

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

Report on Combined Financial Statements

For the years ended December 31, 2017 and 2016

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, 2017 and 2016, 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 the 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, as discussed in the Basis for Qualified Opinion paragraph, 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, 2017 and 2016, 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, LLC". The signature is written in a cursive, flowing style.

Columbia, South Carolina
June 26, 2018

South Carolina Conference of the United Methodist Church

Combined Statements of Financial Position

As of December 31, 2017 and 2016

	2017	2016
Assets		
Current assets		
Cash and cash equivalents	\$ 8,055,323	\$ 8,496,302
Restricted cash and cash equivalents	-	3,218
Prepays	6,658	6,932
Receivables		
Due from churches	1,663,459	1,731,014
Due from others	2,092	423
Due from pension/insurance billings, net of allowance for doubtful accounts of \$2,214,145 and \$2,199,877, respectively	1,140,784	1,019,457
Property held for sale	-	527,132
Investments	51,797,448	37,900,688
Total current assets	62,665,764	49,685,166
Property and equipment, net	8,447,780	8,308,723
Total assets	<u>\$ 71,113,544</u>	<u>\$ 57,993,889</u>
Liabilities and Net Assets		
Current liabilities		
Accounts payable	\$ 1,481,751	\$ 1,618,374
Current portion of accrued postretirement benefit obligations	1,183,101	1,140,245
Current portion of notes payable	55,293	72,578
Current portion of obligation under capital lease	12,271	-
Due to agencies and support groups	62,885	58,975
Deferred revenue	30,868	10,120
Other accrued expenses	95,841	65,475
Total current liabilities	2,922,010	2,965,767
Accrued postretirement benefit obligations, net of current portion	17,135,599	16,974,624
Notes payable, net of current portion	535,694	692,812
Obligation under capital lease, net of current portion	25,027	-
Total liabilities	<u>20,618,330</u>	<u>20,633,203</u>
Net assets		
Unrestricted		
Undesignated	45,062,201	32,488,492
Board designated	2,791,039	2,937,505
Temporarily restricted	2,603,870	1,896,585
Permanently restricted	38,104	38,104
Total net assets	50,495,214	37,360,686
Total liabilities and net assets	<u>\$ 71,113,544</u>	<u>\$ 57,993,889</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, 2017

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Revenue and support				
Apportionments	\$ 12,420,804	\$ 3,756,284	\$ -	\$ 16,177,088
Direct billing: health insurance	7,458,579	-	-	7,458,579
Direct billing: pension and protection plans	4,347,976	-	-	4,347,976
Registrations and fees	1,979,414	-	-	1,979,414
Investment income	82,701	22,761	-	105,462
Nonapportioned giving	571,863	1,468,397	-	2,040,260
Other income	2,323,637	115	-	2,323,752
Net realized and unrealized gains on investments	5,925,894	33,312	-	5,959,206
Net assets released from restrictions	4,573,584	(4,573,584)	-	-
Total revenue and support	39,684,452	707,285	-	40,391,737
Expenses				
Conference benevolences	3,963,812	-	-	3,963,812
Benefits and welfare	13,242,658	-	-	13,242,658
Support of conference institutions	2,439,171	-	-	2,439,171
District operations	2,188,205	-	-	2,188,205
Clergy support and church development	2,010,941	-	-	2,010,941
Camps: Asbury Hills and Salkehatchie	2,201,308	-	-	2,201,308
General and jurisdictional conference support	3,600,465	-	-	3,600,465
Management and general	1,063,429	-	-	1,063,429
Other expenses	8,746	-	-	8,746
Total expenses	30,718,735	-	-	30,718,735
Increase in net assets from operating activities	8,965,717	707,285	-	9,673,002
Nonoperating				
Gain on sale of assets, net	3,665,357	-	-	3,665,357
Postretirement-related changes other than net periodic postretirement cost	(203,831)	-	-	(203,831)
Total nonoperating	3,461,526	-	-	3,461,526
Change in net assets	12,427,243	707,285	-	13,134,528
Net assets, beginning of year	35,425,997	1,896,585	38,104	37,360,686
Net assets, end of year	\$ 47,853,240	\$ 2,603,870	\$ 38,104	\$ 50,495,214

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 Statements of Cash Flows

For the years ended December 31, 2017 and 2016

	2017	2016
Cash flows from operating activities:		
Change in net assets	\$ 13,134,528	\$ 8,574,585
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	117,670	113,521
Allowance for doubtful accounts	14,268	(76,171)
Unrealized and realized gains on investments	(5,959,206)	(2,107,885)
Gain on sale of assets	(3,665,357)	(748,352)
Changes in deferred and accrued amounts:		
Prepays	274	(936)
Due from churches	67,555	73,181
Due from others	(1,669)	6,483
Due from pension/insurance billings	(135,595)	34,081
Accounts payable	(136,623)	(69,729)
Due to agencies and support groups	3,910	(7,757)
Deferred revenue	20,748	6,275
Accrued postretirement benefit obligations	203,831	(2,750,014)
Other accrued expenses	30,366	14,475
Net cash provided by operating activities	<u>3,694,700</u>	<u>3,061,757</u>
Cash flows from investing activities:		
Proceeds from sales of investments	13,726,942	15,070,862
Purchases of investments	(21,664,496)	(18,361,541)
Proceeds from sale of assets	4,196,152	748,352
Purchases of property and equipment	(222,064)	(244,046)
Net cash used for investing activities	<u>(3,963,466)</u>	<u>(2,786,373)</u>
Cash flows from financing activities:		
Proceeds from notes payable	-	27,433
Payments on capital lease obligation	(1,028)	-
Principal payments on notes payable	(174,403)	(70,939)
Net cash used for financing activities	<u>(175,431)</u>	<u>(43,506)</u>
Net change in cash and cash equivalents	<u>(444,197)</u>	<u>231,878</u>
Cash and cash equivalents, beginning of year	<u>8,499,520</u>	<u>8,267,642</u>
Cash and cash equivalents, end of year	<u>\$ 8,055,323</u>	<u>\$ 8,499,520</u>
Supplemental disclosures		
Cash paid for interest	<u>\$ 28,520</u>	<u>\$ 32,040</u>
Noncash investing and financing activities		
Equipment acquired under capital lease	<u>\$ 38,326</u>	<u>\$ -</u>

See Notes to Combined Financial Statements

South Carolina Conference of the United Methodist Church

Notes to Combined Financial Statements

December 31, 2017 and 2016

Note 1. Summary of Significant Accounting Policies

Organization:

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.

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 ("U.S. GAAP"), except for the effects of not recording property and equipment as described in Note 5. 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 combined statements of cash flows, the Conference considers all highly liquid investment instruments purchased with original maturity of three months or less to be cash equivalents except for those amounts designated and classified as investments.

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 consist primarily of assets invested in marketable equity and debt securities, alternative investments, and money market accounts. Investments in equity securities with readily determinable fair values and all investments in debt securities are measured at fair value in the statement of financial position. The realized and unrealized gain or loss on investments is reflected in the combined statement of activities.

South Carolina Conference of the United Methodist Church

Notes to Combined Financial Statements

December 31, 2017 and 2016

Note 1. Summary of Significant Accounting Policies, Continued

Property and equipment:

The Conference has generally not recorded land or buildings as property and equipment on the combined statements of financial position, with the exception of the property and equipment 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 U.S. GAAP. 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, 2017 and 2016

Note 1. Summary of Significant Accounting Policies, Continued

Advertising:

Costs incurred for producing and communicating advertising and promotional material of \$29,418 and \$42,182 for the years ended 2017 and 2016, respectively, were expensed when incurred.

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 U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the 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 2016 combined financial statements has been reclassified to be consistent with the 2017 presentation. Such reclassifications had no effect on the change in net assets, cash flows or net assets.

Recently issued accounting pronouncements:

In August 2016, the Financial Accounting Standards Board ("FASB") issued guidance to make targeted improvements to the not-for-profit financial reporting model, including changes in how a not-for-profit organization classifies its net assets, as well as the information it presents in financial statements and notes about its liquidity, financial performance, and cash flows. The amendments will be effective for the Conference for fiscal years beginning after December 15, 2017 and interim periods within fiscal years beginning after December 15, 2018. Early adoption is permitted. The Conference is currently evaluating the effect that implementation of the new standard will have on its combined financial statements.

In May 2014, the FASB issued guidance to change the recognition of revenue from contracts with customers. The core principle of the new guidance is that an entity should recognize revenue to reflect the transfer of goods and services to customers in an amount equal to the consideration the entity receives or expects to receive. In August 2015, the FASB deferred the effective date of ASU 2014-09, Revenue from Contracts with Customers. As a result of the deferral, the guidance in ASU 2014-09 will be effective for the Conference for annual periods beginning after December 15, 2018, and interim periods within annual reporting periods beginning after December 15, 2019. The Conference is currently evaluating the impact of these amendments on its combined financial statements.

South Carolina Conference of the United Methodist Church

Notes to Combined Financial Statements

December 31, 2017 and 2016

Note 1. Summary of Significant Accounting Policies, Continued

Recently issued accounting pronouncements, continued:

In February 2016, the FASB issued Accounting Standards Update ("ASU") 2016-02, Leases (Topic 842), which will supersede the current lease recognition and disclosure requirements. The ASU is based on the principle that a lessee should recognize the assets and liabilities that arise from leases. Except for leases with a term of 12 months or less, a lessee will be required to recognize a liability to make lease payments and a right-of-use asset representing its right to use the underlying asset for the lease term. The ASU also requires additional disclosures about the nature, amount, timing and uncertainty of cash flows arising from leases. For nonpublic entities, the amendments are effective for annual reporting periods beginning after December 15, 2019. The Conference is currently evaluating the effect that implementation of the new standard will have on its combined financial statements.

Subsequent events:

These combined financial statements have not been updated for subsequent events after June 26, 2018, the date the combined financial statements were available to be issued.

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 \$1,866,285 and \$1,854,236 as of December 31, 2017 and 2016, respectively, invested with the United Methodist Development Fund, which is not FDIC or SIPC insured.

Note 3. Investments

Investments consist of the following as of December 31:

	<u>2017</u>	<u>2016</u>
Money market fund	\$ 640,049	\$ -
Certificates of deposit	2,805,847	2,804,236
Equity securities	1,163,050	-
Preferred stock	8,988	-
Debt securities:		
Government securities	283,379	-
Municipal bonds	278,587	-
Corporate bonds	<u>389,676</u>	<u>-</u>
Total debt securities	<u>951,642</u>	<u>-</u>
Investments measured at NAV		
UMF Fund of Funds	706,664	604,320
GBOP Fund of Funds		
Multiple Asset Fund	39,434,344	29,192,856
Short Term Investment Fund	4,017,471	4,249,015
International Equity Fund	-	36
Inflation Protection Fund	53,590	51,324
Fixed Income Fund	<u>640,447</u>	<u>600,978</u>
Total GBOP Fund of Funds	<u>44,145,852</u>	<u>34,094,209</u>

South Carolina Conference of the United Methodist Church

Notes to Combined Financial Statements

December 31, 2017 and 2016

Note 3. Investments, Continued

	<u>2017</u>	<u>2016</u>
Mutual Funds		
Small Blend	68,186	-
World Small/Mid Stock	64,880	-
Intermediate Government	237,346	-
Intermediate - Term Bond	<u>1,004,944</u>	<u>397,923</u>
Total Mutual Funds	<u>1,375,356</u>	<u>397,923</u>
Total Investments measured at NAV	<u>46,227,872</u>	<u>35,096,452</u>
Total investments	<u>\$ 51,797,448</u>	<u>\$ 37,900,688</u>

Investment return consists of the following for the years ending December 31:

	<u>2017</u>	<u>2016</u>
Net realized gains on investments	\$ 2,632,978	\$ 1,248,867
Net unrealized gains on investments	3,326,228	859,018
Interest and dividends	<u>105,462</u>	<u>41,245</u>
Total investment return	<u>\$ 6,064,668</u>	<u>\$ 2,149,130</u>

The fair value of marketable debt securities at December 31, 2017 by contractual maturities is shown below:

Due in one year or less	\$ 19,968
Due after one year but less than five years	611,442
Due after five years but less than ten years	290,636
Due after ten years	<u>29,596</u>
Total	<u>\$ 951,642</u>

Investments in an unrealized loss position that are not other-than-temporarily impaired:

The Conference has determined that the unrealized losses incurred on its marketable securities are deemed to be temporary impairments as of December 31, 2017. The Conference believes that the unrealized losses generally are caused by liquidity discounts and increases in risk premiums required by market participants rather than an adverse change in cash flows or a fundamental weakness in the credit quality of the issuer or underlying assets.

	<u>Less than twelve months</u>		<u>More than twelve months</u>		<u>Total</u>	
	<u>Fair value</u>	<u>Unrealized losses</u>	<u>Fair value</u>	<u>Unrealized losses</u>	<u>Fair value</u>	<u>Unrealized losses</u>
Equity securities	\$ 173,765	\$ 21,872	\$ -	\$ -	\$ 173,765	\$ 21,872
Government securities	252,661	2,382	-	-	252,661	2,382
Municipal bonds	276,615	2,961	-	-	276,615	2,961
Corporate bonds	372,495	6,901	-	-	372,495	6,901
Mutual funds	<u>849,626</u>	<u>5,073</u>	<u>-</u>	<u>-</u>	<u>849,626</u>	<u>5,073</u>
Total temporarily impaired investments	<u>\$ 1,925,162</u>	<u>\$ 39,189</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,925,162</u>	<u>\$ 39,189</u>

South Carolina Conference of the United Methodist Church

Notes to Combined Financial Statements

December 31, 2017 and 2016

Note 4. Fair Value of Investments

The Conference determines fair value measurements in accordance with U.S. GAAP, which establishes a framework for measuring fair value that includes a hierarchy that categorizes and prioritizes the sources used to measure and disclose fair value. Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date (an exit price). The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy are described below:

Level 1 Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Conference has the ability to access.

Level 2 Inputs to the valuation methodology include:

- Quoted prices for similar assets or liabilities in active markets;
- Quoted prices for identical or similar assets or liabilities in inactive markets;
- Inputs other than quoted prices that are observable for the asset or liability;
- Inputs that are derived principally from or corroborated by observable market data by correlation or other means.

If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.

Level 3 Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

Inputs refer broadly to the assumptions that market participants use to make valuation decisions, including assumptions about risk. Inputs may include price information, volatility statistics, specific and broad credit data, liquidity statistics and other factors.

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

The following is a description of the valuation methodologies used for the Conference assets and liabilities measured at fair value at December 31, 2017 and 2016:

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

Equity securities: The fair value of equity securities is the market value based on quoted market prices, when available, or market prices provided by recognized broker dealers.

Preferred stock: The fair value of preferred stock is the market value based on quoted market prices, when available, or market prices provided by recognized broker dealers.

South Carolina Conference of the United Methodist Church

Notes to Combined Financial Statements

December 31, 2017 and 2016

Note 4. Fair Value of Investments, Continued

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

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. 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. 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.

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

	December 31, 2017			
	Level 1	Level 2	Level 3	Total
Investments				
Money market fund	\$ 640,049	\$ -	\$ -	\$ 640,049
Certificates of deposit	-	2,805,847	-	2,805,847
Equities	1,163,050	-	-	1,163,050
Preferred stock	8,988	-	-	8,988
Debt securities				
Government securities	-	283,379	-	283,379
Municipal bonds	-	278,587	-	278,587
Corporate bonds	-	389,676	-	389,676
Total debt securities	<u>1,803,099</u>	<u>3,766,477</u>	<u>-</u>	<u>5,569,576</u>
Total investments in the fair value hierarchy	<u>\$ 1,803,099</u>	<u>\$ 3,766,477</u>	<u>\$ -</u>	<u>5,569,576</u>
Investments measured at net asset value				<u>46,227,872</u>
Total investments at fair value				<u>\$ 51,797,448</u>

South Carolina Conference of the United Methodist Church

Notes to Combined Financial Statements

December 31, 2017 and 2016

Note 4. Fair Value of Investments, Continued

	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

The following table for December 31, 2017 and 2016 sets forth a summary of the Conference's investments reported at NAV as a practical expedient to estimate fair market value:

Investment	December 31, 2017			
	Fair value	Unfunded commitment	Redemption frequency	Redemption notice period
UMF Fund of Funds	\$ 706,664	\$ -	Immediate	Up to 180 days
GBOP Fund of Funds:				
Multiple Asset Fund	39,434,344	-	Immediate	None
Short Term Investment Fund	4,017,471	-	Immediate	None
Inflation Protection Fund	53,590	-	Immediate	None
Fixed Income Fund	640,447	-	Immediate	None
Total GBOP Fund of Funds	44,145,852	-		
Mutual Funds:				
Small Blend	68,186	-	Immediate	None
World Small/ Mid Stock	64,880	-	Immediate	None
Intermediate – Term Bond	237,346	-	Immediate	None
Intermediate Government	1,004,944	-	Immediate	None
Total Mutual Funds	1,375,356	-		
Total	\$ 46,227,872	\$ -		

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	34,094,209	-		
Mutual Funds:				
Intermediate - Term Bond	397,923	-	Immediate	None
Total	\$ 35,096,452	\$ -		

South Carolina Conference of the United Methodist Church

Notes to Combined Financial Statements

December 31, 2017 and 2016

Note 5. Property, Equipment, and Depreciation

The Conference historically has not recorded property and equipment 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 property and equipment along with the related depreciation. During 2017 and 2016, the Conference recorded property and equipment purchases in excess of \$5,000 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, 2017				
	Conference	Districts	Camps and Retreats	Total
Land	\$ 300,000	\$ 90,000	\$ 545,489	\$ 935,489
Buildings and equipment	2,586,250	1,560,939	4,262,939	8,410,128
	2,886,250	1,650,939	4,808,428	9,345,617
Less accumulated depreciation	-	-	897,837	897,837
	<u>\$ 2,886,250</u>	<u>\$ 1,650,939</u>	<u>\$ 3,910,591</u>	<u>\$ 8,447,780</u>
December 31, 2016				
	Conference	Districts	Camps and Retreats	Total
Land	\$ 300,000	\$ 90,000	\$ 545,489	\$ 935,489
Buildings and equipment	2,547,926	1,543,642	4,062,896	8,154,464
	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>

As of December 31, 2016, the Conference had property held for sale in the amount of \$527,132. In June 2017, the Conference sold the property for approximately \$4,000,000. The Conference recognized a gain on the sale of approximately \$3,450,000 for the year ending December 31, 2017.

Depreciation expense in the amount of \$117,670 and \$113,521 was included in total expenses for the years ended December 31, 2017 and 2016, respectively.

Note 6. Deferred Revenue

Deferred revenue consists of church apportionments made to support the following year's activities and camp registrations for the following year. The deferred revenues as of December 31, 2017 and 2016 were \$30,868 and \$10,120, respectively.

South Carolina Conference of the United Methodist Church

Notes to Combined Financial Statements

December 31, 2017 and 2016

Note 7. Notes Payable

	<u>2017</u>	<u>2016</u>
Notes payable consist of the following at December 31:		
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
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.	590,987	644,846
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
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
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, collateralized by real property at 500 Montague Avenue, Greenwood, South Carolina. The note's interest rate will remain at 4.60% for 47 months, and is variable thereafter.	-	78,843
	590,987	765,390
Less current maturities	55,293	72,578
	<u>\$ 535,694</u>	<u>\$ 692,812</u>

South Carolina Conference of the United Methodist Church

Notes to Combined Financial Statements

December 31, 2017 and 2016

Note 7. Notes Payable, Continued

Scheduled maturities of the notes payable at December 31, 2017 are as follows:

2018	\$ 55,293
2019	57,832
2020	60,489
2021	63,268
2022	66,174
Thereafter	<u>287,931</u>
	<u>\$ 590,987</u>

Note 8. 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, 2017 and 2016 are designated for the following purposes:

	<u>2017</u>	<u>2016</u>
Permanent reserve	\$ 1,578,911	\$ 1,414,823
Annual Conference	593,638	927,450
Ministry development	<u>618,490</u>	<u>595,232</u>
	<u>\$ 2,791,039</u>	<u>\$ 2,937,505</u>

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

	<u>2017</u>	<u>2016</u>
District ministries	\$ 1,003,024	\$ 558,999
Ministerial education	198,208	202,904
Other programs	<u>1,402,638</u>	<u>1,134,682</u>
	<u>\$ 2,603,870</u>	<u>\$ 1,896,585</u>

Permanently restricted net assets of \$38,104 at December 31, 2017 and 2016 are restricted in perpetuity. Earnings from permanently restricted net assets are restricted for scholarships.

Note 9. Operating 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 \$298,859 and \$272,283 for the years ended December 31, 2017 and 2016, respectively.

Future minimum lease commitments under the operating leases at December 31, 2017 are as follows:

2018	<u>\$ 55,065</u>
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South Carolina Conference of the United Methodist Church

Notes to Combined Financial Statements

December 31, 2017 and 2016

Note 10. Capital Lease

The Conference leases equipment under a capital lease expiring in November 2020. The leased assets are recorded at the net present value of future minimum lease payments with an interest rate of 4.25%. The equipment had an original cost of \$38,326. The Conference has deferred recording depreciation expense for the year ending December 31, 2017.

Future minimum lease payments for years following December 31, 2017 are as follows:

2018	\$ 13,619
2019	13,619
2020	<u>12,485</u>
Total minimum lease payments	39,723
Less amounts representing interest	<u>2,425</u>
Present value of minimum lease payments	37,298
Less current maturities of capital lease obligations	<u>12,271</u>
Long-term capital lease obligations	<u>\$ 25,027</u>

Note 11. 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.

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 2017 and 2016. 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 \$5,097,407 and \$5,016,783 in 2017 and 2016, 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 2017 or 2016. 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.

South Carolina Conference of the United Methodist Church

Notes to Combined Financial Statements

December 31, 2017 and 2016

Note 11. Pension and Benefit Plans, Continued

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 2017 or 2016.

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, 2017 and 2016 contributions were based on an amount equal to \$492 per month for each full-time employee. Contributions to the defined contribution plan totaled approximately \$1,058,000 and \$1,055,000 for the years ended December 31, 2017 and 2016, 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.

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.

South Carolina Conference of the United Methodist Church

Notes to Combined Financial Statements

December 31, 2017 and 2016

Note 11. Pension and Benefit Plans, Continued

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, 2017 and 2016 and funding status as of January 1, 2015 and January 1, 2014, respectively, are as follows:

2017			
Benefit Program	Contribution/Transfer Amount	Conference's Funded Status	Conference Portion of Total Contribution
Pre-82 Plan	\$ (2,000,000)	154%	0.0%
MPP Annuities			
Transfer from Pre-82	-		
Cash contributions	-		
Subtotal	-	112%	0.0%
CRSP-DB			
Transfer from Pre-82	-		
Cash contributions	2,774,019		
Subtotal	2,774,019	111%	2.7%
Total	\$ 774,019		
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, 2017 and 2016

Note 11. Pension and Benefit Plans, Continued

On December 31, 2016 and 2017, 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 agreements that authorized the General Board of Pension and Health Benefits to transfer \$2,000,000 for each year 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 combined statement of activities and as investments on the combined 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 2017, 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.

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:

	<u>2017</u>	<u>2016</u>
Past service rate	\$ 765	\$ 750
Contingent annuitant percentage	75%	75%

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

As of January 1, 2015 for the 2017 Funding Year and as of January 1, 2016 for the 2018 Funding Year, the Conference did not have amortizable contribution payments.

The latest actuarial valuations were performed on January 1, 2017 on the total plan liabilities and assets.

<u>Plan</u>	<u>Total Plan Liability</u>	<u>Total Plan Assets</u>	<u>Total Plan Funded Status</u>
CRSP-DB	\$ 1,588,243,217	\$ 1,700,835,563	103%
MPP	\$ 3,532,916,942	\$ 3,701,460,997	101%
Pre-82	\$ 2,180,910,324	\$ 2,274,682,824	104%

Minimum contributions from all Plan Sponsors for 2017 to the Pre-82 plan were approximately \$15 million.

South Carolina Conference of the United Methodist Church

Notes to Combined Financial Statements

December 31, 2017 and 2016

Note 11. Pension and Benefit Plans, Continued

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 \$1,071,774 and \$1,059,450 for the years ended December 31, 2017 and 2016, 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, 2017 and 2016 were \$159,066 and \$141,736, respectively. These amounts are included in total expenses in the combined financial statements.

Note 12. 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 combined 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.

South Carolina Conference of the United Methodist Church

Notes to Combined Financial Statements

December 31, 2017 and 2016

Note 12. Postretirement Benefit Plan, Continued

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, 2017 and 2016, and a statement of funded status at December 31, 2017 and 2016:

	<u>2017</u>	<u>2016</u>
Reconciliation of accumulated postretirement benefit obligation:		
Accumulated postretirement benefit obligation, beginning	\$ 18,114,869	\$ 20,864,883
Service cost for benefits earned during the year	305,463	384,440
Interest cost on accumulated postretirement benefit obligation	657,531	777,495
Actuarial (gain) loss	402,265	(2,571,533)
Contributions by plan participants	259,793	443,776
Benefit payments	<u>(1,421,221)</u>	<u>(1,784,192)</u>
Accumulated postretirement benefit obligations, ending	<u>\$ 18,318,700</u>	<u>\$ 18,114,869</u>
	<u>2017</u>	<u>2016</u>
Reconciliation of fair value of plan assets:		
Fair value of plan assets, beginning	\$ -	\$ -
Employer contributions	(1,161,428)	(1,340,416)
Contributions by plan participant	(259,793)	(443,776)
Benefit payments	<u>1,421,221</u>	<u>1,784,192</u>
Fair value of plan assets	<u>-</u>	<u>-</u>
Funded status:		
Accumulated postretirement benefit obligation in excess of plan assets	<u>\$ (18,318,700)</u>	<u>\$ (18,114,869)</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.

The components of the postretirement benefit cost charged to expense consisted of the following for the years ended December 31, 2017 and 2016:

	<u>2017</u>	<u>2016</u>
Service cost for benefits earned during the year	\$ 305,463	\$ 384,440
Interest cost on projected benefit obligation	657,531	777,495
Amortization of prior service benefit	327,161	327,161
Net loss (gain) amortization	<u>(227,715)</u>	<u>-</u>
Net periodic expense	<u>\$ 1,062,440</u>	<u>\$ 1,489,096</u>
Amounts recognized in postretirement changes other than net periodic postretirement costs		
Actuarial (gain) loss for current year	\$ 402,265	\$ (2,571,533)
Amortization of prior service expense	<u>(327,161)</u>	<u>(327,161)</u>
	<u>\$ 75,104</u>	<u>\$ (2,898,694)</u>

South Carolina Conference of the United Methodist Church

Notes to Combined Financial Statements

December 31, 2017 and 2016

Note 12. Postretirement Benefit Plan, Continued

	<u>2017</u>	<u>2016</u>
Amount in unrestricted net assets expected to be recognized in net postretirement cost in 2017 and 2016		
Prior service benefit	\$ 327,161	\$ 327,161
	<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:

2018	\$ 1,202,755
2019	1,231,223
2020	1,245,813
2021	1,243,338
2022	1,238,739
2023 - 2027	5,952,082

The accumulated postretirement benefit obligation was computed using an assumed discount rate of 3.35% and 3.75% for 2017 and 2016. The decrease in the discount rate was to reflect market conditions. The health care cost trend rate was assumed to be 6.25% and 6.50% in 2017 and 2016, respectively.

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>2017</u>		<u>2016</u>	
	<u>1%</u>	<u>1%</u>	<u>1%</u>	<u>1%</u>
	<u>Increase</u>	<u>Decrease</u>	<u>Increase</u>	<u>Decrease</u>
Effect on total service and interest cost components	\$ 18,453	\$ (15,779)	\$ 22,379	\$ (19,102)
Effect on the accumulated postretirement benefit obligation	186,662	(163,631)	162,502	(143,243)

South Carolina Conference of the United Methodist Church
Columbia Area Episcopal Office
Schedule of Cash Receipts and Disbursements
For the years ended December 31, 2017 and 2016

	2017	2016
<i>Cash receipts</i>		
General Council on Finance and Administration	\$ 84,560	\$ 82,900
Apportionments	11,098	11,154
Total cash receipts	<u>95,658</u>	<u>94,054</u>
<i>Cash disbursements</i>		
Support staff salaries	68,223	67,318
Support employee benefits	1,174	2,212
Staff travel	1,223	1,117
Equipment maintenance	530	1,344
Postage	230	259
Printing and copying	-	-
Professional entertainment	1,645	167
Rent	9,609	9,609
Office supplies	1,219	468
Telephone	5,486	3,937
Miscellaneous	2,941	689
Total disbursements	<u>92,280</u>	<u>87,120</u>
<i>Excess of cash receipts over cash disbursements</i>	3,378	6,934
<i>Cash (deficit), beginning of year</i>	(973)	(7,907)
<i>Cash (deficit), end of year</i>	<u>\$ 2,405</u>	<u>\$ (973)</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, 2017

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