access as of the measurement date.

Level 2: Significant other observable inputs other than Level 1 prices such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data.

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

In many cases, a valuation technique used to measure fair value includes inputs from multiple levels of the fair value hierarchy. The lowest level of significant input determines the placement of the entire fair value measurement in the hierarchy.

Investments held with the Foundation and the General Board of Pensions are reported at fair value. The underlying assets of the investments held with the Foundation and the General Board of Pensions may include money market funds, securities and bonds.

The Conference invests in the Foundation Development Funds a common fund that makes low-interest construction and mortgage loans to churches. According to Foundation policy, up to 90 percent of the total Fund can be invested in church mortgages. A reserve fund consisting of \$1.5 million plus approximately ten percent of the Fund is held in the form of cash and cash equivalents in order to provide a level of liquidity to participation account investors. The Foundation invests these funds in such instruments as government-backed money market funds, government securities, federally insured bank certificates of deposit or bank deposits. Withdrawals from the Development Fund are allowed with prior written notice.

The Conference invests in the Multiple Asset Fund with the General Board of Pensions. This fund is invested in a variety of U.S. and non-U.S. securities. These include stocks, traditional bonds, inflation-linked bonds, real estate investment trusts, securities, commodities, and interests in private equity and private real estate partnerships. There are no restrictions on these funds and they are available for immediate withdrawal with a written request.

Management has considered redemption restrictions to assess classification of fair value inputs. As a result, Balanced, Stock and Development Fund assets with redemption periods of 90 days or less are considered Level 2 fair value measurements. Balanced and Development Fund assets with redemption periods of greater than 90 days are considered a Level 3 fair value measurement.

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(Continued)

THE FLORIDA ANNUAL CONFERENCE OF THE UNITED METHODIST CHURCH AND ITS DISTRICTS  
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**NOTE 8 - FAIR VALUE OF FINANCIAL INSTRUMENTS** (Continued)

Investments held in certificates of deposit are reported at fair value. Investments held with third party brokers include money market funds, certificates of deposit, U.S. Government and U.S. Government agency obligations, corporate bonds, mortgage backed securities, exchange traded funds, mutual funds, and equity securities. Exchange traded funds, mutual funds, and equity securities are readily marketable and values are determined by obtaining quoted prices on nationally recognized securities exchanges (Level 1 inputs). Certificates of deposits are estimated to approximate deposit account balances, at market rates for similar deposits having similar maturity dates with no discounts for credit quality or liquidity where determined to be applicable. As such, these certificates of deposit are classified within Level 2. U.S. Government or agency obligations and corporate bonds are valued by obtaining sales prices on nationally recognized security exchanges (Level 1 inputs). Mortgage backed securities are valued using quoted market prices of similar securities with similar due dates or matrix pricing, which is a mathematical technique widely used in the industry to value debt securities without relying exclusively on quoted prices for the specific securities but rather by relying on the securities' relationship to other benchmark quoted securities (Level 2 inputs).

The fair value of beneficial interest in trusts held with others is based on a valuation model that calculates the present value of estimated distributable income. The valuation model incorporates assumptions that market participants would use in estimating future distributable income. The Conference values its beneficial interest at the discounted present value of estimated future distributions it expects to receive (Level 3 inputs).

Assets measured at fair value on a recurring basis at December 31, 2018 were as follows:

|  | 2018  |   |  |
|--|---|---|--|
|  | Quoted active<br>markets<br>identified<br>assets<br>(Level One) | Significant<br>other<br>observable<br>inputs<br>(Level Two) | Significant<br>unobservable<br>inputs<br>(Level Three) |
| Investments                                  |   |   |  |
| Money market                                 | \$ 2,139,064  | \$ -  | \$ -   |
| Certificates of deposit and money market     | -   | 206,255   | -  |
| Domestic equity mutual funds                 | 41,655,931  | -   | -  |
| International equity mutual funds            | 6,883,753   | -   | -  |
| Domestic marketable equity securities        | 31,772,046  | -   | -  |
| International marketable equity securities   | 12,513,323  | -   | -  |
| Real estate investment trusts                | 405,999   | -   | -  |
| Held with Foundation                         | -   | 12,377,006  | -  |
| Held with General Board of Pensions          | -   | 579,406   | -  |
| Assets held for sale (Note 9)                | -   | -   | 7,775,500  |
| Beneficial interest in trusts held by others | -   | -   | 1,950,427  |
|  | <u>\$ 95,370,116</u>  | <u>\$ 13,162,667</u>  | <u>\$ 9,725,927</u>                                    |

(Continued)

THE FLORIDA ANNUAL CONFERENCE OF THE UNITED METHODIST CHURCH AND ITS DISTRICTS  
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**NOTE 8 - FAIR VALUE OF FINANCIAL INSTRUMENTS** (Continued)

Assets measured at fair value on a recurring basis at December 31, 2017 were as follows:

|  | 2017  |   |  |
|--|---|---|--|
|  | Quoted active<br>markets<br>identified<br>assets<br>(Level One) | Significant<br>other<br>observable<br>inputs<br>(Level Two) | Significant<br>unobservable<br>inputs<br>(Level Three) |
| Investments                                  |   |   |  |
| Money market                                 | \$ 2,662,742  | \$ -  | \$ -   |
| Certificates of deposit and money market     | -   | 105,262   | -  |
| Domestic equity mutual funds                 | 38,790,598  | 1,756,152   | -  |
| International equity mutual funds            | 7,345,328   | -   | -  |
| Exchanged traded funds                       | 1,444,316   | -   | -  |
| Domestic marketable equity securities        | 33,979,983  | -   | -  |
| International marketable equity securities   | 10,704,245  | -   | -  |
| Real estate investment trusts                | 338,675   | -   | -  |
| Liquid limited partnerships & LLC            | 490,901   | -   | -  |
| Held with Foundation                         | -   | 13,455,640  | -  |
| Held with General Board of Pensions          | -   | 516,308   | -  |
| Assets held for sale (Note 9)                | -   | -   | 22,105,800   |
| Beneficial interest in trusts held by others | -   | -   | 2,098,806  |
|  | <u>\$ 95,756,788</u>  | <u>\$ 15,833,362</u>  | <u>\$ 24,204,606</u>                                   |

The table below presents a reconciliation and income statement classification of gains and losses for all assets measured at fair value on a recurring basis using significant unobservable inputs (Level 3) for the year ended December 31,:

| <u>Beneficial Interest in Trusts Held with Others</u>                  | <u>2018</u>         | <u>2017</u>         |
|--|---------------------|---------------------|
| Balance at beginning of year   | \$ 2,098,806        | \$ 1,918,987        |
| Change in valuation of beneficial interest<br>in trusts held by others | <u>(148,379)</u>    | <u>179,819</u>      |
| Balance at end of year   | <u>\$ 1,950,427</u> | <u>\$ 2,098,806</u> |

(Continued)

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**NOTE 8 - FAIR VALUE OF FINANCIAL INSTRUMENTS (Continued)**

The carrying value of the Conference's financial instruments not re-measured at fair value on a recurring basis approximates their fair value at December 31, 2018 and 2017. Such financial instruments include:

|   | <u>2018</u>  | <u>2017</u>  |
|---|--------------|--------------|
| Financial assets                          |              |              |
| Net accounts and contributions receivable | \$ 3,971,619 | \$ 3,154,579 |
| Net grants receivable                     | 3,908,235    | -            |
| Net notes and mortgages notes receivable  | 3,065,469    | 3,206,693    |
| Financial liabilities                     |              |              |
| Notes payable                             | 5,684,685    | 5,435,074    |
| Line of credit                            | 928,029      | 2,323,796    |

**NOTE 9 - BENEFICIAL INTEREST IN PERPETUAL TRUSTS HELD WITH OTHERS**

The Conference is the beneficiary under various perpetual trusts administered by the Florida United Methodist Foundation. Under the terms of the trusts, the Conference has the irrevocable right to receive income earned on the trusts' assets in perpetuity, but will never receive the assets held in the trust. The underlying assets of the trusts are securities that are actively traded in the market. The Conference's interest in the trusts was valued at \$1,722,378 and \$1,868,568 for the years ended December 31, 2018 and 2017, respectively. The beneficial interests were valued using a 6% discount rate at December 31, 2018 and 2017.

The Conference is also the beneficiary of two Charitable Remainder trusts administered by Synovus Trust Company, N.A. Under the terms of the trusts, the Conference has the irrevocable right to receive fifty percent of the trust assets upon the death of the life beneficiaries as outlined in the trust documents. The underlying assets of the trusts are securities that are actively traded in the market. The Conference's interest in the trusts was valued at \$228,049 and \$230,238 for the years ended December 31, 2018 and 2017, respectively. The beneficial interest was valued using a 6% discount rate at December 31, 2018 and 2017.

**NOTE 10 - ENDOWMENT COMPOSITION**

Net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

Endowment funds by category as of December 31, 2018 consisted of the following:

|                        | Net Assets<br>Without Donor<br><u>Restrictions</u> | Net Assets<br>With Donor<br><u>Restrictions</u> | <u>Total</u>        |
|------------------------|--|---|---------------------|
| Donor restricted funds | <u>\$ -</u>  | <u>\$ 4,498,962</u>                             | <u>\$ 4,498,962</u> |

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(Continued)



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**NOTE 10 - ENDOWMENT COMPOSITION** (Continued)

Endowment funds by category as of December 31, 2017 consisted of the following:

|                        | Net Assets<br>Without Donor<br><u>Restrictions</u> | Net Assets<br>With Donor<br><u>Restrictions</u> | <u>Total</u> |
|------------------------|--|---|--------------|
| Donor restricted funds | \$ -   | \$ 4,992,219                                    | \$ 4,992,219 |

Changes in endowment net assets for the year ended December 31, 2018 consist of the following:

|                               | Net Assets<br>Without Donor<br><u>Restrictions</u> | Net Assets<br>With Donor<br><u>Restrictions</u> | <u>Total</u>        |
|-------------------------------|--|---|---------------------|
| Net assets, beginning of year | \$ -   | \$ 4,992,219                                    | \$ 4,992,219        |
| Investment return:            |  |   |                     |
| Interest income               | -  | 118,259   | 118,259             |
| Unrealized losses             | -  | (536,865)                                       | (536,865)           |
| Realized gains                | -  | 61,628  | 61,628              |
| New gifts                     | -  | 238,740   | 238,740             |
| Appropriation of assets       | -  | (375,019)                                       | (375,019)           |
| Net assets end of year        | <u>\$ -</u>  | <u>\$ 4,498,962</u>                             | <u>\$ 4,498,962</u> |

Changes in endowment net assets for the year ended December 31, 2017 consist of the following:

|                               | Net Assets<br>Without Donor<br><u>Restrictions</u> | Net Assets<br>With Donor<br><u>Restrictions</u> | <u>Total</u>        |
|-------------------------------|--|---|---------------------|
| Net assets, beginning of year | \$ -   | \$ 3,885,214                                    | \$ 3,885,214        |
| Investment return:            |  |   |                     |
| Interest income               | -  | 93,139  | 93,139              |
| Unrealized gains (losses)     | -  | 448,890   | 448,890             |
| Realized gains (losses)       | -  | 57,839  | 57,839              |
| New gifts                     | -  | 859,175   | 859,175             |
| Appropriation of assets       | -  | (352,038)                                       | (352,038)           |
| Net assets end of year        | <u>\$ -</u>  | <u>\$ 4,992,219</u>                             | <u>\$ 4,992,219</u> |

Interpretation of UPMIFA: The State of Florida has enacted the Uniform Prudent Management of Institutional Funds Act (UPMIFA) effective July 1, 2012. The Board of Trustees requires the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary which is a valid interpretation of UPMIFA.

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(Continued)

**NOTE 10 - ENDOWMENT COMPOSITION** (Continued)

As a result of this interpretation, the Conference classifies as net assets with donor restrictions (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.

The Conference considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- 1) The duration and preservation of the fund
- 2) The purposes of the organization and the donor-restricted endowment fund
- 3) General economic conditions
- 4) The possible effect of inflation and deflation
- 5) The expected total return from income and the appreciation of investments
- 6) Other resources of the organization
- 7) The investment policies of the organization.

Return Objectives and Risk Parameters: The Conference has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets. Endowment assets include those assets of donor-restricted funds that the Conference must hold in perpetuity or for donor-specified period(s). Under this policy, as approved by the Board of Trustees, the endowment assets are invested in a manner that is intended to produce results that exceed the price and yield results based on blended indices while assuming a moderate level of investment risk.

Strategies Employed for Achieving Objectives: The purpose of the Endowment Fund is to facilitate donors' desires to make substantial long-term gifts to the Conference and to develop a new and significant source of revenue for the Conference. In so doing, the Endowment Fund will provide a secure, long-term source of funds to: (i) fund special grants; (ii) ensure long-term growth; and (iii) enhance the Conference's ability to meet changing Conference needs in both the short and long-term.

Spending Policy and How the Investment Objectives Relate to Spending Policy: The Conference spends funds generated by donor restricted endowments in accordance with the restrictions placed upon them by the original donors. Each endowed fund is overseen by an Annual Conference committee that approves any distribution of income generated by the fund and which ensures that the balance of the endowed fund does not decrease below the originally endowed amount.

Funds with Deficiencies: From time to time, the fair value of assets associated with individual donor restricted endowment funds may fall below the level that the donor or Conference policies requires to retain as a fund of perpetual duration. Deficiencies of this nature in excess of related temporarily restricted amounts are reported in net assets without donor restrictions.

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(Continued)

THE FLORIDA ANNUAL CONFERENCE OF THE UNITED METHODIST CHURCH AND ITS DISTRICTS  
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**NOTE 11 - PROPERTY AND EQUIPMENT**

Property and equipment, at cost, consist of the following at December 31:

|   | <u>2018</u>        | <u>2017</u>        |
|---|--------------------|--------------------|
| Current funds   |                    |                    |
| Land  | \$ 2,295,922       | \$ 1,321,900       |
| Buildings   | 11,595,412         | 11,877,536         |
| Furniture, fixtures and equipment                     | <u>1,584,703</u>   | <u>1,702,302</u>   |
|   | 15,476,037         | 14,901,738         |
| Less accumulated depreciation                         | <u>(4,845,259)</u> | <u>(4,594,670)</u> |
| Total current funds                                   | <u>10,630,778</u>  | <u>10,307,068</u>  |
| Cabinet development funds                             |                    |                    |
| Land  | 15,397,887         | 14,203,960         |
| Buildings   | <u>25,797,708</u>  | <u>15,665,118</u>  |
|   | 41,195,595         | 29,869,078         |
| Less accumulated depreciation                         | <u>(1,572,474)</u> | <u>(997,355)</u>   |
|   | 39,623,121         | 28,871,723         |
| Assets held for sale, net                             | <u>7,775,500</u>   | <u>22,105,800</u>  |
| Total cabinet development funds                       | <u>47,398,621</u>  | <u>50,977,523</u>  |
| Preachers' relief funds (retired minister residences) |                    |                    |
| Buildings   | <u>-</u>           | <u>13,878</u>      |
|   | -                  | 13,878             |
| Less accumulated depreciation                         | <u>-</u>           | <u>(13,716)</u>    |
| Total preachers' relief funds                         | <u>-</u>           | <u>162</u>         |

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(Continued)

THE FLORIDA ANNUAL CONFERENCE OF THE UNITED METHODIST CHURCH AND ITS DISTRICTS  
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 December 31, 2018 and 2017

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**NOTE 11 - PROPERTY AND EQUIPMENT (Continued)**

|                                   |                      |                      |
|-----------------------------------|----------------------|----------------------|
| Camp funds                        |                      |                      |
| Land                              | \$ 2,059,254         | \$ 1,990,028         |
| Buildings                         | 15,104,250           | 15,030,139           |
| Construction in process           | 5,893                | 23,008               |
| Furniture, fixtures and equipment | <u>3,267,172</u>     | <u>3,152,916</u>     |
|                                   | 20,436,569           | 20,196,091           |
| Less accumulated depreciation     | <u>(10,891,348)</u>  | <u>(10,323,326)</u>  |
| Total camp funds                  | <u>9,545,221</u>     | <u>9,872,765</u>     |
|                                   |                      |                      |
| District Work Funds               |                      |                      |
| Land                              | 756,134              | 724,134              |
| Buildings                         | 3,609,016            | 3,545,334            |
| Construction in process           | 6,534                | -                    |
| Furniture, fixtures and equipment | <u>79,305</u>        | <u>72,083</u>        |
|                                   | 4,450,989            | 4,341,551            |
| Less accumulated depreciation     | <u>(1,269,129)</u>   | <u>(1,258,923)</u>   |
| Total district work funds         | <u>3,181,860</u>     | <u>3,082,628</u>     |
|                                   | <u>\$ 70,756,480</u> | <u>\$ 74,240,146</u> |

Depreciation expense was \$1,727,655 and \$2,376,790 for the years ended December 31, 2018 and 2017, respectively.

**NOTE 12 - MINISTRY PROTECTION**

The Conference has had a self-funded ministry protection program for workers' compensation since 1985. For workers' compensation claims, churches pay no deductible. For the year ended December 31, 2018, claim costs in excess of \$500,000 for any one claim are covered by excess insurance. The Conference requires funding of workers' compensation insurance based on a predetermined rate multiplied by each entity's prior year payroll cost.

In December 1996, the Conference expanded its self-funded ministry protection program to include property and liability insurance. For property claims, churches are required to pay a deductible (as defined) depending on the type of claim reported. If claim costs exceed the church deductible, additional claim costs are paid from the Loss Fund until the self-insured limit is reached. The self-insured retention limits range between \$50,000 and \$1,000,000 depending on the type of claim reported. Claim costs above that limit are paid by excess insurance. The Conference obtains excess insurance coverage through re-insurance agreements arranged with traditional insurance carriers. Conference entities fund the property and liability program by paying premiums based on a number of variables including property values, square footage, and the number of insured vehicles. Properties are insured on a replacement value basis, based upon independent appraisals of properties and reported values.

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(Continued)

THE FLORIDA ANNUAL CONFERENCE OF THE UNITED METHODIST CHURCH AND ITS DISTRICTS  
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 December 31, 2018 and 2017

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**NOTE 12 - MINISTRY PROTECTION** (Continued)

For the years ended December 31, 2018 and 2017, ministry protection had the following activity:

|  | <u>2018</u>             | <u>2017</u>           |
|--|-------------------------|-----------------------|
| Revenue  |                         |                       |
| Workers' compensation premiums                                   | \$ 1,390,463            | \$ 1,536,819          |
| Property and liability premiums                                  | 10,987,434              | 10,540,352            |
| Investment (loss) income   | (1,464,237)             | 2,038,391             |
| Insurance recovery   | <u>2,657,097</u>        | <u>1,386,140</u>      |
|  | <u>13,570,757</u>       | <u>15,501,702</u>     |
| Expenses   |                         |                       |
| Premium payments   | 6,932,509               | 6,229,233             |
| Claim payments and<br>claim administrative fee                   | 6,780,915               | 7,768,042             |
| Administrative costs   | 537,222                 | 514,789               |
| Bad debt expense   | <u>152,543</u>          | <u>136,174</u>        |
|  | <u>14,403,189</u>       | <u>14,648,238</u>     |
| <br>(Decrease) increase in net assets available for loss reserve | <br><u>\$ (832,432)</u> | <br><u>\$ 853,464</u> |

Based upon an annual independent actuarial report which considers the program's loss history and the change in self-insured retention limits, changes to insurance loss reserves have been recorded for the years ended December 31, 2018 and 2017, to provide for projected actuarial claims which fall within the self-insured retention limits. At December 31, 2018 and 2017, the Conference has accrued liabilities for workers' compensation and property and liability loss reserves of \$7,770,841 and \$8,954,956, respectively. In addition to the accrued liability for loss reserves, the Conference has Board designated net assets in the amounts of \$8,063,457 and \$8,895,889 at December 31, 2018 and 2017, respectively, for their ministry protection program.

The Conference has a \$100,000 letter of credit for the ministry protection program for workers' compensation. The letter of credit is required by and lists the Florida Self-Insurers Guaranty Association, Inc. as the beneficiary.

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(Continued)

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**NOTE 13 - NOTES PAYABLE**

Notes payable consisted of the following at December 31, 2018:

|                                      | <u>Outstanding<br/>Balance</u> | <u>Monthly<br/>Payment</u> | <u>Interest<br/>Rate</u> | <u>Maturity<br/>Date</u> | <u>Security</u> |
|--------------------------------------|--------------------------------|----------------------------|--------------------------|--------------------------|-----------------|
| Campus ministry parsonages           | \$ 214,528                     | \$ 3,640                   | 4.00%                    | 8/1/2035                 | Investments     |
| Campus ministry deferred maintenance | 500,022                        | 3,270                      | 4.00%                    | 1/1/2036                 | Investments     |
| Traditions land                      | 1,514,113                      | Int only                   | 4.00%                    | 1/1/2019                 | Property        |
| Villages land                        | 1,301,770                      | Int only                   | 4.00%                    | 7/1/2022                 | Property        |
| Hickory Tree Land                    | 978,812                        | Int only                   | 4.00%                    | 10/1/1938                | Property        |
| Nuevo Pacto church                   | 338,698                        | 3,083                      | 4.00%                    | 2/1/2031                 | Property        |
| Florida Gulf Coast parsonage         | 292,003                        | 1,864                      | 4.00%                    | 7/1/2036                 | Property        |
| Life Enrichment Center house         | 192,853                        | 3,185                      | 4.00%                    | 12/1/2028                | Property        |
| Warren Willis Camp houses            | <u>351,886</u>                 | 5,068                      | 4.00%                    | 4/1/2029                 | Property        |
|                                      | <u>\$ 5,684,685</u>            |                            |                          |                          |                 |

Notes payable consisted of the following at December 31, 2017:

|                                      | <u>Outstanding<br/>Balance</u> | <u>Monthly<br/>Payment</u> | <u>Interest<br/>Rate</u> | <u>Maturity<br/>Date</u> | <u>Security</u> |
|--------------------------------------|--------------------------------|----------------------------|--------------------------|--------------------------|-----------------|
| Campus ministry parsonages           | \$ 570,304                     | \$ 3,640                   | 3.50%                    | 8/1/2035                 | Investments     |
| Campus ministry deferred maintenance | 519,397                        | 3,270                      | 3.50%                    | 1/1/2036                 | Investments     |
| Traditions land                      | 1,573,461                      | Int only                   | 3.50%                    | 1/1/2019                 | Property        |
| Villages land                        | 1,369,299                      | Int only                   | 3.50%                    | 7/1/2022                 | Property        |
| Christ mission land                  | 113,102                        | 2,494                      | 3.50%                    | 5/1/2027                 | Property        |
| Nuevo Pacto church                   | 363,768                        | 3,083                      | 3.50%                    | 2/1/2031                 | Property        |
| Florida Gulf Coast parsonage         | 302,782                        | 1,864                      | 3.50%                    | 7/1/2036                 | Property        |
| Life Enrichment Center house         | 222,950                        | 3,185                      | 3.50%                    | 12/1/2028                | Property        |
| Warren Willis Camp houses            | <u>400,011</u>                 | 5,068                      | 3.50%                    | 4/1/2029                 | Property        |
|                                      | <u>\$ 5,435,074</u>            |                            |                          |                          |                 |

The debt principal payments are as follows for the year ending December 31, 2018:

|            |                     |
|------------|---------------------|
| 2019       | \$ 1,692,115        |
| 2020       | 183,305             |
| 2020       | 188,792             |
| 2021       | 194,471             |
| 2022       | 1,502,119           |
| Thereafter | <u>1,923,883</u>    |
|            | <u>\$ 5,684,685</u> |

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(Continued)

#### **NOTE 14 - LINES OF CREDIT**

On July 31, 2015, the Conference entered into a \$2,750,000 loan agreement with the Foundation to fund the construction of a new Wesley Center on the campus of Florida State University. Monthly payments consist of interest only on the current draw amount. The principal balance will be due in full on August 1, 2019. Currently, interest accrues at an annual rate of 4.0%. This loan is secured by Conference funds held in the Foundation's Development Fund. The amount drawn on this loan as of December 31, 2018 and 2017 was \$928,029 and \$2,323,796, respectively.

#### **NOTE 15 - PENSIONS AND OTHER POST RETIREMENT BENEFITS**

Clergy Retirement Security Program: The Conference participates in the Clergy Retirement Security Program (CRSP), which is administered by the General Board of Pensions and Health Benefits ("General Board"). CRSP is a retirement program providing lifetime income for substantially all clergy and lay pastors. The CRSP has two components. First, there is a defined benefit component that requires contributions to be made by the Conference based on either denominational average compensation or actual compensation. Second, there is a defined contribution component that requires contributions to be made by the Conference based on at least 3% of eligible compensation for eligible participants. The CRSP is a program for clergy and is a result of an amendment and restatement of the Ministerial Pension Plan (MPP). As of December 31, 2018, the CRSP program consists of three different time periods based on periods of service:

- CRSP (a multiemployer program) for service beginning January 1, 2007
- MPP (a multiemployer program) for service from January 1, 1982 to December 31, 2006
- Supplement One to the Clergy Retirement Security Program for service prior to 1982 (Pre-82 Plan)

The Conference made contributions to the CRSP program of \$4,285,756 and \$4,351,712 for the years ended December 31, 2018 and 2017, respectively.

The CRSP Plan is common control church defined benefit pension plan. The assets that have been contributed to the CRSP Plan by the Florida Conference could be used to provide benefits to clergy members of other Annual Conferences if another Annual Conference was unable to fund their portion of the pension liability.

**NOTE 15 - PENSIONS AND OTHER POST RETIREMENT BENEFITS (Continued)**

The Conference made a \$2,500,560 contribution to the Pre-82 Plan in the year ending December 31, 2018 and a \$96,437 contribution in the year ending December 31, 2017. Based on the 2018 actuarial report received from the General Board, the Conference assets in the Pre-82 Plan currently are \$2,929,046 less than its anticipated liability. The General Board has informed the Conference that the Conference will need to make a contribution to the Pre-82 Plan in the amount of \$594,111 in 2019.

Comprehensive Protection Plan: The Conference also participates in the Comprehensive Protection Plan (CPP) which is administered by the General Board and provides disability and death benefits for clergy members. The cost of CPP is collected from the local churches and remitted to the General Board. The Conference forwarded \$1,121,819 for the year ended December 31, 2017 to the General Board in CPP premiums. The General Board informed the Conference that due to the overfunded status of the CPP liability, the Conference will not need to make CPP premium payments in 2018 and 2019.

United Methodist Personal Investment Plan (UMPIP): The Conference contributes 12% of an eligible employee's compensation to a personal UMPIP account each month. Employees are also able to make personal contributions to their UMPIP account each pay period. All funds contributed are placed in a tax-sheltered annuity (403b) plan administered by the General Board of Pension and Health Benefits. For the year ending December 31, 2018 and 2017, the Conference contributed \$589,169 and \$429,442 respectively, to the UMPIP.

Other Post Employment Benefit (OPEB): The Conference provides, at its discretion, certain health care benefits for retired clergy and spouses through participation in a funded insurance program administered by the Conference. This benefit is funded through contributions made by the Conference from investments set aside by the Conference and held at the Florida United Methodist Foundation.

The Conference recognizes the overfunded or underfunded status of a defined benefit postretirement plan as an asset or liability in its statement of financial position and to recognize changes in the funded status in the change in net assets in the year in which the changes occur. Defined benefit plan assets and obligations are to be measured as of the date of the employer's fiscal year-end.

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**NOTE 15 - PENSIONS AND OTHER POST RETIREMENT BENEFITS (Continued)**

The following table sets forth the Conference's accumulated other postretirement benefit obligation and the funded status of the obligation as set forth in the Conference's statements of combined financial position at December 31:

|  | <u>2018</u>            | <u>2017</u>          |
|--|------------------------|----------------------|
| Changes in benefit obligation                                      |                        |                      |
| Benefit obligation at beginning of year                            | \$ 49,630,018          | \$ 46,195,922        |
| Service cost   | 358,576                | 367,832              |
| Interest cost  | 1,806,748              | 1,961,571            |
| Actuarial (gain) loss  | (19,337,230)           | 3,230,198            |
| Net cash flows   | <u>(2,089,762)</u>     | <u>(2,125,505)</u>   |
| Benefit obligation at end of year                                  | <u>30,368,350</u>      | <u>49,630,018</u>    |
| Amount recorded in statements of financial position OPEB liability | <u>\$ 30,368,350</u>   | <u>\$ 49,630,018</u> |
| Amounts recorded in statements of activities                       |                        |                      |
| Conference service and administration expenses                     | \$ (2,173,971)         | \$ (510,897)         |
| Other postretirement changes other than net periodic cost          | <u>(17,087,697)</u>    | <u>3,944,993</u>     |
| Net change in OPEB liability                                       | <u>\$ (19,261,668)</u> | <u>\$ 3,434,096</u>  |

Current period costs including expenditures and net cash flows totaling (\$84,209) and \$1,614,608 is included in program expenses for the years ended December 31, 2018 and 2017, respectively. Conference contributions and benefits paid were \$1,742,101 and \$1,841,122 for the years ended December 31, 2018 and 2017, respectively.

|   | <u>2018</u>          | <u>2017</u>     |
|---|----------------------|-----------------|
| Items that have not yet been classified as periodic benefit costs |                      |                 |
| Unrecognized prior service cost                                   | \$ (10,520,987)      | \$ (13,499,997) |
| Unrecognized net (gain) loss                                      | (8,056,959)          | 12,009,748      |
| Estimated net future benefit payments                             |                      |                 |
| 2019  | \$ 1,607,108         |                 |
| 2020  | 1,690,134            |                 |
| 2021  | 1,768,531            |                 |
| 2022  | 1,840,103            |                 |
| 2023  | 1,907,184            |                 |
| Years 2024-2028   | <u>10,126,016</u>    |                 |
|   | <u>\$ 18,939,076</u> |                 |

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(Continued)

THE FLORIDA ANNUAL CONFERENCE OF THE UNITED METHODIST CHURCH AND ITS DISTRICTS  
 NOTES TO COMBINED FINANCIAL STATEMENTS  
 December 31, 2018 and 2017

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**NOTE 15 - PENSIONS AND OTHER POST RETIREMENT BENEFITS (Continued)**

Assumptions used:

|   | <u>2018</u> | <u>2017</u> |
|---|-------------|-------------|
| Discount rate   | 4.42%       | 3.73%       |
| Coverage rate   | 100.00%     | 100.00%     |
| Health care cost trend rate                             | 7.00%       | 7.50%       |
| Rate to which the cost trend rate is assumed to decline | 4.50%       | 4.50%       |
| Year that the rate reaches the ultimate trend rate      | 2028        | 2025        |

This table illustrates the sensitivity of the postretirement liability to a change in the medical trend assumptions.

|   | <u>1% Point<br/>Increase</u> | <u>1% Point<br/>Decrease</u> |
|---|------------------------------|------------------------------|
| Effect on total of service and interest cost components | \$ 77,932                    | \$ (67,820)                  |
| Effect on postretirement benefit obligation             | 1,758,106                    | (1,530,420)                  |

**NOTE 16 – CABINET DEVELOPMENT FUND**

The Cabinet Development Fund (CDF) was created by action of the 2015 Florida Annual Conference. The CDF was initially funded by the consolidation of the nine district new church development reserve accounts and in the future by 75% of the net proceeds of closed church property sales. The CDF exists to provide partial funding for new church starts, church revitalizations, other miscellaneous needs, or operational emergencies. Closed church properties are booked at their fair value at the date of the church closure.

The CDF consists of the following assets and liabilities as of December 31:

|   | <u>2018</u>          | <u>2017</u>          |
|---|----------------------|----------------------|
| Mortgage notes receivable               | \$ 3,064,669         | \$ 3,205,893         |
| Investments held at the Foundation      | 3,703,566            | 3,202,646            |
| Investments held by third party brokers | 17,903,842           | 13,041,551           |
| Closed church properties                | 47,398,621           | 50,977,523           |
| Mortgage notes payable                  | (4,133,393)          | (3,419,630)          |
| Other accrued expenses                  | <u>(2,339,104)</u>   | <u>(1,783,351)</u>   |
|   | <u>\$ 65,598,201</u> | <u>\$ 65,224,632</u> |

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(Continued)

THE FLORIDA ANNUAL CONFERENCE OF THE UNITED METHODIST CHURCH AND ITS DISTRICTS  
 NOTES TO COMBINED FINANCIAL STATEMENTS  
 December 31, 2018 and 2017

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**NOTE 17 – NET ASSETS WITH DONOR RESTRICTIONS:**

Net assets with donor restrictions were as follows as of December 31:

|   | <u>2018</u>          | <u>2017</u>          |
|---|----------------------|----------------------|
| <b>Restricted by time or purpose:</b>                   |                      |                      |
| Contributions restricted by donor for specific purposes | \$ 10,200,167        | \$ 4,120,464         |
| Church loan funds                                       | 16,591,763           | 16,990,754           |
| Cabinet development funds                               | 65,598,201           | 65,224,632           |
| Preachers' relief funds                                 | 1,654,498            | 1,839,219            |
| Episcopal funds   | (34,846)             | (31,932)             |
| Camp funds  | 176,298              | 393,618              |
| District work funds                                     | <u>50,357</u>        | <u>42,517</u>        |
|   | <u>\$ 94,236,438</u> | <u>\$ 88,579,272</u> |
| <b>Restricted in perpetuity</b>                         |                      |                      |
| Donor restricted endowment                              | 2,742,968            | 2,742,968            |
| Beneficial interest in trusts held by others            | <u>1,722,378</u>     | <u>1,868,568</u>     |
|   | <u>4,465,346</u>     | <u>4,611,536</u>     |
|   | <u>\$ 98,701,784</u> | <u>\$ 93,190,808</u> |

**NOTE 18 - NET ASSETS RELEASED FROM RESTRICTIONS**

Net assets released from donor restrictions by incurring expenses satisfying the restricted purpose were as follows as of December 31:

|                           | <u>2018</u>          | <u>2017</u>         |
|---------------------------|----------------------|---------------------|
| Current operating funds   | \$ 7,336,114         | \$ 2,534,579        |
| Church loan funds         | 2,264,418            | 1,281,699           |
| Cabinet development funds | 18,871,144           | 3,539,261           |
| Preachers' relief funds   | 143,132              | 72,909              |
| Episcopal funds           | 88,734               | 88,790              |
| Camp funds                | 5,842                | 15,099              |
| District work funds       | <u>2,120</u>         | <u>13,006</u>       |
|                           | <u>\$ 28,711,504</u> | <u>\$ 7,545,343</u> |

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(Continued)

**NOTE 19 - PENDING LITIGATION**

The Conference is not aware of any litigation matters in which the Conference needs to reserve for its potential liability at December 31, 2018 and 2017. The Conference's maximum exposure on any single claim is \$250,000 to \$1,000,000 which would be paid by the loss fund established by the Ministry Protection Committee depending on the type of claim.

**NOTE 20 - SUBSEQUENT EVENTS**

Management has performed an analysis of the activities and transactions subsequent to December 31, 2018, to determine the need for any adjustments or disclosures to the audited combined financial statements for the year ended December 31, 2018. Management has performed their analysis through June 4, 2019, the date the combined financial statements were available to be issued.

**SUPPLEMENTARY INFORMATION**

THE FLORIDA ANNUAL CONFERENCE OF THE UNITED METHODIST CHURCH AND ITS DISTRICTS  
 COMBINING SCHEDULE OF FINANCIAL POSITION - ALL FUNDS  
 December 31, 2018

|   | Current<br>Funds     | New Church<br>Development<br>Funds | Cabinet<br>Development<br>Funds | Preachers'<br>Relief<br>Funds | Conference<br>Committee on<br>Pension and<br>Health Funds | Episcopal<br>Funds | Ministry<br>Protection<br>Funds | Camp<br>Funds        | District<br>Work<br>Funds | Total                 |
|---|----------------------|------------------------------------|---------------------------------|-------------------------------|---|--------------------|---------------------------------|----------------------|---------------------------|-----------------------|
| <b>ASSETS</b>   |                      |                                    |                                 |                               |   |                    |                                 |                      |                           |                       |
| Cash and cash equivalents                                       | \$ 4,857,994         | \$ -                               | \$ -                            | \$ -                          | \$ 783,806  | \$ -               | \$ 600,041                      | \$ 230,183           | \$ 462,822                | \$ 6,934,846          |
| Accounts receivable   | 1,337,816            | -                                  | -                               | -                             | 312,002   | -                  | 3,925,682                       | 23,761               | 164,553                   | 5,763,814             |
| Less allowance for doubtful accounts                            |                      |                                    |                                 |                               |   |                    |                                 |                      |                           |                       |
| Health/pension benefits   | -                    | -                                  | -                               | -                             | (189,280)   | -                  | -                               | -                    | -                         | (189,280)             |
| Ministry protection   | -                    | -                                  | -                               | -                             | -   | -                  | (2,102,046)                     | -                    | -                         | (2,102,046)           |
| Contributions receivable, net                                   | 499,131              | -                                  | -                               | -                             | -   | -                  | -                               | -                    | -                         | 499,131               |
| Grants Receivable   | 3,908,235            | -                                  | -                               | -                             | -   | -                  | -                               | -                    | -                         | 3,908,235             |
| Notes and mortgage notes receivable                             | -                    | -                                  | 3,064,669                       | -                             | 800   | -                  | 160,633                         | -                    | -                         | 3,226,102             |
| Less allowance for doubtful notes                               | -                    | -                                  | -                               | -                             | -   | -                  | (160,633)                       | -                    | -                         | (160,633)             |
| Assets held for sale, net                                       | -                    | -                                  | 7,775,500                       | -                             | -   | -                  | -                               | -                    | -                         | 7,775,500             |
| Investments   |                      |                                    |                                 |                               |   |                    |                                 |                      |                           |                       |
| Held with affiliated organizations                              | 3,360,645            | 1,887,252                          | 3,703,566                       | 155,544                       | 1,164,776   | 3,105              | 305,840                         | 82,523               | 2,293,161                 | 12,956,412            |
| Trusts held by others   | 1,950,427            | -                                  | -                               | -                             | -   | -                  | -                               | -                    | -                         | 1,950,427             |
| Other   | 3,596,805            | 14,106,870                         | 17,903,842                      | 1,539,916                     | 43,287,836  | -                  | 14,235,734                      | 699,114              | -                         | 95,370,117            |
| Certificates of deposit   | 100,488              | -                                  | -                               | -                             | -   | -                  | 105,767                         | -                    | -                         | 206,255               |
| Intercompany fund balances                                      | 1,045,043            | 1,206,574                          | (2,339,104)                     | 76,763                        | 1,186,035   | (37,951)           | (1,204,020)                     | 67,090               | (430)                     | -                     |
| Property and equipment, net                                     | 10,630,778           | -                                  | 39,623,121                      | -                             | -   | -                  | -                               | 9,545,221            | 3,181,860                 | 62,980,980            |
| Other assets  | 19,031               | -                                  | -                               | -                             | 158,706   | -                  | -                               | 17,588               | -                         | 195,325               |
| <b>Total assets</b>   | <b>\$ 31,306,393</b> | <b>\$ 17,200,696</b>               | <b>\$ 69,731,594</b>            | <b>\$ 1,772,223</b>           | <b>\$ 46,704,681</b>                                      | <b>\$ (34,846)</b> | <b>\$ 15,866,998</b>            | <b>\$ 10,665,480</b> | <b>\$ 6,101,966</b>       | <b>\$ 199,315,185</b> |
| <b>LIABILITIES AND NET ASSETS</b>                               |                      |                                    |                                 |                               |   |                    |                                 |                      |                           |                       |
| <b>Liabilities</b>  |                      |                                    |                                 |                               |   |                    |                                 |                      |                           |                       |
| Accounts payable and accrued expenses                           | \$ 2,136,858         | \$ -                               | \$ -                            | \$ -                          | \$ 71,099   | \$ -               | \$ 32,700                       | \$ 541,466           | \$ 79,987                 | \$ 2,862,110          |
| Accrued loss reserves   | -                    | -                                  | -                               | -                             | -   | -                  | 7,770,841                       | -                    | -                         | 7,770,841             |
| Loan payable  | 1,006,553            | -                                  | 4,133,393                       | -                             | -   | -                  | -                               | 544,739              | -                         | 5,684,685             |
| Lines of credit   | 928,029              | -                                  | -                               | -                             | -   | -                  | -                               | -                    | -                         | 928,029               |
| Other postemployment benefit liability                          | -                    | -                                  | -                               | -                             | 30,368,350  | -                  | -                               | -                    | -                         | 30,368,350            |
| Funds held as agent   | 1,610,776            | -                                  | -                               | -                             | -   | -                  | -                               | -                    | -                         | 1,610,776             |
| <b>Total liabilities</b>  | <b>5,682,216</b>     | <b>-</b>                           | <b>4,133,393</b>                | <b>-</b>                      | <b>30,439,449</b>   | <b>-</b>           | <b>7,803,541</b>                | <b>1,086,205</b>     | <b>79,987</b>             | <b>49,224,791</b>     |
| <b>Net assets</b>   |                      |                                    |                                 |                               |   |                    |                                 |                      |                           |                       |
| Without donor restrictions                                      | 11,715,322           | -                                  | -                               | -                             | -   | -                  | -                               | 9,402,977            | 5,941,622                 | 27,059,921            |
| Board designated  |                      |                                    |                                 |                               |   |                    |                                 |                      |                           |                       |
| Ministry protection   | -                    | -                                  | -                               | -                             | -   | -                  | 8,063,457                       | -                    | -                         | 8,063,457             |
| Pension and health benefits                                     | -                    | -                                  | -                               | -                             | 16,265,232  | -                  | -                               | -                    | -                         | 16,265,232            |
| <b>Total net assets without donor restrictions</b>              | <b>11,715,322</b>    | <b>-</b>                           | <b>-</b>                        | <b>-</b>                      | <b>16,265,232</b>   | <b>-</b>           | <b>8,063,457</b>                | <b>9,402,977</b>     | <b>5,941,622</b>          | <b>51,388,610</b>     |
| Net assets with donor restrictions                              | 13,908,855           | 17,200,696                         | 65,598,201                      | 1,772,223                     | -   | (34,846)           | -                               | 176,298              | 80,357                    | 98,701,784            |
| <b>Total net assets</b>   | <b>25,624,177</b>    | <b>17,200,696</b>                  | <b>65,598,201</b>               | <b>1,772,223</b>              | <b>16,265,232</b>   | <b>(34,846)</b>    | <b>8,063,457</b>                | <b>9,579,275</b>     | <b>6,021,979</b>          | <b>150,090,394</b>    |
| <b>Total liabilities and net assets with donor restrictions</b> | <b>\$ 31,306,393</b> | <b>\$ 17,200,696</b>               | <b>\$ 69,731,594</b>            | <b>\$ 1,772,223</b>           | <b>\$ 46,704,681</b>                                      | <b>\$ (34,846)</b> | <b>\$ 15,866,998</b>            | <b>\$ 10,665,480</b> | <b>\$ 6,101,966</b>       | <b>\$ 199,315,185</b> |

THE FLORIDA ANNUAL CONFERENCE OF THE UNITED METHODIST CHURCH AND ITS DISTRICTS  
 COMBINING SCHEDULE OF ACTIVITIES - ALL FUNDS  
 Year ended December 31, 2018

|  | Current       | Conference    | Ministry     | Camp         | District     | Elimination | Total         | Current       | New           | Cabinet       | Preachers'   | Episcopal   | Camps      | District  | Total         |                |
|--|---------------|---------------|--------------|--------------|--------------|-------------|---------------|---------------|---------------|---------------|--------------|-------------|------------|-----------|---------------|----------------|
|  | Funds         | Committee on  | Protection   | Funds        | Work         | Entries     | Net Assets    | Funds         | Church        | Development   | Relief       | Funds       | Funds      | Work      | Net Assets    | Total          |
|  |               | Pension and   | Funds        | Funds        | Funds        |             | Without Donor |               | Development   | Development   | Funds        | Funds       | Funds      | Funds     | With Donor    |                |
|  |               | Health Funds  |              |              |              |             | Restrictions  |               | Funds         | Funds         | Funds        | Funds       | Funds      | Funds     | Restrictions  | Total          |
| <b>Revenue</b>   |               |               |              |              |              |             |               |               |               |               |              |             |            |           |               |                |
| Contributions and apportionments                               |               |               |              |              |              |             |               |               |               |               |              |             |            |           |               |                |
| Conference benevolences, clergy support and church development | \$ 10,008,828 | \$ -          | \$ -         | \$ 508,016   | \$ 1,725,136 | \$ -        | 12,241,980    | \$ -          | \$ -          | \$ -          | \$ -         | \$ -        | \$ -       | \$ -      | \$ -          | \$ 12,241,980  |
| Conference service and administration                          | 92,549        | 8,594,929     | -            | -            | -            | (3,488,170) | 5,199,308     | -             | -             | -             | -            | -           | -          | -         | -             | 5,199,308      |
| Closed church real property contributions                      | -             | -             | -            | -            | -            | -           | -             | -             | -             | 15,301,437    | -            | -           | -          | -         | 15,301,437    | 15,301,437     |
| Other contributions and grants                                 | 1,839,239     | 51,515        | -            | 70,210       | -            | (1,482,180) | 478,784       | 13,123,461    | 2,894,719     | 8,676,109     | 2,067        | 85,762      | (194,549)  | -         | 24,587,569    | 25,066,353     |
| Self-insurance program   | -             | -             | 15,034,994   | -            | -            | (492,790)   | 14,542,204    | -             | -             | -             | -            | -           | -          | -         | -             | 14,542,204     |
| Interest income on loans                                       | -             | -             | -            | -            | -            | -           | -             | -             | -             | 143,752       | -            | -           | -          | -         | 143,752       | 143,752        |
| Interest and dividends   | 42,306        | 1,205,172     | 393,222      | 15,400       | 55,139       | -           | 1,711,239     | 120,494       | 405,640       | 479,013       | 43,899       | 58          | 5,058      | 669       | 1,054,831     | 2,766,070      |
| Change in valuation of future interest in trusts               | -             | -             | -            | -            | -            | -           | -             | (148,379)     | -             | -             | -            | -           | -          | -         | (148,379)     | (148,379)      |
| Net investment return  | (98,446)      | (5,128,460)   | (1,857,459)  | (65,296)     | (85,818)     | -           | (7,235,479)   | (356,235)     | (1,872,341)   | (2,333,677)   | (196,723)    | -           | (21,987)   | -         | (4,780,963)   | (12,016,442)   |
| Fees for services  | 29,036        | -             | -            | 3,974,039    | -            | -           | 4,003,075     | 302,321       | -             | 128,976       | -            | -           | -          | -         | 431,297       | 4,434,372      |
| Other income   | 1,959,728     | -             | -            | 547,327      | 323,554      | (419,648)   | 2,410,961     | 227,965       | 437,409       | 600,094       | -            | -           | -          | 9,291     | 1,274,759     | 3,685,720      |
| Gain (loss) on sale/disposal of fixed assets                   | (3,265)       | -             | -            | -            | 36,420       | -           | 33,155        | -             | -             | (3,750,991)   | 109,168      | -           | -          | -         | (3,641,823)   | (3,608,668)    |
| Net assets released from restrictions                          | 28,703,542    | -             | -            | 5,842        | 2,120        | -           | 28,711,504    | (7,336,114)   | (2,264,418)   | (18,871,144)  | (143,132)    | (88,734)    | (5,842)    | (2,120)   | (28,711,504)  | -              |
| Total revenue  | 42,573,517    | 4,723,156     | 13,570,757   | 5,055,538    | 2,056,551    | (5,882,788) | 62,096,731    | 5,933,513     | (398,991)     | 373,569       | (184,721)    | (2,914)     | (217,320)  | 7,840     | 5,510,976     | 67,607,707     |
| <b>Expenses</b>  |               |               |              |              |              |             |               |               |               |               |              |             |            |           |               |                |
| Conference benevolences, clergy support and church development | 7,778,649     | -             | -            | 404,696      | 293,315      | (118,675)   | 8,357,985     | -             | -             | -             | -            | -           | -          | -         | -             | 8,357,985      |
| Conference service and administration                          | 1,451,472     | 9,459,390     | 400,533      | -            | 1,651,582    | (2,234,891) | 10,728,086    | -             | -             | -             | -            | -           | -          | -         | -             | 10,728,086     |
| Other benevolences and grant expenditures                      | 12,705,543    | -             | -            | 5,842        | 12,689       | (3,529,222) | 9,194,852     | -             | -             | -             | -            | -           | -          | -         | -             | 9,194,852      |
| Self-insurance program   | -             | -             | 14,002,656   | -            | -            | -           | 14,002,656    | -             | -             | -             | -            | -           | -          | -         | -             | 14,002,656     |
| Depreciation   | 1,015,737     | -             | -            | 568,023      | 138,895      | -           | 1,722,655     | -             | -             | -             | -            | -           | -          | -         | -             | 1,722,655      |
| Costs of services and other expenses                           | 17,522,913    | -             | -            | 4,405,484    | -            | -           | 21,928,397    | -             | -             | -             | -            | -           | -          | -         | -             | 21,928,397     |
| Total expenses   | 40,474,314    | 9,459,390     | 14,403,189   | 5,384,045    | 2,096,481    | (5,882,788) | 65,934,631    | -             | -             | -             | -            | -           | -          | -         | -             | 65,934,631     |
| <b>Change in net assets</b>                                    |               |               |              |              |              |             |               |               |               |               |              |             |            |           |               |                |
| <b>before other changes</b>                                    | 2,099,203     | (4,736,234)   | (832,432)    | (328,507)    | (39,930)     | -           | (3,837,900)   | 5,933,513     | (398,991)     | 373,569       | (184,721)    | (2,914)     | (217,320)  | 7,840     | 5,510,976     | 1,673,076      |
| Other post retirement changes other than net periodic cost     | -             | 17,087,697    | -            | -            | -            | -           | 17,087,697    | -             | -             | -             | -            | -           | -          | -         | -             | 17,087,697     |
| <b>Change in net assets</b>                                    | 2,099,203     | 12,351,463    | (832,432)    | (328,507)    | (39,930)     | -           | 13,249,797    | 5,933,513     | (398,991)     | 373,569       | (184,721)    | (2,914)     | (217,320)  | 7,840     | 5,510,976     | 18,760,773     |
| Net assets at beginning of year                                | 9,616,119     | 3,913,769     | 8,895,889    | 9,731,484    | 5,981,552    | -           | 38,138,813    | 7,975,342     | 17,599,687    | 65,224,632    | 1,956,944    | (31,932)    | 393,618    | 72,517    | 93,190,808    | 131,329,621    |
| <b>Net assets at end of year</b>                               | \$ 11,715,322 | \$ 16,265,232 | \$ 8,063,457 | \$ 9,402,977 | \$ 5,941,622 | \$ -        | \$ 51,388,610 | \$ 13,908,855 | \$ 17,200,696 | \$ 65,598,201 | \$ 1,772,223 | \$ (34,846) | \$ 176,298 | \$ 80,357 | \$ 98,701,784 | \$ 150,090,394 |

THE FLORIDA ANNUAL CONFERENCE OF THE UNITED METHODIST CHURCH AND ITS DISTRICTS  
COMBINING SCHEDULE OF FINANCIAL POSITION - ALL FUNDS  
December 31, 2017

|  | Current<br>Funds     | New Church<br>Development<br>Funds | Cabinet<br>Development<br>Funds | Preachers'<br>Relief<br>Funds | Conference<br>Committee on<br>Pension and<br>Health Funds | Episcopal<br>Funds | Ministry<br>Protection<br>Funds | Camp<br>Funds        | District<br>Work<br>Funds | Total                 |
|--|----------------------|------------------------------------|---------------------------------|-------------------------------|---|--------------------|---------------------------------|----------------------|---------------------------|-----------------------|
| <b>ASSETS</b>                                      |                      |                                    |                                 |                               |   |                    |                                 |                      |                           |                       |
| Cash and cash equivalents                          | \$ 2,054,906         | \$ -                               | \$ -                            | \$ -                          | \$ 1,534,475  | \$ -               | \$ 1,349,507                    | \$ 327,390           | \$ 639,796                | \$ 5,906,074          |
| Accounts receivable                                | 1,675,065            | -                                  | -                               | -                             | 385,106   | -                  | 2,897,290                       | 49,427               | 176,735                   | 5,183,623             |
| Less allowance for doubtful accounts               | -                    | -                                  | -                               | -                             | -   | -                  | -                               | -                    | -                         | -                     |
| Health/pension benefits                            | -                    | -                                  | -                               | -                             | (228,513)   | -                  | -                               | -                    | -                         | (228,513)             |
| Ministry protection                                | -                    | -                                  | -                               | -                             | -   | -                  | (1,999,953)                     | -                    | -                         | (1,999,953)           |
| Contributions receivable, net                      | -                    | -                                  | -                               | -                             | -   | -                  | -                               | 199,422              | -                         | 199,422               |
| Notes and mortgage notes receivable                | -                    | -                                  | 3,205,893                       | -                             | 800   | -                  | 163,033                         | -                    | -                         | 3,369,726             |
| Less allowance for doubtful notes                  | -                    | -                                  | -                               | -                             | -   | -                  | (163,033)                       | -                    | -                         | (163,033)             |
| Investments  |                      |                                    |                                 |                               |   |                    |                                 |                      |                           |                       |
| Held with affiliated organizations                 | 1,914,586            | 996,419                            | 3,202,646                       | 433,480                       | 3,225,451   | 3,048              | 1,790,589                       | 61,289               | 2,344,440                 | 13,971,948            |
| Trusts held by others                              | 2,098,806            | -                                  | -                               | -                             | -   | -                  | -                               | -                    | -                         | 2,098,806             |
| Other  | 3,990,760            | 16,165,184                         | 13,041,551                      | 1,485,226                     | 48,374,099  | -                  | 13,688,974                      | 767,146              | -                         | 97,512,940            |
| Certificates of deposit                            | -                    | -                                  | -                               | -                             | -   | -                  | 105,262                         | -                    | -                         | 105,262               |
| Intercompany fund balances                         | 1,485,323            | 438,084                            | (1,783,351)                     | 38,076                        | (11,496)  | (34,980)           | (3,614)                         | (128,042)            | -                         | -                     |
| Property and equipment, net                        | 10,307,068           | -                                  | 28,871,723                      | 162                           | -   | -                  | -                               | 9,872,765            | 3,082,628                 | 52,134,346            |
| Assets held for sale, net                          | -                    | -                                  | 22,105,800                      | -                             | -   | -                  | -                               | -                    | -                         | 22,105,800            |
| Other assets                                       | 4,580                | -                                  | -                               | -                             | 273,580   | -                  | -                               | 26,010               | -                         | 304,170               |
| <b>Total assets</b>                                | <b>\$ 23,531,094</b> | <b>\$ 17,599,687</b>               | <b>\$ 68,644,262</b>            | <b>\$ 1,956,944</b>           | <b>\$ 53,553,502</b>                                      | <b>\$ (31,932)</b> | <b>\$ 17,828,055</b>            | <b>\$ 11,175,407</b> | <b>\$ 6,243,599</b>       | <b>\$ 200,500,618</b> |
| <b>LIABILITIES AND NET ASSETS</b>                  |                      |                                    |                                 |                               |   |                    |                                 |                      |                           |                       |
| <b>Liabilities</b>                                 |                      |                                    |                                 |                               |   |                    |                                 |                      |                           |                       |
| Accounts payable and accrued expenses              | \$ 555,337           | \$ -                               | \$ -                            | \$ -                          | \$ 9,715  | \$ -               | \$ (22,790)                     | \$ 427,344           | \$ 189,530                | \$ 1,159,136          |
| Accrued loss reserves                              | -                    | -                                  | -                               | -                             | -   | -                  | 8,954,956                       | -                    | -                         | 8,954,956             |
| Loan payable                                       | 1,392,483            | -                                  | 3,419,630                       | -                             | -   | -                  | -                               | 622,961              | -                         | 5,435,074             |
| Lines of credit                                    | 2,323,796            | -                                  | -                               | -                             | -   | -                  | -                               | -                    | -                         | 2,323,796             |
| Other postemployment benefit liability             | -                    | -                                  | -                               | -                             | 49,630,018  | -                  | -                               | -                    | -                         | 49,630,018            |
| Funds held as agent                                | 1,668,017            | -                                  | -                               | -                             | -   | -                  | -                               | -                    | -                         | 1,668,017             |
| <b>Total liabilities</b>                           | <b>5,939,633</b>     | <b>-</b>                           | <b>3,419,630</b>                | <b>-</b>                      | <b>49,639,733</b>   | <b>-</b>           | <b>8,932,166</b>                | <b>1,050,305</b>     | <b>189,530</b>            | <b>69,170,997</b>     |
| <b>Net assets</b>                                  |                      |                                    |                                 |                               |   |                    |                                 |                      |                           |                       |
| Without donor restrictions                         | 9,616,119            | -                                  | -                               | -                             | -   | -                  | -                               | 9,731,484            | 5,981,552                 | 25,329,155            |
| Board designated                                   |                      |                                    |                                 |                               |   |                    |                                 |                      |                           |                       |
| Ministry protection                                | -                    | -                                  | -                               | -                             | -   | -                  | 8,895,889                       | -                    | -                         | 8,895,889             |
| Pension and health benefits                        | -                    | -                                  | -                               | -                             | 3,913,769   | -                  | -                               | -                    | -                         | 3,913,769             |
| <b>Total net assets without donor restrictions</b> | <b>9,616,119</b>     | <b>-</b>                           | <b>-</b>                        | <b>-</b>                      | <b>3,913,769</b>  | <b>-</b>           | <b>8,895,889</b>                | <b>9,731,484</b>     | <b>5,981,552</b>          | <b>38,138,813</b>     |
| Net assets with donor restrictions                 | 7,975,342            | 17,599,687                         | 65,224,632                      | 1,956,944                     | -   | (31,932)           | -                               | 393,618              | 72,517                    | 93,190,808            |
| <b>Total net assets</b>                            | <b>17,591,461</b>    | <b>17,599,687</b>                  | <b>65,224,632</b>               | <b>1,956,944</b>              | <b>3,913,769</b>  | <b>(31,932)</b>    | <b>8,895,889</b>                | <b>10,125,102</b>    | <b>6,054,069</b>          | <b>131,329,621</b>    |
| <b>Total liabilities and net assets</b>            | <b>\$ 23,531,094</b> | <b>\$ 17,599,687</b>               | <b>\$ 68,644,262</b>            | <b>\$ 1,956,944</b>           | <b>\$ 53,553,502</b>                                      | <b>\$ (31,932)</b> | <b>\$ 17,828,055</b>            | <b>\$ 11,175,407</b> | <b>\$ 6,243,599</b>       | <b>\$ 200,500,618</b> |



THE FLORIDA ANNUAL CONFERENCE OF THE UNITED METHODIST CHURCH AND ITS DISTRICTS  
 COMBINING SCHEDULE OF ACTIVITIES - ALL FUNDS  
 Year ended December 31, 2017

|  | Current<br>Funds | Conference<br>Committee on<br>Pension and<br>Health Funds | Ministry<br>Protection<br>Funds | Camp<br>Funds | District<br>Work<br>Funds | Elimination<br>Entries | Total<br>Net Assets<br>Without Donor<br>Restrictions | Current<br>Funds | New<br>Church<br>Development<br>Funds | Cabinet<br>Development<br>Funds | Preachers'<br>Relief<br>Funds | Episcopal<br>Funds | Camps<br>Funds | District<br>Work<br>Funds | Total<br>Net Assets<br>With Donor<br>Restriction | Total          |
|--|------------------|---|---------------------------------|---------------|---------------------------|------------------------|--|------------------|---------------------------------------|---------------------------------|-------------------------------|--------------------|----------------|---------------------------|--|----------------|
| <b>Revenue</b>   |                  |   |                                 |               |                           |                        |  |                  |                                       |                                 |                               |                    |                |                           |  |                |
| Contributions and apportionments                               |                  |   |                                 |               |                           |                        |  |                  |                                       |                                 |                               |                    |                |                           |  |                |
| Conference benevolences, clergy support and church development | \$ 10,599,128    | \$ -  | \$ -                            | \$ 508,356    | \$ 1,664,765              | \$ -                   | \$ 12,772,249  | \$ -             | \$ -                                  | \$ -                            | \$ -                          | \$ -               | \$ -           | \$ -                      | \$ -   | \$ 12,772,249  |
| Conference service and administration                          | 869,184          | 7,740,607   | -                               | -             | -                         | -                      | 8,609,791  | -                | -                                     | -                               | -                             | -                  | -              | -                         | -  | 8,609,791      |
| Closed church real property contributions                      | -                | -   | -                               | -             | -                         | -                      | -  | -                | 19,577,861                            | -                               | -                             | -                  | -              | -                         | 19,577,861                                       | 19,577,861     |
| Other contributions and grants                                 | 2,166,105        | 17,678  | -                               | 84,405        | -                         | (1,008,000)            | 1,260,188  | 3,654,280        | 674,084                               | 2,063,052                       | 2,205                         | 84,560             | 4,453          | -                         | 6,482,634  | 7,742,822      |
| Self-insurance program   | -                | -   | 13,463,311                      | -             | -                         | (3,623,947)            | 9,839,364  | -                | -                                     | -                               | -                             | -                  | -              | -                         | -  | 9,839,364      |
| Interest income on loans                                       | -                | -   | -                               | -             | -                         | -                      | -  | -                | 1,380                                 | 131,622                         | -                             | -                  | -              | -                         | 133,002  | 133,002        |
| Interest and dividends   | 31,965           | 1,014,875   | 336,927                         | 13,528        | 50,118                    | -                      | 1,447,413  | 76,063           | 344,360                               | 300,436                         | 35,100                        | 80                 | 4,087          | 734                       | 760,860  | 2,208,273      |
| Change in valuation of future interest in trusts               | -                | -   | -                               | -             | -                         | -                      | -  | 179,819          | -                                     | -                               | -                             | -                  | -              | -                         | 179,819  | 179,819        |
| Net investment return  | 111,080          | 6,323,320   | 1,701,464                       | 94,085        | 67,151                    | -                      | 8,297,100  | 395,452          | 2,064,624                             | 1,543,676                       | 190,348                       | -                  | 27,336         | -                         | 4,221,436  | 12,518,536     |
| Fees for services  | 46,772           | -   | -                               | 4,060,853     | -                         | (55,992)               | 4,051,633  | 239,820          | -                                     | 125,400                         | -                             | -                  | -              | -                         | 365,220  | 4,416,853      |
| Other income   | 294,603          | -   | -                               | 880,804       | 438,089                   | (793,259)              | 820,237  | 582,834          | -                                     | -                               | -                             | -                  | (192,196)      | -                         | 390,638  | 1,210,875      |
| Gain (loss) on sale/disposal of fixed assets                   | -                | -   | -                               | -             | -                         | -                      | -  | -                | -                                     | (327,683)                       | (61,779)                      | -                  | -              | -                         | (389,462)  | (389,462)      |
| Net assets released from restrictions                          | 7,517,238        | -   | -                               | 15,099        | 13,006                    | -                      | 7,545,343  | (2,534,579)      | (1,281,699)                           | (3,539,261)                     | (72,909)                      | (88,790)           | (15,099)       | (13,006)                  | (7,545,343)                                      | -              |
| Total revenue  | 21,636,075       | 15,096,480  | 15,501,702                      | 5,657,130     | 2,233,129                 | (5,481,198)            | 54,643,318   | 2,593,689        | 1,802,749                             | 19,875,103                      | 92,965                        | (4,150)            | (171,419)      | (12,272)                  | 24,176,665                                       | 78,819,983     |
| <b>Expenses</b>  |                  |   |                                 |               |                           |                        |  |                  |                                       |                                 |                               |                    |                |                           |  |                |
| Conference benevolences, clergy support and church development | 7,649,598        | -   | -                               | 501,459       | 680,304                   | (1,652,732)            | 7,178,629  | -                | -                                     | -                               | -                             | -                  | -              | -                         | -  | 7,178,629      |
| Conference service and administration                          | 1,527,785        | 7,758,105   | 368,554                         | -             | 1,685,954                 | (145,989)              | 11,194,409   | -                | -                                     | -                               | -                             | -                  | -              | -                         | -  | 11,194,409     |
| Other benevolences and grant expenditures                      | 7,120,846        | -   | -                               | 278,073       | 13,006                    | (1,655,270)            | 5,756,655  | -                | -                                     | -                               | -                             | -                  | -              | -                         | -  | 5,756,655      |
| Self-insurance program   | -                | -   | 14,279,684                      | -             | -                         | (1,612,339)            | 12,667,345   | -                | -                                     | -                               | -                             | -                  | -              | -                         | -  | 12,667,345     |
| Depreciation   | 1,595,975        | -   | -                               | 640,515       | 140,300                   | -                      | 2,376,790  | -                | -                                     | -                               | -                             | -                  | -              | -                         | -  | 2,376,790      |
| Costs of services and other expenses                           | 925,179          | -   | -                               | 4,312,928     | -                         | (414,868)              | 4,823,239  | -                | -                                     | -                               | -                             | -                  | -              | -                         | -  | 4,823,239      |
| Total expenses   | 18,819,383       | 7,758,105   | 14,648,238                      | 5,732,975     | 2,519,564                 | (5,481,198)            | 43,997,067   | -                | -                                     | -                               | -                             | -                  | -              | -                         | -  | 43,997,067     |
| <b>Change in net assets</b>                                    |                  |   |                                 |               |                           |                        |  |                  |                                       |                                 |                               |                    |                |                           |  |                |
| <b>before other changes</b>                                    | 2,816,692        | 7,338,375   | 853,464                         | (75,845)      | (286,435)                 | -                      | 10,646,251   | 2,593,689        | 1,802,749                             | 19,875,103                      | 92,965                        | (4,150)            | (171,419)      | (12,272)                  | 24,176,665                                       | 34,822,916     |
| Other post retirement changes other than net periodic cost     | -                | (3,944,993)   | -                               | -             | -                         | -                      | (3,944,993)  | -                | -                                     | -                               | -                             | -                  | -              | -                         | -  | (3,944,993)    |
| <b>Change in net assets</b>                                    | 2,816,692        | 3,393,382   | 853,464                         | (75,845)      | (286,435)                 | -                      | 6,701,258  | 2,593,689        | 1,802,749                             | 19,875,103                      | 92,965                        | (4,150)            | (171,419)      | (12,272)                  | 24,176,665                                       | 30,877,923     |
| Net assets at beginning of year                                | 6,799,427        | 520,387   | 8,042,425                       | 9,807,329     | 6,267,987                 | -                      | 31,437,555   | 5,381,653        | 15,796,938                            | 45,349,529                      | 1,863,979                     | (27,782)           | 565,037        | 84,789                    | 69,014,143                                       | 100,451,698    |
| <b>Net assets at end of year</b>                               | \$ 9,616,119     | \$ 3,913,769  | \$ 8,895,889                    | \$ 9,731,484  | \$ 5,981,552              | \$ -                   | \$ 38,138,813  | \$ 7,975,342     | \$ 17,599,687                         | \$ 65,224,632                   | \$ 1,956,944                  | \$ (31,932)        | \$ 393,618     | \$ 72,517                 | \$ 93,190,808                                    | \$ 131,329,621 |

THE FLORIDA ANNUAL CONFERENCE OF THE UNITED METHODIST CHURCH AND ITS DISTRICTS  
SCHEDULE OF ASSETS, LIABILITIES AND NET ASSETS  
AREA EPISCOPAL OFFICE FUND  
December 31, 2018 and 2017

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|   | <u>2018</u>        | <u>2017</u>        |
|---|--------------------|--------------------|
| <b>ASSETS</b>                                 |                    |                    |
| Investments held with affiliated organization | \$ 3,105           | \$ 3,048           |
| Intercompany fund balance                     | <u>(37,951)</u>    | <u>(34,980)</u>    |
|   | <u>\$ (34,846)</u> | <u>\$ (31,932)</u> |
| <b>NET ASSETS</b>                             |                    |                    |
| Net assets                                    |                    |                    |
| Without donor restrictions                    | <u>\$ (34,846)</u> | <u>\$ (31,932)</u> |
|   | <u>\$ (34,846)</u> | <u>\$ (31,932)</u> |

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THE FLORIDA ANNUAL CONFERENCE OF THE UNITED METHODIST CHURCH AND ITS DISTRICTS  
SCHEDULE OF REVENUES COLLECTED AND EXPENSES PAID  
AREA EPISCOPAL OFFICE FUND  
Years ended December 31, 2018 and 2017

|   | <u>2018</u> | <u>2017</u> |
|---|-------------|-------------|
| <b>Revenue collected from</b>                   |             |             |
| General council on finance and administration   | \$ 85,762   | \$ 84,560   |
| Episcopal office reserve - investment income    | 58          | 80          |
| Miscellaneous reimbursements                    | -           | -           |
| Total revenues collected                        | 85,820      | 84,640      |
| <b>Expenses paid</b>                            |             |             |
| Program   |             |             |
| Secretarial salaries                            | 48,788      | 47,359      |
| Discretionary disbursements                     | 3,034       | 3,420       |
| Entertainment                                   | 138         | -           |
| Employee benefits and payroll taxes             | 21,845      | 20,817      |
| Telephone                                       | 1,807       | 30          |
| Staff travel                                    | -           | -           |
| Rent, utilities and insurance                   | 9,000       | 9,000       |
| Equipment maintenance                           | 697         | -           |
| Printing and copying                            | 879         | 668         |
| Office supplies                                 | 1,973       | 3,989       |
| Postage   | 109         | 10          |
| Staff continuing education                      | 464         | 3,497       |
| Total expenses paid                             | 88,734      | 88,790      |
| Deficit of revenue collected over expenses paid | (2,914)     | (4,150)     |
| Net assets at beginning of year                 | (31,932)    | (27,782)    |
| Net assets at end of year                       | \$ (34,846) | \$ (31,932) |