

**South Carolina Conference of the
United Methodist Church**

Report on Combined Financial Statements

For the years ended December 31, 2016 and 2015

South Carolina Conference of the United Methodist Church

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Independent Auditor's Report

South Carolina Conference of the
United Methodist Church
Columbia, South Carolina

Report on the Combined Financial Statements

We have audited the accompanying combined financial statements of the South Carolina Conference of the United Methodist Church (the Conference), which comprise the combined statements of financial position as of December 31, 2016 and 2015, 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 Combined 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.

Basis for Qualified Opinion

As more fully described in Note 1 to the combined financial statements, the Conference does not capitalize certain property and equipment or record depreciation in its combined financial statements as required by accounting principles generally accepted in the United States of America. Costs for certain such purchases are charged as expenditures in the year of purchase. In our opinion, accounting principles generally accepted in the United States of America require that the Conference capitalize certain costs for property and equipment. Management has not determined the effect of this departure on the Conference's combined financial position or results of operations.

Qualified Opinion

In our opinion, except for the effects of not capitalizing certain property and equipment and recording depreciation, the combined financial statements referred to above present fairly, in all material respects, the financial position of the South Carolina Conference of the United Methodist Church as of December 31, 2016 and 2015, and the results of its operations and its cash flows for the years then ended, in accordance with accounting principles generally accepted in the United States of America.

Report on Supplementary Information

Our audits were conducted for the purpose of forming an opinion on the combined financial statements as a whole. The accompanying supplementary information 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 audits of the combined financial statements and certain additional 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.

A handwritten signature in black ink that reads "Elliott Davis Decosimo, LLC". The signature is written in a cursive, flowing style.

Columbia, South Carolina
June 16, 2017

South Carolina Conference of the United Methodist Church

Combined Statements of Financial Position

As of December 31, 2016 and 2015

	2016	2015
Assets		
Current assets		
Cash and cash equivalents	\$ 8,496,302	\$ 8,259,750
Restricted cash and cash equivalents	3,218	7,892
Prepays	6,932	5,996
Receivables		
Due from churches	1,731,014	1,804,195
Due from others	423	6,906
Due from pension/insurance billings, net of allowance for doubtful accounts of \$2,199,877 and \$2,276,048, respectively	1,019,457	977,367
Property held for sale	527,132	527,132
Investments	37,900,688	32,502,124
Total current assets	49,685,166	44,091,362
Property and equipment, net	8,308,723	8,178,198
Total assets	<u>\$ 57,993,889</u>	<u>\$ 52,269,560</u>
Liabilities and Net Assets		
Current liabilities		
Accounts payable	\$ 1,618,374	\$ 1,688,103
Current portion of notes payable	72,578	66,080
Due to agencies and support groups	58,975	66,732
Deferred revenue	10,120	3,845
Accrued postretirement benefit obligations	1,140,245	1,315,335
Other accrued expenses	65,475	51,000
Total current liabilities	2,965,767	3,191,095
Accrued postretirement benefit obligations, net of current portion	16,974,624	19,549,548
Notes payable, net of current portion	692,812	742,816
Total liabilities	<u>20,633,203</u>	<u>23,483,459</u>
Net assets		
Unrestricted		
Undesignated	32,488,492	24,757,897
Board designated	2,937,505	2,250,396
Temporarily restricted	1,896,585	1,739,704
Permanently restricted	38,104	38,104
Total net assets	37,360,686	28,786,101
Total liabilities and net assets	<u>\$ 57,993,889</u>	<u>\$ 52,269,560</u>

See Notes to Combined Financial Statements

South Carolina Conference of the United Methodist Church

Combined Statement of Activities

For the year ended December 31, 2016

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Revenue and support				
Apportionments	\$ 12,336,895	\$ 3,786,416	\$ -	\$ 16,123,311
Direct billing: health insurance	6,312,226	-	-	6,312,226
Direct billing: pension and protection plans	4,329,049	-	-	4,329,049
Registrations and fees	2,183,475	-	-	2,183,475
Investment income	32,932	8,313	-	41,245
Nonapportioned giving	500,354	1,509,937	-	2,010,291
Other income	2,204,794	2,539	-	2,207,333
Net realized and unrealized gains on investments	2,096,753	11,132	-	2,107,885
Net assets released from restrictions	5,161,456	(5,161,456)	-	-
Total revenue and support	35,157,934	156,881	-	35,314,815
Expenses				
Conference benevolences	4,220,623	-	-	4,220,623
Benefits and welfare	12,453,674	-	-	12,453,674
Support of conference institutions	2,459,369	-	-	2,459,369
District operations	2,167,614	-	-	2,167,614
Clergy support and church development	1,996,436	-	-	1,996,436
Camps: Asbury Hills and Salkehatchie	2,136,687	-	-	2,136,687
General and jurisdictional conference support	3,633,706	-	-	3,633,706
Management and general	1,153,138	-	-	1,153,138
Other expenses	17,349	-	-	17,349
Total expenses	30,238,596	-	-	30,238,596
Increase in net assets from operating activities	4,919,338	156,881	-	5,076,219
Nonoperating				
Gain on sale of assets	748,352	-	-	748,352
Postretirement-related changes other than net periodic postretirement cost	2,750,014	-	-	2,750,014
Total nonoperating	3,498,366	-	-	3,498,366
Change in net assets	8,417,704	156,881	-	8,574,585
Net assets, beginning of year	27,008,293	1,739,704	38,104	28,786,101
Net assets, end of year	\$ 35,425,997	\$ 1,896,585	\$ 38,104	\$ 37,360,686

See Notes to Combined Financial Statements

South Carolina Conference of the United Methodist Church

Combined Statement of Activities

For the year ended December 31, 2015

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Revenue and support				
Apportionments	\$ 12,142,370	\$ 3,745,863	\$ -	\$ 15,888,233
Direct billing: health insurance	6,515,622	-	-	6,515,622
Direct billing: pension and protection plans	4,417,399	-	-	4,417,399
Registrations and fees	2,149,302	-	-	2,149,302
Investment income	46,504	16,683	-	63,187
Nonapportioned giving	317,631	982,520	-	1,300,151
Other income	2,230,898	1,607	-	2,232,505
Net assets released from restrictions	4,668,712	(4,668,712)	-	-
Total revenue and support	32,488,438	77,961	-	32,566,399
Expenses				
Conference benevolences	3,124,521	-	-	3,124,521
Benefits and welfare	12,786,477	-	-	12,786,477
Support of conference institutions	2,458,229	-	-	2,458,229
District operations	1,718,313	-	-	1,718,313
Clergy support and church development	2,093,583	-	-	2,093,583
Camps: Asbury Hills and Salkehatchie	2,137,099	-	-	2,137,099
General and jurisdictional conference support	3,596,277	-	-	3,596,277
Management and general	1,545,479	-	-	1,545,479
Net realized and unrealized losses on investments	661,419	19,250	-	680,669
Other expenses	5,959	-	-	5,959
Total expenses	30,127,356	19,250	-	30,146,606
Increase in net assets from operating activities	2,361,082	58,711	-	2,419,793
Nonoperating				
Gain on sale of assets	527,079	-	-	527,079
Postretirement-related changes other than net periodic postretirement cost	1,265,025	-	-	1,265,025
Total nonoperating	1,792,104	-	-	1,792,104
Change in net assets	4,153,186	58,711	-	4,211,897
Net assets, beginning of year	22,855,107	1,680,993	38,104	24,574,204
Net assets, end of year	\$ 27,008,293	\$ 1,739,704	\$ 38,104	\$ 28,786,101

See Notes to Combined Financial Statements

South Carolina Conference of the United Methodist Church

Combined Statements of Cash Flows

For the years ended December 31, 2016 and 2015

	2016	2015
Cash flows from operating activities:		
Change in net assets	\$ 8,574,585	\$ 4,211,897
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	113,521	141,998
Allowance for doubtful accounts	(76,171)	235,685
Unrealized and realized (gains) losses on investments	(2,107,885)	680,669
Gain on sale of assets	(748,352)	(527,079)
Changes in deferred and accrued amounts:		
Prepays	(936)	(2,076)
Due from churches	73,181	45,464
Due from others	6,483	(6,906)
Due from pension/insurance billings	34,081	(282,132)
Accounts payable	(69,729)	153,050
Due to agencies and support groups	(7,757)	45,446
Deferred revenue	6,275	(40,307)
Accrued postretirement benefit obligations	(2,750,014)	(1,265,025)
Other accrued expenses	14,475	29,462
Net cash provided by operating activities	<u>3,061,757</u>	<u>3,420,146</u>
Cash flows from investing activities:		
Proceeds from sales of investments	15,070,862	13,985,744
Purchases of investments	(18,361,541)	(16,141,515)
Proceeds from sale of assets	748,352	527,079
Purchases of property and equipment	(244,046)	(331,928)
Net cash used for investing activities	<u>(2,786,373)</u>	<u>(1,960,620)</u>
Cash flows from financing activities:		
Proceeds from notes payable	27,433	405,501
Principal payments on notes payable	(70,939)	(554,206)
Net cash used for financing activities	<u>(43,506)</u>	<u>(148,705)</u>
Net change in cash and cash equivalents	231,878	1,310,821
Cash and cash equivalents, beginning of year	<u>8,267,642</u>	<u>6,956,821</u>
Cash and cash equivalents, end of year	<u>\$ 8,499,520</u>	<u>\$ 8,267,642</u>
Supplemental disclosures		
Cash paid for interest	<u>\$ 32,040</u>	<u>\$ 61,627</u>

See Notes to Combined Financial Statements

South Carolina Conference of the United Methodist Church

Notes to Combined Financial Statements

December 31, 2016 and 2015

The South Carolina Conference of the United Methodist Church governs the various boards, commissions, committees and agencies whose purpose is to carry out the programs of the United Methodist Church. The South Carolina Conference of the United Methodist Church is a nonprofit religious organization and is exempt from paying income taxes under Section 501 (c)(3) of the Internal Revenue Code.

Note 1. Summary of Significant Accounting Policies

Basis of accounting:

The accompanying combined financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America, except for the effects of not recording property and equipment as described in Note 4. Financial statement presentation follows the recommendations of the Financial Accounting Standards Board Accounting Standards Codification (ASC). Under the ASC, the Conference is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets.

Basis of presentation and principles of combination:

The accompanying combined financial statements include the accounts of the South Carolina Conference of the United Methodist Church, the 12 South Carolina Conference Districts and the South Carolina Conference's Camps and Retreats. The Districts and the Camps and Retreats are combined due to common control by the Conference. All significant inter-entity balances and transactions have been eliminated in the combined financial statements.

Cash and cash equivalents:

For purposes of reporting the statement of cash flows, the Conference considers all highly liquid investment instruments purchased with original maturity of three months or less to be cash equivalents.

Receivables:

Receivables are reported net of an allowance for doubtful accounts. The allowance is based on management's estimate of the amount of receivables that will ultimately be collected.

Investments:

The Conference's investments are stated at fair value. Investments in marketable securities with readily determinable fair values and all investments in debt securities are valued at their fair values in the statements of financial position. Unrealized gains and losses are included in the change in net assets.

South Carolina Conference of the United Methodist Church

Notes to Combined Financial Statements

December 31, 2016 and 2015

Note 1. Summary of Significant Accounting Policies, Continued

Property and equipment:

The Conference has generally not recorded land or buildings as fixed assets on the statements of financial position, with the exception of the fixed assets of the Camps and Retreats. In 2003, the Conference recorded the renovations to the conference center, based on its intention to start recording fixed assets along with the related depreciation. Property was to be recorded at cost with depreciation being provided on the straight-line method over the estimated useful lives of 39 years for buildings and 10 to 39 years for improvements to land and buildings. The plan has been delayed while the Conference re-evaluates starting the policy of recording all current land and property versus continuing the previous policy. Therefore, the Conference did not record depreciation for the conference renovation. The Conference does maintain investments in an equipment fund. However, the Conference does not record the related depreciation of such equipment as required by accounting principles generally accepted in the United States of America. Expenditures for such investments in the equipment fund are generally charged as expenditures in the year of purchase.

Support and expenses:

A contribution is deemed to have been received when the cash or other assets including securities, land, buildings, use of facilities, materials and supplies, intangible assets, services or unconditional promise to give such items in the future is received. An unconditional promise to give is a promise which is not dependent on the occurrence of a specified future and uncertain event to bind the promisor.

Contributions received and unconditional promises to give are measured at their fair values and are reported as an increase in net assets. The Conference reports gifts of cash and other assets as restricted support if they are received with donor stipulations that limit the use of the donated assets, or if they are designated as support for future periods. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

The combined financial statements present expenses in accordance with the overall service mission of the Conference displayed within their natural classifications.

Uncertainty in income taxes:

The Conference is a nonprofit religious organization and is exempt from paying income taxes under Section 501 (c)(3) of the Internal Revenue Code. Management evaluated the Conference's tax positions and is unaware of any situation or circumstance that would cause the Conference to lose its tax exempt status. The Conference has taken no uncertain tax positions that require adjustment to the combined financial statements. Therefore, no provision or liability for income taxes has been included in the combined financial statements.

Compensated absences:

Accumulated unpaid vacation pay is accrued when it is earned. Conference employees are entitled to carry over from one calendar year to the next up to two weeks' (10 days) vacation time. If an employee leaves the employment of the Conference, the employee is entitled to be paid for the unused vacation time.

South Carolina Conference of the United Methodist Church

Notes to Combined Financial Statements

December 31, 2016 and 2015

Note 1. Summary of Significant Accounting Policies, Continued

Advertising:

Costs incurred for producing and communicating advertising and promotional material of \$42,182 and \$42,338 for the years ended 2016 and 2015, respectively, were expensed when incurred.

Investments in securities:

Investments purchased are recorded at cost. Securities or other investments donated are recorded at their fair value at the date of the gift. Investments are carried at fair value with gains or losses being recognized and reported in the statements of activities in the appropriate classes as prescribed by the ASC.

Fair value measurements:

The Conference has adopted the prescribed accounting standards for fair value measurement for its financial assets and liabilities. The standards clarify that fair value is an exit price, representing the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The Conference utilizes market data or assumptions that market participants would use in pricing the asset or liability. The standard established a three-tier fair value hierarchy, which prioritizes the inputs used in measuring fair value. These tiers include: Level 1, defined as observable inputs such as quoted prices in active markets; Level 2, defined as inputs other than quoted prices in active markets that are either directly or indirectly observable; and Level 3, defined as unobservable inputs about which little or no market data exists; therefore, requiring an entity to develop its own assumptions.

Use of estimates:

The preparation of combined financial statements in conformity with accounting principles generally accepted in the United States of America 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 results of operations during the period. Actual results could differ from these estimates.

Reclassifications:

The presentation of certain items in the 2015 combined financial statements has been reclassified to be consistent with the 2016 presentation. Such reclassifications had no effect on the change in net assets, cash flows or net assets.

Subsequent events:

These combined financial statements have not been updated for subsequent events after June 16, 2017, the date the combined financial statements were available to be issued.

South Carolina Conference of the United Methodist Church

Notes to Combined Financial Statements

December 31, 2016 and 2015

Note 2. Concentrations of Credit Risk

The Conference maintains its cash balances and investments with several financial institutions and brokerage companies. At times, deposits with the financial institutions and brokerage companies may exceed Federal Deposit Insurance Corporation (FDIC) or Securities Investor Protection Corporation (SIPC) insurance limits. In addition, the Conference has \$1,854,236 and \$1,150,000 as of December 31, 2016 and 2015, respectively, invested with the United Methodist Development Fund, which is not FDIC or SIPC insured.

Note 3. Fair Value Measurements

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. In determining fair value, the Conference uses various methods including market, income and cost approaches. Based on these approaches, the Conference often utilizes certain assumptions that market participants would use in pricing the asset or liability, including assumptions about risk and/or the risks inherent in the inputs to the valuation technique. These inputs can be readily observable, market corroborated, or generally unobservable inputs.

The Conference utilizes valuation techniques that maximize the use of observable inputs and minimize the use of unobservable inputs. Based on the observables of the inputs used in the valuation techniques, the Conference is required to provide the following information according to the fair value hierarchy. The fair value hierarchy ranks the quality and reliability of the information used to determine fair values. Financial assets and liabilities carried at fair value will be classified and disclosed in one of the following three categories:

- Level 1 Valuations for assets and liabilities traded in active exchange markets, such as the New York Stock Exchange. Level 1 also includes U.S. Treasury and federal agency securities and federal agency mortgage-backed securities, which are traded by dealers or brokers in active markets. Valuations are obtained from readily available pricing sources for market transactions involving identical assets or liabilities.
- Level 2 Valuations for assets and liabilities traded in less active dealer or broker markets. Valuations are obtained from third-party pricing services for identical or similar assets or liabilities.
- Level 3 Valuations for assets and liabilities that are derived from other valuation methodologies, including option-pricing models, discounted cash flow models and similar techniques, and not based on market exchange, dealer, or broker-traded transactions. Level 3 valuations incorporate certain assumptions and projections in determining the fair value assigned to such assets or liabilities.

In determining the fair value of investments, the Conference uses various valuation approaches. The following is a description of the valuation methodologies used:

Certificates of deposit: The carrying amounts of such instruments approximate fair value and are classified within Level 2 of the valuation hierarchy.

South Carolina Conference of the United Methodist Church

Notes to Combined Financial Statements

December 31, 2016 and 2015

Note 3. Fair Value Measurements, Continued

Fund of Funds, United Methodist Foundation: Represent units pooled within the South Carolina United Methodist Foundation (UMF) and are valued using the Net Asset Value (NAV) provided by the administrator of the funds. The NAV is based on the value of the underlying assets owned by the funds, minus its liabilities and then divided by the number of shares or units outstanding. These funds are fund of funds and the investments are classified within Level 2 of the valuation hierarchy. The Conference's investments with the UMF consisted of cash and money market funds, preferred stock, fixed income securities and short-term investments.

Fund of Funds, General Board of Pensions: Represent units pooled within the General Board of Pension (GBOP) Superannuate Endowment, GBOP HMEP, GBOP Deposit, GBOP Retiree Health Care, GBOP Permanent Fund and William Norman Bobo, Jr. Endowment Fund and are valued using the NAV provided by the administrator of the funds. The NAV is based on the value of the underlying assets owned by the funds, minus its liabilities and then divided by the number of shares or units outstanding. These funds are fund of funds and the investments are classified within Level 2 of the valuation hierarchy. The Conference's investment with the GBOP consisted of common stock, fixed income securities and short term investments.

Mutual Funds: These investments are valued using the NAV provided by the administrator of the fund. The NAV is based on the value of the underlying assets owned by the fund, minus its liabilities and then divided by the number of shares or units outstanding. These investments are classified within Level 1 of the valuation hierarchy. The Conference can make withdrawals from these investments by contacting the administrator.

The Conference had the following levels of investments as defined in the framework measured at fair value on a recurring basis:

	December 31, 2016			
	Level 1	Level 2	Level 3	Total
Investments				
Certificates of deposit	\$ -	\$ 2,804,236	\$ -	\$ 2,804,236
Total investments in the fair value hierarchy	\$ -	\$ 2,804,236	\$ -	2,804,236
Investments measured at net asset value				35,096,452
Total investments at fair value				\$ 37,900,688

	December 31, 2015			
	Level 1	Level 2	Level 3	Total
Investments				
Certificates of deposit	\$ -	\$ 1,401,902	\$ -	\$ 1,401,902
Total investments in the fair value hierarchy	\$ -	\$ 1,401,902	\$ -	1,401,902
Investments measured at net asset value				31,100,222
Total investments at fair value				\$ 32,502,124

South Carolina Conference of the United Methodist Church

Notes to Combined Financial Statements

December 31, 2016 and 2015

Note 3. Fair Value Measurements, Continued

The following table for December 31, 2016 and 2015 sets forth a summary of the Conference's investments reported at NAV as a practical expedient to estimate fair value:

Investment	December 31, 2016			
	Fair value	Unfunded commitment	Redemption frequency	Redemption notice period
UMF Fund of Funds	\$ 604,320	\$ -	Immediate	Up to 180 days
GBOP Fund of Funds:				
Multiple Asset Fund	29,192,856	-	Immediate	None
Short Term Investment Fund	4,249,015	-	Immediate	None
International Equity Fund	36	-	Immediate	None
Inflation Protection Fund	51,324	-	Immediate	None
Fixed Income Fund	600,978	-	Immediate	None
Total GBOP Fund of Funds	<u>34,094,209</u>	<u>\$ -</u>		
Mutual funds:				
Intermediate Govt	<u>397,923</u>	<u>-</u>	Immediate	None
Total	<u>\$ 35,096,452</u>	<u>\$ -</u>		

Investment	December 31, 2015			
	Fair value	Unfunded commitment	Redemption frequency	Redemption notice period
UMF Fund of Funds	\$ 627,893	\$ -	Immediate	Up to 180 days
GBOP Fund of Funds:				
Multiple Asset Fund	23,230,181	-	Immediate	None
Short Term Investment Fund	6,286,689	-	Immediate	None
International Equity Fund	34	-	Immediate	None
Inflation Protection Fund	47,656	-	Immediate	None
Fixed Income Fund	535,054	-	Immediate	None
Total GBOP Fund of Funds	<u>30,099,614</u>	<u>\$ -</u>		
Mutual funds:				
Intermediate Govt	<u>372,715</u>	<u>-</u>	Immediate	None
Total	<u>\$ 31,100,222</u>	<u>\$ -</u>		

South Carolina Conference of the United Methodist Church

Notes to Combined Financial Statements

December 31, 2016 and 2015

Note 4. Property, Equipment, and Depreciation

The Conference historically has not recorded property and equipment as fixed assets on its combined statements of financial position, with the exception of Camps and Retreats. In 2003, the Conference recorded the renovations to the conference center, based on its intention to start recording fixed assets along with the related depreciation. During 2016 and 2015, the Conference also recorded certain related property and equipment that was subject to debt for the Districts to its accounting records. Currently, the Conference is evaluating its policy of recording all land and property. It has also deferred recording depreciation expense with the exception of depreciation related to the property of Camps and Retreats. Below is a summary of the property and equipment at December 31:

December 31, 2016				
	Conference	Districts	Camps and Retreats	Total
Land	\$ 300,000	\$ 90,000	\$ 545,489	\$ 935,489
Buildings and equipment	<u>2,547,926</u>	<u>1,543,642</u>	<u>4,062,896</u>	<u>8,154,464</u>
	2,847,926	1,633,642	4,608,385	9,089,953
Less accumulated depreciation	-	-	781,230	781,230
	<u>\$ 2,847,926</u>	<u>\$ 1,633,642</u>	<u>\$ 3,827,155</u>	<u>\$ 8,308,723</u>
December 31, 2015				
	Conference	Districts	Camps and Retreats	Total
Land	\$ 300,000	\$ 90,000	\$ 505,489	\$ 895,489
Buildings and equipment	<u>2,523,695</u>	<u>1,391,260</u>	<u>4,035,463</u>	<u>7,950,418</u>
	2,823,695	1,481,260	4,540,952	8,845,907
Less accumulated depreciation	-	-	667,709	667,709
	<u>\$ 2,823,695</u>	<u>\$ 1,481,260</u>	<u>\$ 3,873,243</u>	<u>\$ 8,178,198</u>

As of December 31, 2016 and 2015, the Conference had property held for sale in the amount of \$527,132.

Depreciation expense in the amount of \$113,521 and \$141,998 was included in total expenses for the years ended December 31, 2016 and 2015, respectively.

Note 5. Deferred Revenue

Deferred revenue consists of church apportionments made to support the following year's activities. The deferred revenues as of December 31, 2016 and 2015 were \$10,120 and \$3,845, respectively.

Note 6. Notes Payable

Notes payable consist of the following at December 31:

	2016	2015
A note in the amount of \$24,999 payable to the South Carolina Methodist Conference Credit Union in 72 monthly payments of \$379, including interest at 2.90%, due May 2018, collateralized by an automobile.	\$ 6,012	\$ 10,256

South Carolina Conference of the United Methodist Church

Notes to Combined Financial Statements

December 31, 2016 and 2015

Note 6. Notes Payable, Continued

	<u>2016</u>	<u>2015</u>
A note in the amount of \$27,433 payable to the South Carolina Methodist Conference Credit Union in 72 monthly payments of \$416, including interest at 2.90%, due July 2022, collateralized by an automobile.	25,842	-
An original note in the amount of \$890,000 payable to the United Methodist Development Fund in 180 monthly payments of \$7,748, including interest at 6.49%, due July 2026, collateralized by real property at 415 Sams Point Road, Beaufort, South Carolina. In 2015, the note was refinanced at 4.50% in 138 monthly payments of \$6,761, due December 2026.	644,846	698,361
A note in the amount of \$24,139 payable to a bank in 60 monthly payments of \$451, including interest at 4.50%, due April 2018, collateralized by real property at 119 North Lucas Street, Walterboro, South Carolina.	6,084	11,168
A note in the amount of \$16,787 payable to a bank in 48 monthly payments of \$389, including interest at 5.50%, due October 2017, collateralized by two copiers.	3,763	8,104
A note in the amount of \$83,269 payable to the South Carolina Methodist Conference Credit Union in 167 monthly payments of \$469, due September 2028. The note's interest rate will remain at 4.60% for 47 months, and is variable thereafter.	<u>78,843</u>	<u>81,007</u>
	765,390	808,896
Less current maturities	<u>72,578</u>	<u>66,080</u>
	<u>\$ 692,812</u>	<u>\$ 742,816</u>

Scheduled maturities of the notes payable at December 31, 2016 are as follows:

2017	\$ 72,578
2018	64,303
2019	64,606
2020	67,500
2021	70,526
Thereafter	<u>425,877</u>
	<u>\$ 765,390</u>

South Carolina Conference of the United Methodist Church

Notes to Combined Financial Statements

December 31, 2016 and 2015

Note 7. Net Assets

Unrestricted Board designated net assets are net assets that have been designated for a specific purpose by the Board. Unrestricted Board designated net assets at December 31, 2016 and 2015 are designated for the following purposes:

	<u>2016</u>	<u>2015</u>
Permanent reserve	\$ 1,414,823	\$ 1,323,686
Annual Conference	927,450	360,522
Ministry development	<u>595,232</u>	<u>566,188</u>
	<u>\$ 2,937,505</u>	<u>\$ 2,250,396</u>

Temporarily restricted net assets are available for specific program services as follows at December 31:

	<u>2016</u>	<u>2015</u>
District ministries	\$ 558,999	\$ 547,101
Ministerial education	202,904	182,969
Other programs	<u>1,134,682</u>	<u>1,009,634</u>
	<u>\$ 1,896,585</u>	<u>\$ 1,739,704</u>

Permanently restricted net assets of \$38,104 at December 31, 2016 and 2015 are restricted in perpetuity. Earnings from permanently restricted net assets are restricted for scholarships.

Note 8. Leases

The Conference has entered into various operating leases for office equipment, office space, and event rentals, some of which are non-binding. The binding leases expire at various dates through March 2018. Total lease expense was \$272,283 and \$301,435 for the years ended December 31, 2016 and 2015, respectively.

Future minimum lease commitments under the operating leases at December 31, 2016 are as follows:

2017	\$ 130,230
2018	<u>48,555</u>
	<u>\$ 178,785</u>

Note 9. Pension and Benefit Plans

The South Carolina Conference of the United Methodist Church participates in a defined benefit multi-employer pension plan administered by the General Board of Pensions of the United Methodist Church. The plan provides pension benefits to retiring members in addition to providing disability income benefits and guaranteed minimum benefits for widows and dependent children of deceased members.

South Carolina Conference of the United Methodist Church

Notes to Combined Financial Statements

December 31, 2016 and 2015

Note 9. Pension and Benefit Plans, Continued

The Conference contributes to the fund an amount equivalent to 3% of each minister's annual plan compensation (cash salary, tax-deferred contributions made and housing allowance or value of the use of a parsonage) limited by 200% of the denominational average compensation. In addition, the Conference contributed \$492 per month per full time equivalent towards the defined benefit portion of the plan for clergy in 2016 and 2015. For lay employees, the Conference contributes 9% and the lay employee contributes a minimum of 3%. Comprehensive Protection Plan (CPP) contributions for eligible full time ministers are the equivalent of 3% of the minister's plan compensation limited by 200% of the current denomination average compensation. Past service defined benefit funding is an annual actuarially determined amount approved by the Annual Conference. Contributions for each participant are fully vested. The Conference Treasurer remitted \$5,016,783 and \$5,130,088 in 2016 and 2015, respectively, to the General Board of Pensions. Past service expenses are charged to the Annual Conference. The RP 2000 (BB) Individual Annuity Mortality Table is used in the determination of these amounts.

Ministers' pension payments received by the Conference Treasurer are remitted to the General Board of Pensions of the United Methodist Church.

Ministerial Reserve Pension Fund

The Conference participates in the Ministerial Reserve Pension Fund (Pre-82 Plan) which is a defined benefit pension plan administered by the General Board of Pensions and Health Benefits of the United Methodist Church. The Fund covers service prior to 1982 for substantially all clergy and lay pastors. The Board of Pensions of the Conference acts as the trustee responsible for deposits with the General Board of Pensions and Health Benefits of the United Methodist Church. The Conference did not make any contributions to the Ministerial Reserve Pension Fund in 2016 or 2015. For service subsequent to 1981, ministerial and lay employees of the Conference are eligible to participate in the multiemployer retirement plans offered by the United Methodist Church as described below.

Ministerial Pension Plan

The Ministerial Pension Plan (MPP) provided benefits for United States of America clergy from January 1, 1982 through December 31, 2006. It is primarily a defined contribution retirement plan, with the requirement that clergy must convert at least 65% of his or her total account balance to an annuity. This plan ceased accruing benefits effective December 31, 2006. The Conference did not make any contributions to the Ministerial Pension Plan in 2016 or 2015.

Cumulative Pension and Benefit Fund

The Clergy Retirement Security Program (CRSP) was effective January 1, 2007 as a defined benefit plan and a defined contribution plan administered by the General Board of Pensions and Health Benefits of the United Methodist Church. Clergy members and local pastors under Episcopal appointment to a conference, church, charge, district or conference-controlled entity or unit are eligible to participate. For the defined benefit plan, the December 31, 2016 and 2015 contributions were based on an amount equal to \$492 per month for each full-time employee. Contributions to the defined contribution plan totaled approximately \$1,055,000 and \$1,072,000 for the years ended December 31, 2016 and 2015, respectively.

As noted above, the Conference contributes to a defined benefit multi-employer pension plan that consists of three components; 1) The Core Defined Benefit Part of the Clergy Retirement Security Program (CRSP-DB), 2) The defined benefit portion of Supplement Three to the Clergy Retirement Security Program otherwise known as the Ministerial Pension Plan (MPP), and 3) The Supplement One to the Clergy Retirement Security Program (Pre-1982 Plan). All are part of a multiemployer defined benefit pension plan covering substantially all United Methodist clergy, including clergy appointed by the Conference.

South Carolina Conference of the United Methodist Church

Notes to Combined Financial Statements

December 31, 2016 and 2015

Note 9. Pension and Benefit Plans, Continued

The multi-employer plan is a multi-employer plan only under FASB Accounting Standards Codification's Master Glossary definition. It is not a multi-employer plan under Internal Revenue Code §414(f) (i.e., a Taft-Hartley union-management plan) because no union or union contracts are involved. The plan's provisions are governed by the General Conference, a United Methodist Church-wide decision making body composed of 50% clergy and 50% lay delegates that meet once every four years. Changes to the plan provisions are not allowed by the General Conference, except to the extent that they are required to maintain compliance with secular law. The next meeting of the General Conference is in May 2020.

The multi-employer plan is a non-electing church plan under Internal Revenue Code §414(e) and §410(d). As such, it is exempt from the minimum funding requirements of ERISA, the Pension Protection Act of 2006, and Internal Revenue Code §412 and 430-436 (see §412(e)(2)(D)). Accordingly, no funding improvement plan or "zoning" funding requirements apply. Contributions as of December 31, 2016 and 2015 and funding status as of January 1, 2014 and January 1, 2013, respectively, are as follows:

2016			
Benefit Program	Contribution/Transfer Amount	Conference's Funded Status	Conference Portion of Total Contribution
Pre-82 Plan	\$ (2,000,000)	150%	0.0%
MPP Annuities			
Transfer from Pre-82	-		
Cash contributions	-		
Subtotal	-	111%	0.0%
CRSP-DB			
Transfer from Pre-82	-		
Cash contributions	2,707,836		
Subtotal	2,707,836	115%	2.6%
Total	\$ 707,836		

South Carolina Conference of the United Methodist Church

Notes to Combined Financial Statements

December 31, 2016 and 2015

Note 9. Pension and Benefit Plans, Continued

2015			
Benefit Program	Contribution/Transfer Amount	Conference's Funded Status	Conference Portion of Total Contribution
Pre-82 Plan	\$ (2,000,000)	135%	0.0%
MPP Annuities			
Transfer from Pre-82	-		
Cash contributions	-		
Subtotal	-	109%	0.0%
CRSP-DB			
Transfer from Pre-82	-		
Cash contributions	<u>2,827,665</u>		
Subtotal	<u>2,827,665</u>	106%	2.7%
Total	<u>\$ 827,665</u>		

Per the Pre-82 Plan documents, the Conference may redirect available surplus toward the fulfillment of the Pre-82 Plan, MPP Annuities or CRSP-DB contributions of another conference, as agreed between the conferences. On December 31, 2015, the Board of Trustees of the Florida Conference of the United Methodist Church and the South Carolina Conference of the United Methodist Church entered into an agreement that authorized the General Board of Pension and Health Benefits to transfer \$2,000,000 in Pre-82 Plan assets from the South Carolina Conference to the Florida Conference. In exchange, the Florida Conference transferred \$2,000,000 to the South Carolina Conference's unrestricted assets. The transferred funds are included in other income on the Statement of Activities and as investments on the Statement of Financial Position.

On December 31, 2016, the Board of Trustees of the North Carolina Conference of the United Methodist Church and the South Carolina Conference of the United Methodist Church entered into an agreement that authorized the General Board of Pension and Health Benefits to transfer \$2,000,000 in Pre-82 Plan assets from the South Carolina Conference to the North Carolina Conference. In exchange, the North Carolina Conference transferred \$2,000,000 to the South Carolina Conference's unrestricted assets. The transferred funds are included in other income on the Statement of Activities and as investments on the Statement of Financial Position.

The Pre-82 Plan does have internal minimum funding requirements imposed by the terms of the plan. Any unfunded liability must be amortized over a period selected by the plan sponsors as long as it ends no later than December 31, 2021. In addition, Past Service Rate increases in excess of 2% must be funded in full and may not be amortized. In 2016, the Conference was not subject to any additional minimum funding requirements from the General Board of Pensions and Health Benefits.

For MPP Annuities and CRSP-DB, funding of these benefits is managed together through a "Corridor Funding" approach developed by the General Board of Pension and Health Benefits of the United Methodist Church. The benefits are funded proportionally across all participating plan sponsors and the required contribution includes a seven-year amortization of any unfunded liability.

South Carolina Conference of the United Methodist Church

Notes to Combined Financial Statements

December 31, 2016 and 2015

Note 9. Pension and Benefit Plans, Continued

Pre-82 Plan provisions specify that the specific benefit levels of the Pre-82 Plan are determined by participating plan sponsors at their annual meetings in May or June. The Conference adopted the following benefit levels for the years reported:

	2016	2015
Past service rate	\$ 750	\$ 735
Contingent annuitant percentage	75%	75%

There were no other plan changes affecting comparability of the contributions from year to year.

As of January 1, 2014 for the 2016 Funding Year and as of January 1, 2015 for the 2017 Funding Year the Conference did not have amortizable contribution payments.

The latest actuarial valuations were performed on January 1, 2016 on the total plan liabilities and assets.

Plan	Total Plan Liability	Total Plan Assets	Total Plan Funded Status
CRSP-DB	\$ 1,422,046,473	\$ 1,530,170,830	101%
MPP	\$ 3,422,875,264	\$ 3,600,174,516	106%
Pre-82	\$ 2,161,409,693	\$ 2,455,880,058	114%

Minimum contributions from all Plan Sponsors for 2016 to the Pre-82 plan were approximately \$15 million.

Comprehensive Protection Plan

The Comprehensive Protection Plan (CPP) provides disability and death benefits as well as certain minimum benefits related to pension coverage for certain ministerial employees. The CPP is a welfare benefit plan administered by the General Board of Pensions and Health Benefits of the United Methodist Church. Contributions to the Comprehensive Protection Plan totaled \$1,059,450 and \$1,086,000 for the years ended December 31, 2016 and 2015, respectively.

Personal Investment Plan

The United Methodist Personal Investment Plan (UMPIP) became effective January 1, 2006. The General Board of Pension and Health Benefits of the United Methodist Church merged the Cumulative Pension and Benefit Fund and the Personal Investment Plan to form the United Methodist Personal Investment Plan. Conference lay employees and conference and local church personnel are eligible to participate in a defined contribution plan administered by the General Board of Pensions and Health Benefits of the United Methodist Church, which currently requires an employer contribution between 1% and 12%. The Conference currently contributes 9% of all eligible lay participants' compensation. Total contributions to the plan for the years ended December 31, 2016 and 2015 were \$141,736 and \$119,294, respectively. These amounts are included in total expenses in the combined financial statements.

South Carolina Conference of the United Methodist Church

Notes to Combined Financial Statements

December 31, 2016 and 2015

Note 10. Postretirement Benefit Plan

The Conference sponsors a multi-employer defined benefit postretirement health care plan for ministerial employees of its member churches and employees of the Conference. The plan is contributor, whereby the retiree contributions can be adjusted for increases in the cost of health care. The plan is unfunded. A measurement date of December 31 is used for the plan.

On December 31, 2007, the Conference adopted the recognition and disclosure provisions of FASB Accounting Standards Codification (ASU) 958 (Not-For-Profit Entities). ASU 958 requires the Conference to recognize the funded status of its defined benefit plans in its Statement of Financial Position, with a corresponding adjustment to unrestricted net assets. The adjustment to unrestricted net assets at adoption represented the unrecognized prior service benefit and unrecognized net gain, all of which were previously netted against the funded status of the plan in the Conference's statement of financial position pursuant to ASU 958. These amounts will subsequently be recognized as net gains consistent with the Conference's historical accounting policy for amortizing such amounts.

In addition, actuarial gains and losses that arise in subsequent periods and are not recognized in benefit cost will be recognized in unrestricted net assets.

The following table provides a reconciliation of the changes in the plan's benefit obligation and fair value of assets for the years ended December 31, 2016 and 2015, and a statement of funded status at December 31, 2016 and 2015:

	<u>2016</u>	<u>2015</u>
Reconciliation of accumulated postretirement benefit obligation:		
Accumulated postretirement benefit obligation, beginning	\$ 20,864,883	\$ 22,129,908
Service cost for benefits earned during the year	384,440	456,520
Interest cost on accumulated postretirement benefit obligation	777,495	761,234
Actuarial (gain) loss	(2,571,533)	(1,109,398)
Contributions by plan participants	443,776	443,354
Benefit payments	<u>(1,784,192)</u>	<u>(1,816,735)</u>
Accumulated postretirement benefit obligations, ending	<u>\$ 18,114,869</u>	<u>\$ 20,864,883</u>
	<u>2016</u>	<u>2015</u>
Reconciliation of fair value of plan assets:		
Fair value of plan assets, beginning	\$ -	\$ -
Employer contributions	(1,340,416)	(1,373,381)
Contributions by plan participant	(443,776)	(443,354)
Benefit payments	<u>1,784,192</u>	<u>1,816,735</u>
Fair value of plan assets	<u>-</u>	<u>-</u>
Funded status:		
Accumulated postretirement benefit obligation in excess of plan assets	<u>\$ (18,114,869)</u>	<u>\$ (20,864,883)</u>

Effective January 1, 2014, the post-age 65 plan changed from a fully-insured Medicare Supplement plan to a Health Reimbursement Arrangement (HRA) contribution of \$2,400 per participant per year for retirements on or before July 1, 2015, and \$1,200 per participant per year for retirements after July 1, 2015. The same HRA contribution was added for pre-65 retirees.

South Carolina Conference of the United Methodist Church

Notes to Combined Financial Statements

December 31, 2016 and 2015

Note 10. Postretirement Benefit Plan, Continued

The components of the postretirement benefit cost charged to expense consisted of the following for the years ended December 31, 2016 and 2015:

	<u>2016</u>	<u>2015</u>
Service cost for benefits earned during the year	\$ 384,440	\$ 456,520
Interest cost on projected benefit obligation	777,495	761,234
Amortization of prior service benefit	<u>327,161</u>	<u>327,161</u>
Net periodic (benefit) expense	<u>\$ 1,489,096</u>	<u>\$ 1,544,915</u>
Amounts recognized in postretirement changes other than net periodic postretirement costs		
Actuarial (gain) loss for current year	\$ (2,571,533)	\$ (1,109,398)
Amortization of prior service benefit (expense)	<u>(327,161)</u>	<u>(327,161)</u>
	<u>\$ (2,898,694)</u>	<u>\$ (1,436,559)</u>
	<u>2016</u>	<u>2015</u>
Amount in unrestricted net assets expected to be recognized in net postretirement cost in 2016 and 2015		
Prior service benefit	<u>\$ 327,161</u>	<u>\$ 327,161</u>
	<u>\$ 327,161</u>	<u>\$ 327,161</u>

The following benefit payments, which reflect expected future service, are expected to be paid by the Conference during the years ended December 31:

2017	\$ 1,161,428
2018	1,208,040
2019	1,238,698
2020	1,255,294
2021	1,254,535
2022 - 2026	6,106,637

The accumulated postretirement benefit obligation was computed using an assumed discount rate of 3.75% and 3.85% for 2016 and 2015. The increase in the discount rate was to reflect market conditions. The health care cost trend rate was assumed to be 6.50% in 2016 and 2015.

Assumed health care rates have a significant effect on the amounts reported for the plan. A 1% change in assumed health care cost trend rate would have the following effect:

	<u>2016</u>		<u>2015</u>	
	<u>1% Increase</u>	<u>1% Decrease</u>	<u>1% Increase</u>	<u>1% Decrease</u>
Effect on total service and interest cost components	\$ 22,379	\$ (19,102)	\$ 30,246	\$ (25,827)
Effect on the accumulated postretirement benefit obligation	162,502	(143,243)	208,125	(183,809)

South Carolina Conference of the United Methodist Church

Notes to Combined Financial Statements

December 31, 2016 and 2015

Note 11. Subsequent Event

On June 2, 2017, the Conference sold the property held for sale for approximately \$4 million. The Conference will recognize a gain on the sale of approximately \$3.5 million in fiscal year 2017.

South Carolina Conference of the United Methodist Church
Columbia Area Episcopal Office
Schedule of Cash Receipts and Disbursements
For the years ended December 31, 2016 and 2015

	2016	2015
<i>Cash receipts</i>		
General Council on Finance and Administration	\$ 82,900	\$ 81,400
Apportionments	11,154	11,035
Other receipts	-	101
Total cash receipts	<u>94,054</u>	<u>92,536</u>
<i>Cash disbursements</i>		
Support staff salaries	67,318	64,869
Support employee benefits	2,212	11,688
Staff travel	1,117	202
Equipment maintenance	1,344	1,047
Postage	259	103
Printing and copying	-	-
Professional entertainment	167	107
Rent	9,609	9,609
Office supplies	468	521
Telephone	3,937	3,062
Miscellaneous	689	1,328
Total disbursements	<u>87,120</u>	<u>92,536</u>
<i>Excess of cash receipts over cash disbursements</i>	6,934	-
<i>Cash (deficit), beginning of year</i>	<u>(7,907)</u>	<u>(7,907)</u>
<i>Cash (deficit), end of year</i>	<u>\$ (973)</u>	<u>\$ (7,907)</u>

Note: All funds come from the General Episcopal Fund and South Carolina local churches through apportionments.

South Carolina Conference of the United Methodist Church
Columbia Area Episcopal Office
Schedule of Fixed Assets
For the year ended December 31, 2016

	Furniture & Fixtures	Office Equipment	Automobiles	Other	Total
<i>Fixed assets</i>					
Beginning balance	\$ -	\$ -	\$ -	\$ -	\$ -
Additions	-	-	-	-	-
Disposals	-	-	-	-	-
Ending balance	-	-	-	-	-
<i>Accumulated depreciation</i>					
Beginning balance	\$ -	\$ -	\$ -	\$ -	\$ -
Additions	-	-	-	-	-
Disposals	-	-	-	-	-
Ending balance	-	-	-	-	-
<i>Net fixed assets</i>	\$ -	\$ -	\$ -	\$ -	\$ -