

**COUNCIL ON FINANCE AND  
ADMINISTRATION OF THE  
CALIFORNIA-NEVADA ANNUAL  
CONFERENCE OF THE UNITED  
METHODIST CHURCH**

**FINANCIAL STATEMENTS WITH  
INDEPENDENT AUDITOR'S REPORT**

**YEARS ENDED  
DECEMBER 31, 2018 AND 2017**

**COUNCIL ON FINANCE AND ADMINISTRATION OF  
THE CALIFORNIA-NEVADA ANNUAL CONFERENCE OF  
THE UNITED METHODIST CHURCH**

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DECEMBER 31, 2018 AND 2017**

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## **INDEPENDENT AUDITOR'S REPORT**

**Council on Finance and Administration of  
California-Nevada Annual Conference of the United Methodist Church  
West Sacramento, California**

We have audited the accompanying financial statements of the Council on Finance and Administration of the California-Nevada Annual Conference of the United Methodist Church (a nonprofit organization), which comprise the statements of financial position as of December 31, 2018 and 2017, and the related statements of activities and cash flows for the years then ended, the related statement of functional expenses for the year ended December 31, 2018, and the related notes to the consolidated financial statements.

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

Management is responsible for the preparation and fair presentation of these 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 financial statements that are free from material misstatement, whether due to fraud or error.

***Auditor's Responsibility***

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

***Opinion***

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Council on Finance and Administration of the California-Nevada Annual Conference of the United Methodist Church as of December 31, 2018 and 2017, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

***Other Matter***

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The supplemental schedules on pages 16 through 20 are presented for the purpose of additional analysis and are not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.



**GILBERT ASSOCIATES, INC.**  
**Sacramento, California**

**May 29, 2019**

**COUNCIL ON FINANCE AND ADMINISTRATION OF  
THE CALIFORNIA-NEVADA ANNUAL CONFERENCE OF  
THE UNITED METHODIST CHURCH**

**STATEMENTS OF FINANCIAL POSITION  
DECEMBER 31, 2018 AND 2017**

	<b>2018</b>	<b>2017</b>
<b>ASSETS</b>		
Cash and cash equivalents	\$ 2,521,416	\$ 2,269,202
Accounts receivable:		
United Methodist churches	606,226	678,881
Other	12,732	4,526
Interest receivable	35,801	34,968
Prepaid expenses and deposits	54,196	139,434
Investments	5,562,810	5,710,593
Investments held by the Foundation	8,737,225	6,848,117
Funds held by others	262,818	275,642
Notes receivable, net	1,870,247	3,743,352
Land, property and equipment, net	4,490,964	4,133,579
<b>TOTAL ASSETS</b>	<b>\$ 24,154,435</b>	<b>\$ 23,838,294</b>
<b>LIABILITIES AND NET ASSETS</b>		
<b>LIABILITIES</b>		
Accounts payable	\$ 94,822	\$ 148,571
Due to affiliated entities	705,506	485,480
Accrued payroll and vacation	42,369	39,303
Deferred revenue	19,745	59,790
Unit insurance claims payable	649,294	298,631
Funds held for others	494,683	128,650
Note payable	-	102,355
Total liabilities	2,006,419	1,262,780
<b>NET ASSETS</b>		
Without donor restrictions	21,089,232	21,890,200
With donor restrictions	1,058,784	685,314
Total net assets	22,148,016	22,575,514
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>\$ 24,154,435</b>	<b>\$ 23,838,294</b>

The accompanying notes are an integral part of these financial statements.

**COUNCIL ON FINANCE AND ADMINISTRATION OF  
THE CALIFORNIA-NEVADA ANNUAL CONFERENCE OF  
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**STATEMENT OF ACTIVITIES  
YEAR ENDED DECEMBER 31, 2018**

	<u>Without donor restrictions</u>	<u>With donor restrictions</u>	<u>Total</u>
<b>REVENUES AND GAINS:</b>			
Tithing and other giving from churches	\$ 4,756,054	\$ -	\$ 4,756,054
Funding from the general church	150,000	544,123	694,123
Unit insurance loss fund premiums	450,000	-	450,000
Rental income	290,759	-	290,759
Registration income	255,587	-	255,587
Contributions	57,775	-	57,775
Interest and investment loss	(279,511)	(28,220)	(307,731)
Other income	246,764	-	246,764
Net assets released from restrictions	142,433	(142,433)	-
Total revenues and gains	<u>6,069,861</u>	<u>373,470</u>	<u>6,443,331</u>
<b>EXPENSES:</b>			
Program expenses:			
Clergy supervision and deployment	1,478,339	-	1,478,339
Outreach and advocacy	1,189,127	-	1,189,127
Leadership development	1,096,159	-	1,096,159
Unit insurance loss fund claims and subsidies	668,301	-	668,301
Congregational development	526,842	-	526,842
Clergy compensation support	289,917	-	289,917
Total program expenses	<u>5,248,685</u>	<u>-</u>	<u>5,248,685</u>
Supporting expenses:			
Administration, communication and Annual Conference	1,039,664	-	1,039,664
Maintenance of facilities	582,480	-	582,480
Total supporting expenses	<u>1,622,144</u>	<u>-</u>	<u>1,622,144</u>
Total expenses	<u>6,870,829</u>	<u>-</u>	<u>6,870,829</u>
<b>INCREASE (DECREASE) IN NET ASSETS</b>	(800,968)	373,470	(427,498)
<b>NET ASSETS, BEGINNING OF YEAR</b>	<u>21,890,200</u>	<u>685,314</u>	<u>22,575,514</u>
<b>NET ASSETS, END OF YEAR</b>	<u>\$ 21,089,232</u>	<u>\$ 1,058,784</u>	<u>\$ 22,148,016</u>

The accompanying notes are an integral part of these financial statements.

**COUNCIL ON FINANCE AND ADMINISTRATION OF  
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**STATEMENT OF ACTIVITIES  
YEAR ENDED DECEMBER 31, 2017**

	<u>Without donor restrictions</u>	<u>With donor restrictions</u>	<u>Total</u>
<b>REVENUES AND GAINS:</b>			
Tithing and other giving from churches	\$ 4,504,712	\$ -	\$ 4,504,712
Funding from the general church	230,000	-	230,000
Unit insurance loss fund premiums	350,000	-	350,000
Rental income	310,138	-	310,138
Registration income	256,846	500	257,346
Contributions	413,062	-	413,062
Interest and investment income	903,462	73,814	977,276
Gain on sale of property	477,852	-	477,852
Other income	17,612	-	17,612
Net assets released from restrictions	<u>49,552</u>	<u>(49,552)</u>	<u>-</u>
Total revenues and gains	<u>7,513,236</u>	<u>24,762</u>	<u>7,537,998</u>
<b>EXPENSES:</b>			
Program expenses:			
Clergy supervision and deployment	1,510,769	-	1,510,769
Outreach and advocacy	1,206,397	-	1,206,397
Leadership development	974,813	-	974,813
Unit insurance loss fund claims and subsidies	680,490	-	680,490
Congregational development	516,514	-	516,514
Clergy compensation support	<u>352,357</u>	<u>-</u>	<u>352,357</u>
Total program expenses	<u>5,241,340</u>	<u>-</u>	<u>5,241,340</u>
Supporting expenses:			
Administration, communication and Annual Conference	1,015,725	-	1,015,725
Maintenance of facilities	<u>605,523</u>	<u>-</u>	<u>605,523</u>
Total supporting expenses	<u>1,621,248</u>	<u>-</u>	<u>1,621,248</u>
Total expenses	<u>6,862,588</u>	<u>-</u>	<u>6,862,588</u>
<b>INCREASE IN NET ASSETS</b>	650,648	24,762	675,410
<b>NET ASSETS, BEGINNING OF YEAR</b>	<u>21,239,552</u>	<u>660,552</u>	<u>21,900,104</u>
<b>NET ASSETS, END OF YEAR</b>	<u>\$ 21,890,200</u>	<u>\$ 685,314</u>	<u>\$ 22,575,514</u>

The accompanying notes are an integral part of these financial statements.

**COUNCIL ON FINANCE AND ADMINISTRATION OF  
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**STATEMENT OF FUNCTIONAL EXPENSES  
YEAR ENDED DECEMBER 31, 2018**

	Program expenses							Maintenance of Facilities	Total
	Clergy supervision & deployment	Outreach & advocacy	Leadership development	Unit insurance loss fund claims and subsidies	Congregational development	Clergy compensation support	Administration, communication, and Annual Conference		
Personnel	\$ 1,088,491	\$ 391,052	\$ 462,738	\$ -	\$ 115,726	\$ -	\$ 576,110	\$ 99,100	\$ 2,733,217
Grants	106,307	705,929	20,800	-	127,195	-	200	-	960,431
Clergy support & supervision	8,528	-	83,872	-	196,255	289,917	139,680	-	718,252
Unit insurance costs	-	-	-	664,949	-	-	-	-	664,949
Events	14,195	13,524	303,783	-	25,830	-	92,211	-	449,543
Occupancy	71,151	-	55,452	-	14,733	-	-	275,923	417,259
General & administrative	18,388	26,787	40,798	3,352	-	-	184,068	132,029	405,422
Professional services	132,344	42,280	38,503	-	27,842	-	36,154	1,262	278,385
Depreciation	31,421	-	72,301	-	16,936	-	-	73,202	193,860
Committee costs	2,181	9,555	17,912	-	2,325	-	11,241	964	44,178
Interest expense	5,333	-	-	-	-	-	-	-	5,333
	<u>\$ 1,478,339</u>	<u>\$ 1,189,127</u>	<u>\$ 1,096,159</u>	<u>\$ 668,301</u>	<u>\$ 526,842</u>	<u>\$ 289,917</u>	<u>\$ 1,039,664</u>	<u>\$ 582,480</u>	<u>\$ 6,870,829</u>

The accompanying notes are an integral part of these financial statements.



**COUNCIL ON FINANCE AND ADMINISTRATION OF  
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**STATEMENTS OF CASH FLOWS  
YEARS ENDED DECEMBER 31, 2018 AND 2017**

	<b>2018</b>	<b>2017</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Increase (decrease) in net assets	\$ (427,498)	\$ 675,410
Adjustments to reconcile change in net cash provided by operating activities:		
Depreciation	193,860	177,376
Net (gain) and loss on sale of property	41,314	(477,852)
Realized and unrealized (gains) losses on investments	789,958	(516,539)
Allowance for uncollectible notes	(239,429)	(21,152)
Changes in:		
Accounts and interest receivable	37,310	(100,156)
Prepaid expenses and deposits	85,238	(28,392)
Funds held by others	12,824	18,495
Accounts payable	(53,749)	58,520
Due to affiliated entities	3,066	316,759
Accrued payroll and vacation	(40,045)	2,430
Deferred revenue	220,026	(3,895)
Unit insurance claims payable	366,033	38,331
Funds held for others	350,663	14,495
Net cash provided by operating activities	1,339,571	153,830
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Collections on notes receivable	2,138,840	63,634
Funds distributed for notes receivable	-	(500,000)
Proceeds from sale of investments	239,348	4,154,222
Purchases of investments	(2,770,631)	(3,420,371)
Proceeds from sale of land, property, and equipment	-	621,636
Purchases of land, property and equipment	(592,559)	(451,440)
Net cash provided (used) by investing activities	(985,002)	467,681
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>		
Payments on note payable	(102,355)	(11,195)
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>	252,214	610,316
<b>CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR</b>	2,269,202	1,658,886
<b>CASH AND CASH EQUIVALENTS, END OF YEAR</b>	\$ 2,521,416	\$ 2,269,202
<b>SUPPLEMENTAL SCHEDULE OF NONCASH INVESTING ACTIVITIES:</b>		
Transfer of accrued interest receivable into note receivable	\$ (26,306)	\$ (11,194)

The accompanying notes are an integral part of these financial statements.

# COUNCIL ON FINANCE AND ADMINISTRATION OF THE CALIFORNIA-NEVADA ANNUAL CONFERENCE OF THE UNITED METHODIST CHURCH

## NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2018 AND 2017

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### 1. NATURE OF OPERATIONS

The Council on Finance and Administration (the “Council”) develops, maintains and administers a comprehensive and coordinated plan of fiscal and administrative policies, procedures and management services for the California-Nevada Annual Conference of the United Methodist Church (“the Conference”). The Conference represents United Methodist congregations in Northern California and Nevada. The Conference includes numerous boards and agencies. Conferences are fundamental governing units of the United Methodist Church.

The Council’s financial management work supports the following;

- Provide staff and infrastructure to assist the area bishop in supervising and deploying clergy
- Recruit, train and credential leaders for the work of making disciples of Jesus Christ
- Coach congregations on how to become a vital part of their communities
- Create new vital congregations in underserved areas
- Partner with churches and national church agencies in working with the poor and improving global health
- Promote diversity in all aspects and at all levels of its ministry
- Provide affordable property and liability insurance to churches

### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

**Basis of accounting and financial statement presentation** – The financial statements are prepared on the accrual basis of accounting in conformity with professional standards applicable to not-for-profit entities. The Council reports information regarding its financial position and activities according to two classes of net assets: net assets with donor restrictions and net assets without donor restrictions. The Council has no net assets with donor restrictions that are perpetual in nature.

**Revenue recognition** – Contributions, grants, and promises to give are recognized in full when received or unconditionally promised, in accordance with professional standards. All contributions are considered available for unrestricted use unless specifically restricted by donors for future periods or specific purposes. Donor-restricted amounts are reported as increases in net assets with donor restrictions. Net assets with donor restrictions become unrestricted, and are reported in the *Statement of Activities* as net assets released from restrictions, when the time restrictions expire or the contributions are used for the restricted purpose.

Registration income is recognized in the period in which the related event is held. Rental income is recognized on the straight-line basis over the period of the related agreement. Tithing and other giving from churches are recognized when received.

**Cash and cash equivalents** - The Council considers all highly liquid debt instruments, purchased with original maturities of three months or less to be cash equivalents.

# COUNCIL ON FINANCE AND ADMINISTRATION OF THE CALIFORNIA-NEVADA ANNUAL CONFERENCE OF THE UNITED METHODIST CHURCH

## NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2018 AND 2017

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The Council maintains its cash and cash equivalents in bank deposit accounts and other investment accounts, which, at times, may exceed federally insured limits. The Council has not experienced any losses in such accounts. Management believes The Council is not exposed to any significant credit risk related to cash and cash equivalents.

**Investments** are carried at fair value. Unrealized and realized gains and losses are reported in the statement of activities.

**Land, property and equipment** – Land and property are reported at cost of acquisition plus improvements. Furniture and equipment are reported at cost, less accumulated depreciation. Depreciation is computed on the straight-line method based on the estimated useful lives of the respective assets (five to twenty-five years). The Council capitalizes all expenditures for property and equipment in excess of \$5,000.

**Due to affiliated entities** represents an allocation of tithes and other funds collected by the Council and are generally remitted to the affiliated entity in the subsequent year.

**Deferred revenue** represents registration fees collected in advance of the related event.

**Tithes** – Churches are expected to tithe 10% of their operating income to the Council. Because of uncertainties as to collection, the Council does not record as revenue church tithes remaining unpaid at year-end other than those collected during early January of the subsequent year. As the tithes rely substantially on church donations, continued support from church tithes is, in part, dependent upon the economic conditions surrounding the Northern California and Nevada regions.

**Functional allocation of expenses** – The costs of providing the program and administrative and management expenses have been summarized on a functional basis in the statement of activities. Accordingly, all costs have been allocated based on management's estimate of the usage of resources.

**Tax status** - The United Methodist Church, and accordingly, the Council, qualifies for exemption from income taxes under provisions of Section 501(c)(3) of the Internal Revenue Code, and similar provisions of state income tax provisions.

**Use of estimates** - The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Actual results could differ from those estimates.

**New accounting pronouncements** – In August 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2016-14, Not-for-Profit Entities (Topic 958), *Presentation of Financial Statements of Not-for-Profit Entities*. The update addresses the complexity and understandability of net asset classification, information about liquidity and availability of resources, and consistency in the type of information provided about expenses and investment return. The Council has adjusted the presentation of these statements accordingly. The ASU has been applied retrospectively to all periods presented, with the exception of the statement of functional expenses and the liquidity disclosure, which have not been applied for the year ended December 31, 2017 as allowed by the transition guidance of this ASU.

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**Recent accounting pronouncements** – In May 2014, the FASB issued ASU 2014-09, *Revenue from Contracts with Customers* (Topic 606). The new accounting standard develops a common standard that will remove inconsistencies in revenue requirements, improve comparability of revenue recognition practices, provide more useful information to users of financial statements and simplify the preparation of financial statements. Application of this statement is effective for the year ending December 31, 2019. The Council is currently evaluating the impact this pronouncement will have on the financial statements.

In June 2018, the FASB issued ASU 2018-08, Topic 958, *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. The new accounting standard clarifies and improves the guidance for (1) evaluating whether transactions should be accounted for as contributions within the scope of Topic 958 or as exchange transactions subject to other guidance and (2) determining whether a contribution is conditional. Application of this statement is effective for transactions in which the entity serves as the resource recipient for the year ending December 31, 2019. For transactions in which the entity serves as the resource provider, the statement is effective for the year ending December 31, 2020. The Council is currently evaluating the impact this pronouncement will have on the financial statements.

**Subsequent events** have been reviewed through May 29, 2019, the date the financial statements were available to be issued. Management concluded that no material subsequent events have occurred since December 31, 2018 that require recognition or disclosure in such financial statements.

### 3. LIQUIDITY AND AVAILABILITY OF RESOURCES

The Council's financial assets available within one year of the statement of financial position date for general expenditure are as follows for 2018.

Cash and cash equivalents	\$ 2,521,416
Investments	5,562,810
Investments held by the Foundation	8,737,225
Accounts and interest receivable	<u>654,759</u>
Total financial assets	17,479,210
Less:	
Amounts unavailable for general expenditures within one year, due to:	
Donor purpose-restricted funds (see Note 11)	(1,058,784)
Funds held for others (see Note 10)	(494,683)
Required reserve for UMDF guaranteed loans (see Note 12)	<u>(33,096)</u>
Total financial assets available to management for general expenditure within one year	<u>\$ 15,892,647</u>

None of these financial assets are subject to donor or other contractual restrictions that make them unavailable for general expenditure within one year of the balance sheet date.

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The Council’s liquidity management is fund-based. The Council’s policy is to begin the year with between 2.5 to 3 months of budgeted cash reserve in the Operating Fund. All other funds are kept liquid unless the governing committee has expressed a desire to invest for a term longer than one year.

**4. INVESTMENTS**

Investments consist of the following at December 31,

	<b>2018</b>	<b>2017</b>
U.S Treasury – AAA rating	\$ 954,570	\$ 967,770
Corporate bonds:		
AAA rating	585,875	591,276
AA1 rating	247,635	248,885
AA2 rating	549,228	564,112
AA3 rating	434,750	691,773
A1 rating	1,422,310	1,229,179
A2 rating	683,786	803,976
A3 rating	540,108	562,837
BAA1 rating	94,508	-
Municipal bonds – AA2 rating	50,040	50,785
Total	5,562,810	5,710,593
Investments held by the Foundation	8,737,225	6,848,117
Total	<b>\$ 14,300,035</b>	<b>\$ 12,558,710</b>

The Conference participates in pooled funds of investments held by the California-Nevada United Methodist Foundation (Foundation). The Foundation’s pooled investments of \$8,737,225 at December 31, 2018 and \$6,848,117 at December 31, 2017 include an equity portfolio, intermediate fixed income portfolio and a blended portfolio. The Conference’s invested interests in these portfolios are determined by investment agreements.

**5. FAIR VALUE MEASUREMENT AND DISCLOSURES**

Fair value is a market-based measurement, not an entity-specific measurement. For some assets and liabilities, observable market transactions or market information might be available. For other assets and liabilities, observable market transactions and market information might not be available. However, the objective of a fair value measurement in both cases is the same – to estimate the price at which an orderly transaction to sell the asset or to transfer the liability would take place between market participants at the measurement date under current market conditions (that is, an exit price at the measurement date from the perspective of a market participant that holds the asset or owes the liability). In order to increase consistency and comparability in fair value measurements, a fair value hierarchy that prioritizes observable and unobservable inputs is used to measure fair value into three broad levels, as follows:

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- Level 1 Inputs      Unadjusted quoted prices in active markets that are accessible at the measurement date for identical assets or liabilities.
- Level 2 Inputs      Inputs other than quoted prices in active markets that are observable either directly or indirectly.
- Level 3 Inputs      Unobservable inputs for the asset or liability.

When a price for an identical asset or liability is not observable, a reporting entity measures fair value using another valuation technique that maximizes the use of relevant observable inputs and minimizes the use of unobservable inputs. Because fair value is a market-based measurement, it is measured using the assumptions that market participants would use when pricing the asset or liability, including assumptions about risk. As a result, a reporting entity's intention to hold an asset or to settle or otherwise fulfill a liability is not relevant when measuring fair value.

The Council's assets subject to fair value at December 31, 2018 are classified as follows:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
U.S Treasury notes	\$ -	\$ 954,570	\$ -	\$ 954,570
Corporate bonds	-	4,558,200	-	4,558,200
Municipal bonds	-	50,040	-	50,040
Investments held by the Foundation	-	8,737,225	-	8,737,225
Total	<u>\$ -</u>	<u>\$ 14,300,035</u>	<u>\$ -</u>	<u>\$ 14,300,035</u>

The Council's assets subject to fair value at December 31, 2017 are classified as follows:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
U.S Treasury notes	\$ -	\$ 967,770	\$ -	\$ 967,770
Corporate bonds	-	4,692,038	-	4,692,038
Municipal bonds	-	50,785	-	50,785
Investments held by the Foundation	-	6,848,117	-	6,848,117
Total	<u>\$ -</u>	<u>\$ 12,558,710</u>	<u>\$ -</u>	<u>\$ 12,558,710</u>

The Council's investments in U. S. Treasury notes, corporate bonds and municipal bonds are classified within Level 2 of the hierarchy because the value is calculated on the basis of pricing information obtained from various pricing sources and from inputs other than quoted market prices in active markets.

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**6. FUNDS HELD BY OTHERS**

Funds held by others include the Council's share of assets held by United Camps, Conferences and Retreats, Inc., a non-profit coalition of organizations formed to jointly manage the organizations' camp and retreat facilities. Ownership of the facilities remains with the member organizations, and the Council's facilities are reported within property and equipment on the accompanying statement of financial position. As of December 31, 2018 and 2017, this balance was \$211,237 and \$224,061, respectively.

Funds held by others also include remainder interests in irrevocable trusts held by the United Methodist Foundation. These interests were created in conjunction with the Council's "Expanding Our Vision" capital campaign in the early 1990's. As of both December 31, 2018 and 2017, this balance was \$51,581.

**7. NOTES RECEIVABLE**

Notes receivables consist of the following at December 31,

	<u>2018</u>	<u>2017</u>
Church loans	\$ 2,233,577	\$ 2,334,642
Mortgage receivable	-	2,000,000
Claremont seminary note receivable	515,000	500,000
Cal Aggie House note receivable	33,000	34,000
Employee loans receivable	6,531	32,000
Subtotal	<u>2,788,108</u>	<u>4,900,642</u>
Less allowance for uncollectible notes	<u>(917,861)</u>	<u>(1,157,290)</u>
Total	<u>\$ 1,870,247</u>	<u>\$ 3,743,352</u>

Notes receivable are due to be collected as follows:

Within one year	\$ 545,810
In one to five years	167,032
Thereafter	<u>2,075,266</u>
Total	2,788,108
Less allowance for uncollectible notes	<u>(917,861)</u>
Total	<u>\$ 1,870,247</u>

Church loans are made from the Council's Revolving Loan Fund. During 2012, the Council on Finance and Administration suspended making new loans and will consider a recommendation to the Conference regarding the future use of the Revolving Loan Fund. The existing loans have as collateral first, second, third or fourth deeds of trust on certain real property and are, therefore, sometimes subordinated to certain other liabilities of the debtor. The values of the collateral may not be sufficient for full recovery of the loans should foreclosure take place. While the Council anticipates these loans will be repaid, an allowance has been established to account for those loans

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which may be uncollectible. Repayment of these loans is, in part, dependent upon the economic conditions surrounding the Northern California-Nevada region. The Council may adjust the interest rates ranging from .50% to 6.5% and repayment terms of its loans to avoid overburdening the churches.

The mortgage receivable was created when the Council sold the Central United Methodist Church building in San Francisco, which was held in trust with a book value of zero. The proceeds were in the amount of \$110,000 in cash and a \$2 million note receivable, which was secured by the property. The note earns monthly interest at a rate of 4.5% per annum. Interest revenue is recognized when earned. The full amount of the principal was collected in 2018.

The Cal Aggie House note receivable was made to the Cal Aggie House campus ministry at the University of California, Davis, by the Board of Higher Education and Campus Ministry in 2007. It is a no interest loan with repayment beginning in 2012 of annual payments of \$1,000 over 40 years.

Employee loans are made in accordance with the Council standing rules. The Council makes these loans from its Operating Fund at an interest rate of 5%. The loans mature between 2022 and 2028. The loans are secured by second mortgages on the employees' homes. The Council voted in 2018 to curtail any future employee loans.

**8. LAND, PROPERTY AND EQUIPMENT**

Land, property, and equipment consist of the following at December 31,

	<b>2018</b>	<b>2017</b>
Land	\$ 1,379,029	\$ 1,420,343
Buildings and improvements	4,948,461	4,445,373
Furniture and equipment	325,015	235,544
Total	6,652,505	6,101,260
Less accumulated depreciation	(2,161,541)	(1,967,681)
Total	\$ 4,490,964	\$ 4,133,579

**9. UNIT INSURANCE LOSS FUNDS**

The Unit Insurance Loss Fund is used to cover the self-insured portion of property claims related to an insurance policy available to member churches through the Council. The maximum property claim payable from this fund for 2018 was \$100,000 per occurrence and \$450,000 for all churches combined for the year. During 2018, the Conference received \$450,000 in premiums from churches and incurred property claims of \$350,663. During 2017, the Conference received \$350,000 in premiums and incurred property claims of \$350,000. Claims beyond these maximum amounts are covered under a commercial insurance policy. Unit insurance claims payable represents management's determination of the value of outstanding claims within the self-insured limit. For the years ended December 31, 2018 and 2017, outstanding claims were \$649,294 and \$298,631, respectively.



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**10. FUNDS HELD FOR OTHERS**

The Council acts as a fiscal agent for various entities. These funds are disbursed in accordance with the entities' instructions. Funds held for others consist of the following at December 31,

	<u>2018</u>	<u>2017</u>
Monterey Bay Extension Society	\$ 341,000	\$ -
San Francisco Area Episcopal Office Expense Fund	73,172	50,457
National Federation of Asian-American United Methodists	-	68,038
Fijian Ministry Council	55,991	10,155
UM Immigration Task Force	<u>24,520</u>	<u>-</u>
Total funds held for others	<u>\$ 494,683</u>	<u>\$ 128,650</u>

**11. NET ASSETS**

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

	<u>2018</u>	<u>2017</u>
Northern CA Firestorm Recovery	\$ 442,270	\$ -
Children & poverty fund	429,738	474,000
Green fund	<u>186,776</u>	<u>211,314</u>
Total	<u>\$ 1,058,784</u>	<u>\$ 685,314</u>

**12. COMMITMENTS AND CONTINGENCIES**

As of December 31, 2018 and 2017, the Council is contingently liable as a guarantor for up to \$1,280,047 and \$1,344,215, respectively, of loans made by UMDF to several churches. The Council is obligated to retain three months of loan payments on hand for all UMDF guaranteed notes. As the debtors rely substantially on donations, repayment of the loans is, in part, dependent upon the economic conditions surrounding the Northern California and Nevada regions. The total cash allocated for the three months of loan payments reserve total \$33,096 at both December 31, 2018 and 2017, which is included in the cash balance reported on the accompanying statements of financial position.

## **SUPPLEMENTARY INFORMATION**

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**NOTES TO THE SAN FRANCISCO EPISCOPAL AREA OFFICE EXPENSE FUND  
SCHEDULES OF ACTIVITIES AND OTHER INFORMATION  
DECEMBER 31, 2018 AND 2017**

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**1. NATURE OF OPERATIONS**

The purpose of the San Francisco Episcopal Area Office Expense Fund (the “Fund”) is to account for the income and expenses of the bishop’s office. The Council on Finance and Administration of the United Methodist Church (the “Council”) maintains the Fund’s accounting records, receives contributions to the Fund from the denomination’s General Council on Finance and Administration and from the budget of the Conference, and processes disbursements as authorized and submitted to the conference treasurer’s office by the bishop and her staff. The activity is reported in Funds Held for Others in the accompanying financial statements.

**2. BASIS OF ACCOUNTING**

The accounting records for the Fund are maintained on the accrual basis of accounting.

## **SUPPLEMENTARY INFORMATION**

**COUNCIL ON FINANCE AND ADMINISTRATION OF  
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**SAN FRANCISCO AREA EPISCOPAL OFFICE EXPENSE FUND  
SCHEDULES OF ACTIVITIES AND OTHER INFORMATION  
YEARS ENDED DECEMBER 31, 2018 AND 2017**

	<u>Episcopal Funds</u>	<u>Area Funds</u>	<u>2018 Total</u>	<u>2017 Total</u>
<b>FUND NET ASSETS HELD BY CFA, JANUARY 1,</b>	\$ -	\$ -	\$ 50,457	\$ 30,586
<b>INCOME:</b>				
Allocation from Episcopal Fund	86,252	-	86,252	84,560
Allocation from Annual Conference	-	40,000	40,000	40,000
Contributions	-	1,852	1,852	2,264
Total income	<u>86,252</u>	<u>41,852</u>	<u>128,104</u>	<u>126,824</u>
<b>EXPENSES:</b>				
Employee benefits	4,000	7,980	11,980	9,766
Occupancy expense	15,000	-	15,000	15,000
Office expenses	4,835	-	4,835	5,144
Office staff salaries	62,749	5,271	68,020	70,234
Professional expenses	-	5,554	5,554	6,809
Total expenses	<u>86,584</u>	<u>18,805</u>	<u>105,389</u>	<u>106,953</u>
Net income			<u>\$ 22,715</u>	<u>\$ 19,871</u>
<b>FUND NET ASSETS HELD BY CFA, DECEMBER 31,</b>			<u>\$ 73,172</u>	<u>\$ 50,457</u>
<b>CASH HELD BY CFA, DECEMBER 31,</b>			<u>\$ 70,939</u>	<u>\$ 49,890</u>

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**NOTES TO THE SAN FRANCISCO EPISCOPAL AREA OFFICE EXPENSE FUND  
SCHEDULES OF ACTIVITIES AND OTHER INFORMATION  
DECEMBER 31, 2018 AND 2017**

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**1. NATURE OF OPERATIONS**

The purpose of the San Francisco Episcopal Area Office Expense Fund (the “Fund”) is to account for the income and expenses of the bishop’s office. The Council on Finance and Administration of the United Methodist Church (the “Council”) maintains the Fund’s accounting records, receives contributions to the Fund from the denomination’s General Council on Finance and Administration and from the budget of the Conference, and processes disbursements as authorized and submitted to the conference treasurer’s office by the bishop and her staff. The activity is reported in Funds Held for Others in the accompanying financial statements.

**2. BASIS OF ACCOUNTING**

The accounting records for the Fund are maintained on the accrual basis of accounting.

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**NET ASSETS BY FUND  
YEAR ENDED DECEMBER 31, 2018**

<b>Fund Name</b>	<b>Balance 12/31/2017</b>	<b>Additions/ (Losses)</b>	<b>Reductions/ Transfers</b>	<b>Balance 12/31/2018</b>
Conference Operating Reserve	\$ 1,492,148	\$ 4,298,167	\$ (4,360,830)	\$ 1,429,485
Office equipment replacement fund	26,623	45,066	(13,000)	58,689
Bishop's Confirmation Retreats	-	3,610	(2,867)	743
BOOM training events	5,655	-	-	5,655
Board of Pensions	2,416	-	-	2,416
Reconciling committee events	2,980	3,840	(4,145)	2,675
Archives & History unbudgeted	84,410	(2,677)	(177)	81,556
Campus Ministry unbudgeted funds	67,069	793	(38,162)	29,700
Christian Education Sunday	5,687	842	-	6,529
CLM program (was CLayM)	77,300	14,920	(8,248)	83,972
General & Jurisdictional delegation	27,065	-	10,315	37,380
Disaster preparedness & response	196,875	373,487	(5,694)	564,668
Ethnic Minority Congregations Fund	240,132	60,272	(44,195)	256,209
Fijii Mission Work	2,234	-	-	2,234
Golden Cross Sunday	10,334	113	-	10,447
Immigration Task Force	2,252	138	-	2,390
I-Relate	3,022	-	1,200	4,222
Ministerial Education Fund	116,315	55,379	(102,057)	69,637
Native American Sunday	43,479	15,528	(16,830)	42,177
Older adult ministries	437	-	-	437
West Angola Partnership	40,724	-	-	40,724
Peace with Justice Sunday	8,792	11,632	(4,200)	16,224
Unit Insurance Earthquake Fund	1,787,244	(56,963)	(295,638)	1,434,643
Unit Insurance Fund	101,975	449,669	(372,663)	178,981
Round Valley UMC fund (adv sp)	2,821	365	-	3,186
Pastors transition workshop	-	780	(562)	218
Hispanic Ministry endowment	4,309,045	6,270	(157,506)	4,157,809
RCA per diem fund	-	-	600	600
Youth Service Fund	1,016	391	-	1,407
Cambodia Mission Partnership	2,114	-	-	2,114
Los Rios DCOM	33,961	8,384	(13,153)	29,192
Los Rios discretionary fund	772	-	-	772
Central Valley DCOM	22,818	10,007	(3,588)	29,237
El Camino Real DCOM	46,399	4,684	(21,846)	29,237
El Camino Real discretionary	50	-	-	50

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**NET ASSETS BY FUND (continued)  
YEAR ENDED DECEMBER 31, 2018**

<b>Fund Name</b>	<b>Balance 12/31/2017</b>	<b>Additions/ (Losses)</b>	<b>Reductions/ Transfers</b>	<b>Balance 12/31/2018</b>
Great Northern DCOM	28,682	3,998	(3,443)	29,237
Great Northern Lay Speaking	2,346	2,324	(361)	4,309
Great Northern discretionary	3,341	-	(1,900)	1,441
Bay District DCOM	8,796	4,335	16,106	29,237
Gathering of Orders	28,311	57,287	(59,362)	26,236
FX West/Faith Extreme	2,468	8,625	(9,481)	1,612
Clergy Boundary Training 101 and 201	1,126	2,600	(397)	3,329
Courtney Fire UMCOR grant	6,000	-	(6,000)	-
Nat'l Hispanic Plan matching grant	22,268	-	-	22,268
Weed/Boles Fire LT Recovery	777	-	(777)	-
Rocky/Butte Lake/Calaveras Fire LT Recovery	126,454	-	(126,454)	-
Fiji Disaster Relief	12,869	-	-	12,869
Erskine Fire UMCOR grant	6,862	-	(6,862)	-
US-2 Waller Center	37,807	-	(37,807)	-
US-2 Jubilee Initiative	3,074	-	(3,074)	-
Clayton Fire UMCOR Grant	7,290	-	(7,290)	-
UMVIM Native American	7,438	-	(2,500)	4,938
Core Team reserve	150,000	25	(41,191)	108,834
Immigration Strategic Plan Work	49,426	-	(922)	48,504
Advocacy and Justice Dinner	695	-	-	695
Erskine LT Recovery Grant	87,340	10,000	(55,052)	42,288
Northern CA Wildfires	8,000	(8,000)	-	-
Cho Korean Faith Community Fund	10,000	1,500	(10,000)	1,500
Fijian Camps and Scholarships	-	1,000	2,000	3,000
Pawnee Fire Emergency Grant	-	10,000	(10,000)	-
Ferguson (Mariposa) Fire Grant	-	10,000	(10,000)	-
Redding Fire GCFA Donation	-	10,000	(10,000)	-
Filipino American Ministries (FAM)	-	25,842	(19,372)	6,470
Fulfilling Our Commitments	-	19,425	(217)	19,208
Camp Fire Butte County Grant	-	10,000	(10,000)	-
Camping Operating	1,138,488	41,725	(171,397)	1,008,816
Adult & Family Camp	19,187	70,368	(70,205)	19,350
Shasta Camp	1,756	5,531	(4,264)	3,023
Safe Gathering	5,204	5,932	(4,341)	6,795
Monte Toyon Garden Fund	51,511	(4,288)	(664)	46,559



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**NET ASSETS BY FUND (continued)  
YEAR ENDED DECEMBER 31, 2018**

<b>Fund Name</b>	<b>Balance 12/31/2017</b>	<b>Additions/ (Losses)</b>	<b>Reductions/ Transfers</b>	<b>Balance 12/31/2018</b>
Lake Tahoe Retreat Center	-	600	(554)	46
Waller Street fund	1,056,116	72,828	35,607	1,164,551
Waller Ctr and BR Dist Shared Project	5,000	-	-	5,000
VIM operating	14,512	1,318	(4,618)	11,212
EOV	712,141	(23,870)	(1,440)	686,831
Jull fund	23,394	-	-	23,394
Mission Itineration	4,541	710	-	5,251
Revolving Loan Fund	2,777,586	30,699	46,796	2,855,081
New Church Development Fund	2,263,120	90,316	(56,940)	2,296,496
Trustees operating fund	217,081	(34,166)	(69,570)	113,345
UM Center fund	1,609,371	21,010	(96,501)	1,533,880
Parsonage fund	253,876	105,900	(112,825)	246,951
Episcopal residence fund	273,691	47,600	(11,867)	309,424
First St John's property fund	2,169,727	(37,123)	(228,609)	1,903,995
Asbury St parsonage	<u>(81,636)</u>	<u>58,680</u>	<u>(109,402)</u>	<u>(132,358)</u>
Total net assets without donor restrictions	<u>21,890,200</u>	<u>5,927,428</u>	<u>(6,728,396)</u>	<u>21,089,232</u>
Children & Poverty endowment	474,000	(20,782)	(23,481)	429,737
UMCOR - Grant Management	-	100,000	(100,000)	-
Northern CA Firestorm Recovery	-	444,123	(1,853)	442,270
Green fund	<u>211,314</u>	<u>(7,438)</u>	<u>(17,099)</u>	<u>186,777</u>
Total net assets with donor restrictions	<u>685,314</u>	<u>515,903</u>	<u>(142,433)</u>	<u>1,058,784</u>
 Total net assets	 <u>\$ 22,575,514</u>	 <u>\$ 6,443,331</u>	 <u>\$ (6,870,829)</u>	 <u>\$ 22,148,016</u>