

**WEST OHIO ANNUAL CONFERENCE  
OF THE UNITED METHODIST  
CHURCH AND AFFILIATES**

**CONSOLIDATED FINANCIAL STATEMENTS**

**YEAR ENDED DECEMBER 31, 2013**

**WEST OHIO ANNUAL CONFERENCE OF THE UNITED METHODIST CHURCH AND AFFILIATES**

**TABLE OF CONTENTS**

**YEAR ENDED DECEMBER 31, 2013**

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	<b>Page</b>
<b>INDEPENDENT AUDITORS' REPORT</b>	1 - 2
<b>CONSOLIDATED FINANCIAL STATEMENTS</b>	
Consolidated Statement of Financial Position	3
Consolidated Statement of Activities and Changes in Net Assets	4
Consolidated Statement of Cash Flows	5
Notes to Consolidated Financial Statements	6 - 21
<b>SUPPLEMENTARY INFORMATION</b>	
Independent Auditors' Report on Supplementary Information	22
Consolidating Statement of Financial Position by Fund	23 - 24
Consolidating Statement of Activities by Fund - Unrestricted Net Assets	25 - 26
Consolidating Statement of Activities by Fund - Temporarily and Permanently Restricted Net Assets	27 - 28



**BRADY WARE**  
& SCHOENFELD

## INDEPENDENT AUDITORS' REPORT

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Council on Finance and Administration  
**West Ohio Annual Conference of the  
United Methodist Church and Affiliates**  
Columbus, Ohio

We have audited the accompanying consolidated financial statements of the **West Ohio Annual Conference of the United Methodist Church and Affiliates** (a nonprofit organization), which comprise the consolidated statement of financial position as of December 31, 2013, and the related consolidated statements of activities and cash flows for the year then ended, and the related notes to the consolidated financial statements.

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

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

### **Auditors' Responsibility**

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

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

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

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## INDEPENDENT AUDITORS' REPORT - CONTINUED

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### Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the **West Ohio Annual Conference of the United Methodist Church and Affiliates** as of December 31, 2013, and the changes in their net assets and their cash flows for the year then ended, in accordance with accounting principles generally accepted in the United States of America.



Columbus, Ohio  
May 20, 2014

**WEST OHIO ANNUAL CONFERENCE OF THE UNITED METHODIST CHURCH AND AFFILIATES**

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION**

**DECEMBER 31, 2013**

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**ASSETS**

Cash and cash equivalents	\$ 4,287,205
Accounts receivable - apportionments	1,437,328
Pledge campaign receivables	392,332
Notes receivable - church extension	571,097
Investments	78,656,738
Prepaid expenses	781,353
Beneficial interest in perpetual trusts	<u>639,206</u>
	86,765,259

**PROPERTY AND EQUIPMENT, NET**

<u>5,618,340</u>
<u>\$ 92,383,599</u>

**LIABILITIES**

Accounts payable and other accrued liabilities	\$ 3,393,158
Healthcare post-retirement benefit obligations	42,261,897
Life income and annuity gift liabilities	7,202,866
Line of credit	<u>198,576</u>
	<u>53,056,497</u>

**NET ASSETS**

Unrestricted	27,675,123
Temporarily restricted	10,673,564
Permanently restricted	<u>978,415</u>
	<u>39,327,102</u>
	<u>\$ 92,383,599</u>

WEST OHIO ANNUAL CONFERENCE OF THE UNITED METHODIST CHURCH AND AFFILIATES

CONSOLIDATED STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS

YEAR ENDED DECEMBER 31, 2013

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
<b>REVENUE AND SUPPORT</b>				
Apportionments	\$ 13,619,934	\$ 213,061	\$ -	\$ 13,832,995
Medical coverage insurance	7,967,846	-	-	7,967,846
Post-retirement benefit contributions	4,859,578	-	-	4,859,578
Life income and annuity gifts	-	50,756	-	50,756
Contributions	-	943,154	-	943,154
Pledge campaign contributions, net	-	99,731	-	99,731
Mission projects, Annual Conference and other	89,698	-	-	89,698
Camp operations	428,599	-	-	428,599
Net gains on investments	3,815,842	1,047,630	-	4,863,472
Interest and dividends	1,184,653	87,480	-	1,272,133
Gain on beneficial interest in perpetual trusts	-	-	65,203	65,203
Net gain on sale of assets	590,650	-	-	590,650
Miscellaneous	1,849,443	(671)	-	1,848,772
Satisfaction of donor restrictions/transfer to Friends of Sabroske, Inc.	<u>2,353,692</u>	<u>(2,328,692)</u>	<u>(25,000)</u>	<u>-</u>
Total revenue and support	<u>36,759,935</u>	<u>112,449</u>	<u>40,203</u>	<u>36,912,587</u>
<b>EXPENSES</b>				
Connectional administration and ministerial support	7,149,451	-	-	7,149,451
World services and conference benevolence	4,544,593	-	-	4,544,593
Church benevolence	514,997	-	-	514,997
Medical coverage	10,143,724	-	-	10,143,724
Board of Pensions and Health Benefits	3,581,605	-	-	3,581,605
Camp operations	993,488	-	-	993,488
Episcopal residence	22,539	-	-	22,539
Gardner Village	29,263	-	-	29,263
Other/Board of Trustees	127,176	-	-	127,176
Distributions to other organizations and beneficiaries	1,388,326	-	-	1,388,326
Miscellaneous expenses	<u>83,924</u>	<u>-</u>	<u>-</u>	<u>83,924</u>
Total expenses	<u>28,579,086</u>	<u>-</u>	<u>-</u>	<u>28,579,086</u>
<b>CHANGE IN NET ASSETS PRIOR TO PENSION REFUND FROM BOARD OF PENSIONS AND CHANGE IN HEALTHCARE POST-RETIREMENT BENEFIT OBLIGATIONS</b>				
	8,180,849	112,449	40,203	8,333,501
<b>PENSION REFUND FROM BOARD OF PENSIONS</b>				
	11,424,077	-	-	11,424,077
<b>CHANGE IN HEALTHCARE POST-RETIREMENT BENEFIT OBLIGATIONS</b>				
	<u>9,675,049</u>	<u>-</u>	<u>-</u>	<u>9,675,049</u>
<b>CHANGE IN NET ASSETS</b>				
	29,279,975	112,449	40,203	29,432,627
<b>NET ASSETS</b>				
Beginning of year - restated	<u>(1,604,852)</u>	<u>10,561,115</u>	<u>938,212</u>	<u>9,894,475</u>
End of year	<u>\$ 27,675,123</u>	<u>\$ 10,673,564</u>	<u>\$ 978,415</u>	<u>\$ 39,327,102</u>

WEST OHIO ANNUAL CONFERENCE OF THE UNITED METHODIST CHURCH AND AFFILIATES

CONSOLIDATED STATEMENT OF CASH FLOWS

YEAR ENDED DECEMBER 31, 2013

**OPERATING ACTIVITIES**

Change in net assets	\$ 29,432,627
Adjustments to reconcile change in net assets to net cash and cash equivalents provided by operating activities:	
Depreciation	331,168
Change in pledge campaign receivable discount to present value and allowance for uncollectible pledges	(73,847)
Net realized gains on investments	(532,694)
Unrealized gains on investments	(4,330,778)
Gain on beneficial interest in perpetual trusts	(65,203)
Net gain on sale of assets	(590,650)
Fair market valuation of acquired property	<u>(150,000)</u>
	24,020,623
Changes in operating assets and liabilities:	
Accounts receivable	165,253
Pledge campaign receivables	117,099
Interest receivable and other prepaid expenses	18,490
Prepaid expenses	(585,533)
Accounts payable and other accrued liabilities	(91,485)
Decrease in healthcare post-retirement benefit obligations	(9,675,049)
Life income and annuity gift liabilities	<u>1,299,730</u>
Net Cash and Cash Equivalents Provided by Operating Activities	<u>15,269,128</u>

**INVESTING ACTIVITIES**

Net borrowings on notes receivable - church extension	100,402
Net purchases of investments	(19,600,862)
Proceeds from sale of assets	1,196,863
Purchases of property and equipment	<u>(164,924)</u>
Net Cash and Cash Equivalents Used by Investing Activities	<u>(18,468,521)</u>

**FINANCING ACTIVITIES**

Net payments on line of credit	(27,413)
Principal payments on capital lease obligations	<u>(8,059)</u>
Net Cash and Cash Equivalents Used by Financing Activities	<u>(35,472)</u>

**NET DECREASE IN CASH AND CASH EQUIVALENTS** (3,234,865)

**CASH AND CASH EQUIVALENTS**

Beginning of year	<u>7,522,070</u>
End of year	<u>\$ 4,287,205</u>

# WEST OHIO ANNUAL CONFERENCE OF THE UNITED METHODIST CHURCH AND AFFILIATES

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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### NOTE A - NATURE OF OPERATIONS

The **West Ohio Annual Conference of the United Methodist Church and Affiliates** (the "Conference") is a religious nonprofit organization that was established to provide organizational structure and support to its member churches. The Conference provides management of Conference wide programs for missional, ministerial and charitable giving purposes. The Conference also operates retirement and health care programs for eligible lay and clergy employees and retirees of the Conference and member churches.

#### Conference and Affiliates

The more than 1,000 member churches are organized into eight districts. The Conference is legally the sole member of each of the eight districts included in these consolidated financial statements. The eight districts are:

- Capitol Area North (CAN)
- Capitol Area South (CAS)
- Foothills (FTH)
- Miami Valley (MIV)
- Ohio River Valley (ORV)
- Maumee Watershed (MWD)
- Northwest Plains (NWP)
- Shawnee Valley (SHV)

Due to the control exercised by the Conference over the Community Ministries of the Capitol Area (CAM), that entity has been included in the consolidated financial statements.

The activities of the Conference are recorded within the accounts of the following four funds:

- The Treasurer's Accounts (TA) include general Conference operations, collection, and distribution of funds for local churches.
- The Board of Trustees (BOT) accounts include activities related to administration of gifts, donations, and bequests for the benefit of the Conference.
- The Council on Development (COD) accounts include activities related to generating additional finances for operational, missionary, or ministerial purposes.
- The Pension Billings (PEN) accounts include investment activities for funds related to Clergy retirement benefits.

### NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

**Basis of Presentation** - The Conference's consolidated financial statement presentation is in accordance with accounting principles generally accepted in the United States of America (GAAP). Under GAAP, the Conference's consolidated financial statements are prepared on the accrual basis of accounting, and the Conference reports 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.



# WEST OHIO ANNUAL CONFERENCE OF THE UNITED METHODIST CHURCH AND AFFILIATES

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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### NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

Accordingly, the net assets of the Conference, and changes therein, are classified and reported as follows:

**Unrestricted net assets** - Net assets that are not subject to donor-imposed restrictions and are available for use in the Conference's ongoing operations.

**Temporarily restricted net assets** - Net assets that are limited as to use by donor-imposed restrictions that can be fulfilled by either the actions of the Conference, or the passage of time.

**Permanently restricted net assets** - Net assets that are limited as to use by donor-imposed restrictions that permanently restrict the use of the funds by the Conference, with the exception of the investment earnings.

Generally, if the corpus of a contribution will, at some future time, become available for spending, it is recorded as temporarily restricted. In addition, contributions that are promised to be given in a future period are presented as temporarily restricted. If the corpus never becomes available for spending, it will be reported as permanently restricted. Permanently restricted net assets represent the fair value of the original gift as of the gift date and the original value of subsequent gifts to donor-restricted endowment funds.

Unrestricted net assets include unrestricted resources, including donations, gifts, and bequests, available for the use of the Conference, over which the Board of Trustees has discretionary control. The Conference reviewed all endowment funds, and no reclassification to net assets was required.

**Use of Estimates** - The preparation of consolidated financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, and disclosure of contingent assets and liabilities at the date of the consolidated financial statements, and the reported amounts of revenue and expenses during the reporting periods. Accordingly, actual results could differ from those estimates.

**Cash and Cash Equivalents** - For purposes of reporting cash flows, cash includes all cash on hand, demand deposits, and highly liquid investments with original maturities of three months or less. Cash and cash equivalents excludes the cash components of Investments.

The Conference maintains financial relationships with financial institutions subject to FDIC membership. Under FDIC guidelines, all depository accounts are insured up to \$250,000 effective January 1, 2013. Throughout the year and at December 31, 2013, the Conference's deposits exceeded these limitations for deposits held at certain financial institutions. To mitigate the risk associated with deposits in excess of FDIC insurance limits, management has certain deposit balances swept nightly into a short term government obligations fund.

Two affiliates had cash balances on deposit in financial institutions in excess of FDIC insurance limits at December 31, 2013.

# WEST OHIO ANNUAL CONFERENCE OF THE UNITED METHODIST CHURCH AND AFFILIATES

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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### NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

#### ***Accounts Receivable and Revenue***

Apportionments - Apportionment revenue represents amounts paid by member churches to fund Conference initiatives and operating expenses. Requests for apportionment contributions are sent in the early part of each year, and additional requests are sent throughout the year. The Conference records revenue during the year based on actual funds received. Final revenue and receivables for the current year are recorded at year-end, based on subsequent receipts collected in January that relate to the prior year. Accordingly, there is no need to consider or record an allowance for uncollectible apportionments. Receivables are never considered delinquent and no interest is charged on receivables. Apportionment revenue does not include amounts collected from member churches to be passed on to the general United Methodist Church. These amounts are recorded as liabilities until transferred.

Medical Coverage Insurance - The Conference operates a medical coverage plan covering eligible lay employees, eligible clergy employees, and eligible retired clergy of the Conference, and member churches. Medical coverage premiums are collected from member churches and retirees on a monthly basis. Any premium funds received in advance of the medical coverage period are recorded as deferred revenue. Revenue is recognized upon receipt of payment on a monthly basis. As such, no receivables are recorded, and there is no need to consider or record an allowance for uncollectible accounts. To the extent that premium costs exceed funding provided by a member church, the Conference will pay for the coverage.

Camp Operations - The Conference operates several camps throughout their region. The camp sessions primarily occur in the summer. Revenue is recorded in the month that registrations and payments are received. Payment is due in advance of the camp session. As such, no receivables are recorded. Any revenue collected in the current year pertaining to a camp session for the next year is recognized as deferred revenue.

Miscellaneous Revenue - Non-operational and ancillary income is reflected as miscellaneous revenue in the accompanying consolidated statement of activities. Miscellaneous revenue consists primarily of revenue generated from various events held throughout the year, rental income, and random monetary or property gifts received from donors.

***Investments*** - Investments are recorded at fair value based on quoted market values at December 31, 2013. Unrealized and realized gains or losses are included in the consolidated statement of activities. See Notes E and P.

***Property and Equipment*** - Property and equipment are stated at cost and depreciated over their estimated useful lives using the straight-line method. Routine repairs and maintenance are charged to expense when incurred, and improvements and additions are capitalized.

The Conference holds approximately 1,200 acres of land related to its camps that were donated or otherwise acquired in prior years. As the fair market value of this land could not be reasonably determined at the time of its donation, it is not recorded in the consolidated financial statements. In addition, the Conference is holding 12 properties for resale. These properties have been recorded at their estimated fair values at December 31, 2013.

**NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued**

**Endowment Investment and Spending Policies** - The Conference has adopted investment policies for all investment assets for which it is accountable, including certain endowment assets. The investment policy acknowledges and accommodates objectives unique to each fund, pool, or donor. In some cases, the investment policy is designed to produce an income stream to meet conference obligations to annuitants; in other cases, the policy is designed to preserve the real purchasing power of the assets and produce increasing income over time. In all cases, the policy provides a governance framework and guidance on investment management practices that are prudent and respectful of The United Methodist Church's social principles and underlying investment objectives.

Where not restricted by donor intent, the Conference relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). Spending and disbursements from each fund are set by donor agreement or the investing body (e.g., Board of Pensions and Health Benefits, Trustees, or Council on Development). Certain affiliated churches that have placed investment assets with the West Ohio Conference, be they endowed or otherwise, may request a distribution of some or all of their balances at any time. The liability for funds held for the benefit of these churches is included in Life Income and Annuity Gift Liabilities on the accompanying consolidated statement of financial position.

Each district or mission board within the West Ohio Conference that has investable assets separately maintains an investment policy statement designed to meet their respective needs and objectives.

**Contributions** - The Conference accounts for contributions in accordance with generally accepted accounting principles. Donor contributions received are recognized as revenue when the contribution is pledged or received, and are recorded as unrestricted, temporarily restricted, or permanently restricted support, depending on the existence or nature of any donor restrictions. When a restriction is satisfied, temporarily restricted net assets are reclassified to unrestricted net assets, and reported in the statement of activities as satisfaction of donor restrictions. Any temporarily restricted contributions that are received and fulfilled in the same year are recorded as temporarily restricted net assets originally, and then released to unrestricted net assets in the same year. Contributions of marketable securities and property and equipment are recorded at their fair market value at the date of the gift. All unconditional promises to give made by the Conference are recorded as liabilities.

**Income and Property Taxes** - The Conference is a nonprofit organization that is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code, except for unrelated business income as defined by the Code. The Conference did not have any unrelated business income during the year ended December 31, 2013. Accordingly, no provision for federal, state, and local income taxes was made on the accompanying consolidated financial statements. The Conference is also exempt from real estate property taxes.

**Accounting for Uncertainty in Income Taxes** - As a religious organization, the Conference is not required to file tax returns if it has no unrelated business income. Based on its review, management does not believe the Conference has taken any material uncertain tax positions, including any position that would place the Conference's exempt status in jeopardy for the year ended December 31, 2013.

**Life Income Gifts and Life Annuity Gifts** - The Council on Development (COD) received funds from donors classified as life income gifts. The donors contribute an irrevocable remainder interest in the donated funds, and establish an interest that requires investment earnings to be disbursed quarterly to the donor or another identified party. Payments must be made for the remaining life of the donor or identified party. All life income gifts are pooled to one common investment fund, and donor investment units are established based on the original pro-rata portion of the specific gift to the total pooled fund.

# WEST OHIO ANNUAL CONFERENCE OF THE UNITED METHODIST CHURCH AND AFFILIATES

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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### NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

The COD received funds from donors classified as life annuity gifts. The donors contribute an irrevocable remainder interest in the donated funds, and establish an interest that requires monthly or quarterly payments of a specified amount to the donor annuitant or another annuitant. Payments must be made for the remaining life of the specified annuitant.

For the life income gifts and life annuity gifts, upon the death of the donor, other identified party or annuitant, the remainder interest becomes available for the final beneficiary, which is either the Conference or other organizations generally associated with the United Methodist Church. The final beneficiary is designated in the life income and life annuity contracts; however, the Conference enables the donor to change the final beneficiary up until the time of death, with the stipulation that the donor must either change the final beneficiary to the Conference or to another organization associated with the United Methodist Church. Since the final beneficiary is not determinable until the date of death, the Conference records all original gifts as liabilities.

Upon the death of the donor, identified party or annuitant, if the Conference is named as the final beneficiary, then the Conference records contribution revenue for the remaining portion of the gift in the year of death. If another organization is named as the final beneficiary, then a liability is recorded to that organization by the Conference for the remaining portion of the gift. When the remaining portion of the gift is paid to the other organization, the liability is released.

The assets from donors to life income gifts are held in trust with the Conference serving as sole trustee. The trustee has delegated investment management to a financial institution. Life annuity gifts are also managed by a financial institution.

**Fair Value** - Items carried at fair value on a recurring basis consist of available for sale marketable securities and property held for resale. The Conference also uses fair value concepts to test various long lived assets for impairment in the event a triggering event has occurred.

**Subsequent Events** - In preparing these consolidated financial statements, the Conference has evaluated events and transactions for potential recognition or disclosure through May 20, 2014, the date the consolidated financial statements were available to be issued.

### NOTE C - PLEDGE CAMPAIGN RECEIVABLES

The Conference conducts fundraising activities on an ongoing basis and some of those efforts result in multi-year promises to give. Pledges are recorded at their estimated fair value using discount rates of 7.75%. The following summarizes pledge campaign receivables at December 31, 2013:

<b>Pledges due in</b>	
Less than one year	\$ 94,792
One to five years	313,542
More than five years	<u>134,166</u>
	542,500
Less discount to present value	<u>150,168</u>
	<u>\$ 392,332</u>

# WEST OHIO ANNUAL CONFERENCE OF THE UNITED METHODIST CHURCH AND AFFILIATES

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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### NOTE D - NOTES RECEIVABLE

The Conference and Districts provide loans to member churches for purposes of providing a source of funds to pay for renovation projects or new construction. Payments are due either on a monthly or quarterly basis, or in a lump sum upon completion of project construction. Interest charged may be at a rate of Prime (3.25% at December 31, 2013) plus 2.00%, the London Interbank Offered Rate (LIBOR) (0.17% at December 31, 2013) plus .90%, a fixed rate ranging from 2.25% to 8.50%, or be interest free. The payment terms range from due upon project completion up to 17 years.

Notes receivable are considered delinquent if required payments are not made; however, loans are not charged incremental interest or penalty fees provided foreclosure of property does not occur. Based on this practice, despite loans made to churches closely-related to the Conference, there is a certain level of credit risk that may become significant.

Management assesses the collectibility of notes receivable at year-end. Based on collection activity and known financial status of the church, an allowance may be recorded. If notes receivable are determined to be uncollectible, based on similar assessment criteria, amounts are written-off. Management estimated that all notes receivable are collectible at December 31, 2013, and no allowance for uncollectible notes receivable was deemed necessary.

Maturities of notes receivable over the subsequent five years and thereafter are as follows:

2014	\$	87,975
2015		76,726
2016		62,142
2017		50,937
2018		48,994
Thereafter		<u>244,323</u>
	\$	<u>571,097</u>

### NOTE E - INVESTMENTS

Money market	\$	2,201,264
Government obligations		2,364,414
Common stock		22,562,721
Mutual funds		33,905,989
Hedge funds		347,393
Corporate securities		14,506,248
Certificates of deposit		<u>2,768,709</u>
	\$	<u>78,656,738</u>

Marketable securities are exposed to various risks such as interest rate, market, and credit risks. Due to the level of risk associated with certain marketable securities, it is at least reasonably possible that changes in the value will occur in the near term, and such changes could be material.

# WEST OHIO ANNUAL CONFERENCE OF THE UNITED METHODIST CHURCH AND AFFILIATES

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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### NOTE F - BENEFICIAL INTEREST IN PERPETUAL TRUSTS

The Ohio River Valley District ("ORV District") is the beneficiary of two perpetual trusts. The trusts' assets are not in the possession of the district, and are administered by the Board of Trustees of the United Methodist Church. Under the terms of the trust, the ORV District has the irrevocable right to receive income earned on the endowment assets in perpetuity. Accordingly, the ORV District has recorded an asset titled "beneficial interest in perpetual trusts" equivalent to the present value of the expected future cash flows from the trusts.

In this case, the present value is estimated at an amount equal to the fair market value of the assets of the trusts. The amounts contributed to establish the trusts were \$100,000, and the approximate value of the trusts' assets were \$639,206 at December 31, 2013. The Conference reflected an increase of \$65,203 associated with the change in the value of the trust in the accompanying consolidated statement of activities for the year ended December 31, 2013.

### NOTE G - PROPERTY AND EQUIPMENT

Land and improvements	\$ 1,098,018
Buildings and building improvements	5,355,314
Leasehold improvements	615,926
Furniture and fixtures	1,868,022
Computer and office equipment	569,098
Automobiles	<u>70,867</u>
	9,577,245
Less accumulated depreciation	<u>4,946,805</u>
	4,630,440
Real estate held for sale	<u>987,900</u>
	<u>\$ 5,618,340</u>

### NOTE H - LINE OF CREDIT

ORV maintains a \$1,500,000 revolving line of credit with a financial institution due on demand. The line of credit bears interest at LIBOR, adjusted daily (0.17% at December 31, 2013), plus 0.95%. The assets of the District are pledged as collateral. The outstanding borrowings on the line of credit were \$198,576 at December 31, 2013.

### NOTE I - OPERATING LEASES

The Conference leases administrative office space under a 15-year non-cancelable operating lease, which expires in January 2026, from UMCH Family Services, a related party. The lease requires monthly payments of approximately \$20,000 for the remaining lease term. There was no amount due to this related party at December 31, 2013. The lease includes an option to purchase the land and building at a fixed price.

**WEST OHIO ANNUAL CONFERENCE OF THE UNITED METHODIST CHURCH AND AFFILIATES**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

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**NOTE I - OPERATING LEASES - continued**

ORV leases office space as a result of a grant and leaseback transaction as an operating lease expiring in January 2017 from a local church. Monthly payments of \$3,333 are due through January 2017.

Total lease expenditures were \$292,308 for the year ended December 31, 2013. Future minimum lease payments are as follows:

2014	\$ 292,308
2015	292,308
2016	279,192
2017	242,525
2018	239,192
Thereafter	<u>1,614,543</u>
	<u>\$ 2,960,068</u>

**NOTE J - TEMPORARILY AND PERMANENTLY RESTRICTED NET ASSETS**

The temporarily restricted net asset class includes assets and trust obligations of the Conference related to gifts with explicit donor-imposed restrictions that have not been met. Temporarily restricted net assets at December 31, 2013 are restricted to the following uses:

Church buildings	\$ 2,421,927
District operations	791,274
Clergy development	1,775,758
New church starts	997,153
Local churches	1,516,788
World mission projects	382,024
Retired clergy housing	1,257,520
Parsonages	208,921
Camps	520,763
Other	<u>801,436</u>
	<u>\$ 10,673,564</u>

The permanently restricted net asset class includes assets and trust obligations of the Conference related to gifts with explicit donor-imposed restrictions that permanently restrict the use of the corpus of the original gift. See Note F regarding beneficial interest in perpetual trusts. Permanently restricted net assets at December 31, 2013 are restricted to the following:

Beneficial interest in perpetual trusts	\$ 639,206
Local churches	226,057
Church buildings	68,696
Cemeteries	22,726
Other	<u>21,730</u>
	<u>\$ 978,415</u>

# WEST OHIO ANNUAL CONFERENCE OF THE UNITED METHODIST CHURCH AND AFFILIATES

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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### NOTE K - EPISCOPAL FUND

The Conference receives funds from the Episcopal Fund established by the General Council on Finance and Administration (GCFA) of the United Methodist Church. This fund is one of the general church funds to be used for administrative expenses for the Conference.

The GCFA requires certain information to be disclosed as a part of the annual audit of the Conference for the year ended December 31, 2013 as follows:

Revenue		
GCFA Episcopal Fund receipts		<u>\$ 99,480</u>
Expenses		
Salaries	225,553	
Payroll taxes and benefits	44,120	
Travel	24,288	
Occupancy and office expenses	<u>24,154</u>	
		<u>318,115</u>
		<u>\$ (218,635)</u>

Episcopal related expenses exceed funding received annually; accordingly, there is no beginning or ending cash balances, as funds are fully utilized by the year-end. No fund balances are reported, as other operational or contribution funding is effectively utilized to pay for Episcopal expenditures greater than the funds provided from the Episcopal Fund. None of the Episcopal Funds were used for property and equipment purchases in 2013.

### NOTE L - PRIOR PERIOD ADJUSTMENTS

Subsequent to the issuance of the 2012 consolidated financial statements, management discovered the following:

- (1) Various contributions were misclassified. The net effect at January 1, 2013 of correcting these classification errors increased temporarily restricted net assets and decreased unrestricted net assets by \$84,935.
- (2) The estimated fair market value of certain congregation assets, to be held in trust by the Conference awaiting final approval of the congregations' requests to leave the denomination, had been recognized as revenue in error. Until the congregations' requests have been approved by the Conference, the value of these assets should be reflected as a liability. The effect at January 1, 2013 of correcting these errors increased liabilities and decreased unrestricted net assets by \$811,122.

### NOTE M - SUPPLEMENTAL CASH FLOW INFORMATION

Cash paid during the year for:

Interest	<u>\$ 3,786</u>
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**WEST OHIO ANNUAL CONFERENCE OF THE UNITED METHODIST CHURCH AND AFFILIATES**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**NOTE N - FUNDS HELD IN TRUST BY OTHERS**

The COD is named as the remainder beneficiary of certain trusts held by others. These trusts are not included in the consolidated financial statements, as the funds are neither in the possession of nor under the control of the COD. Total fair value of the COD's interest in these funds at December 31, 2013 is not available.

**NOTE O - ENDOWMENT FUNDS AND UPMIFA**

Management has determined that certain Conference net assets meet the definition of endowments under the Uniform Prudent Management of Institutional Funds Act of 2006 (UPMIFA). The Conference has interpreted UPMIFA as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds, absent explicit donor stipulations to the contrary. As a result of this interpretation, the Conference classifies as permanently restricted net assets (a) the original value of gifts donated to permanent endowments, (b) the original value of subsequent gifts to permanent endowments, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund.

The remaining portion of the donor-restricted endowment fund that is not classified as permanently restricted net assets is classified as temporarily restricted net assets, until those amounts are appropriated for expenditures in a manner consistent with the standard of prudence prescribed by UPMIFA. In accordance with UPMIFA, the organization considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

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

The following is a summary of changes in endowment net assets for the year ended December 31, 2013:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Endowment net assets, beginning of year - restated	\$ -	\$ 621,020	\$ 364,062	\$ 985,082
Net investment income (realized and unrealized)	-	323,684	147	323,831
Amounts appropriated for expenditure	-	(15,509)	-	(15,509)
Net assets transferred	-	-	(25,000)	(25,000)
Endowment net assets, end of year	<u>\$ -</u>	<u>\$ 929,195</u>	<u>\$ 339,209</u>	<u>\$ 1,268,404</u>

WEST OHIO ANNUAL CONFERENCE OF THE UNITED METHODIST CHURCH AND AFFILIATES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

**NOTE O - ENDOWMENT FUNDS AND UPMIFA - continued**

In addition to endowment net assets, the Conference also manages other non-endowed funds. The following table summarizes all Conference net assets as of December 31, 2013:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Endowment funds	\$ -	\$ 929,195	\$ 339,209	<b>\$ 1,268,404</b>
Non-endowment operating funds	<u>27,675,123</u>	<u>9,744,369</u>	<u>639,206</u>	<b><u>38,058,698</u></b>
	<b><u>\$ 27,675,123</u></b>	<b><u>\$ 10,673,564</u></b>	<b><u>\$ 978,415</u></b>	<b><u>\$ 39,327,102</u></b>

**NOTE P - FAIR VALUE MEASUREMENTS**

Fair values of the Conference's financial assets and investments measured on a recurring basis at December 31, 2013 are as follows:

	<u>Fair Value</u>	<u>Quoted Prices in Active Markets for Identical Assets (Level 1)</u>	<u>Significant Other Observable Inputs (Level 2)</u>	<u>Significant Unobservable Inputs (Level 3)</u>
<b>Assets</b>				
Property held for resale	<b>\$ 987,900</b>	\$ -	\$ -	\$ 987,900
Investments				
Money market	<b>2,201,264</b>	2,201,264	-	-
Certificates of deposit	<b>2,768,709</b>	2,768,709	-	-
Government obligations	<b>2,364,414</b>	-	2,364,414	-
Common stock	<b>22,562,721</b>	22,562,721	-	-
Hedge funds	<b>347,393</b>	-	347,393	-
Mutual funds	<b>33,905,989</b>	33,905,989	-	-
Corporate securities	<b><u>14,506,248</u></b>	<u>14,506,248</u>	-	-
	<b><u>\$ 79,644,638</u></b>	<b><u>\$ 75,944,931</u></b>	<b><u>\$ 2,711,807</u></b>	<b><u>\$ 987,900</u></b>

**Level 1** - Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Plan 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.

# WEST OHIO ANNUAL CONFERENCE OF THE UNITED METHODIST CHURCH AND AFFILIATES

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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### NOTE P - FAIR VALUE MEASUREMENTS - continued

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

Following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in the methodologies used at December 31, 2013.

*Money market and certificates of deposit:* Valued based on the contractual terms of the underlying money market or cash equivalent account.

*Common stock, corporate securities and government obligations:* Valued at the closing price reported on the active market on which the individual securities are traded.

*Mutual funds and hedge funds:* Valued at the net asset value (NAV) of shares held by the Conference at year-end.

*Property held for sale:* Valued at fair market value based upon real estate appraisals.

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

Changes in the fair value of properties held for resale, which is measured on a recurring basis using significant unobservable (Level 3) inputs, for the year ended December 31, 2013 are as follows:

	<u>ORV</u>	<u>SHV</u>	<u>Total</u>
Balance as of December 31, 2012	\$ 606,400	\$ 342,500	\$ 948,900
Fair market value of churches acquired	-	150,000	150,000
Sale of property held for resale	<u>-</u>	<u>(111,000)</u>	<u>(111,000)</u>
Balance as of December 31, 2013	<u>\$ 606,400</u>	<u>\$ 381,500</u>	<u>\$ 987,900</u>

On March 21, 2009, the SHV District contributed \$165,000 towards a church building project in Ho Chi Minh City in support of the ministry of the UMC in Vietnam. The property is reflected at the amount of funds contributed by the SHV District, and is included in net property and equipment in the accompanying consolidated statement of financial position at December 31, 2013. It is the intention of the SHV District to donate the property to the Vietnamese UMC upon building completion. The SHV District has determined that the net realizable value is zero and has fully reserved for this property. There has been no change to the reserve at December 31, 2013.

The SHV and ORV Districts have acquired several churches from former congregations that have ceased to be associated with the Conference. These properties were recorded at cost, or their appraised value. The fair market value of property acquired for resale was \$150,000 during the year ended December 31, 2013. The Conference is committed to selling these properties as soon as possible.

WEST OHIO ANNUAL CONFERENCE OF THE UNITED METHODIST CHURCH AND AFFILIATES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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**NOTE Q - HEALTHCARE POST-RETIREMENT BENEFIT OBLIGATIONS**

The Conference sponsors a defined benefit post-retirement healthcare plan covering substantially all employees, and is a participant in a denomination-sponsored defined benefit pension plan as described in Note R. GAAP requires an employer to recognize the over-funded or under-funded status of a defined benefit plan, or post-retirement benefits plan, as an asset or liability in its consolidated statement of financial position.

For pension plans, the asset or liability is determined by comparing plan assets to the projected benefit obligation. Pension plans recognize changes in the funded status in the year in which the changes occur through unrestricted revenue or expense. For post-retirement plans other than pension plans, the asset and liability is determined by comparing plan assets to the accumulated benefit obligation.

The size of the post-retirement healthcare obligation and related expense is based upon the plan benefit levels approved each year by the Conference Board of Pension and Health Benefits. At year-end, the Conference had assets designated for this liability totaling approximately \$42 million in the Retired Clergy Benefits Fund.

The following provides further information about the healthcare plan for 2013:

Fair value of plan assets at year-end	\$ -
Benefit obligations at year-end	<u>42,261,897</u>
Funded status	<u>\$ (42,261,897)</u>

Reconciliation of accrued healthcare post-retirement benefit obligations:

Healthcare post-retirement benefit obligations - beginning of the year	<u>\$ 51,936,946</u>
Service cost	1,048,844
Interest cost	2,178,783
Discount rate and mortality projection	(4,734,257)
Net premiums and demographic experience	(4,196,579)
Plan changes	(3,577,624)
Changes in other assumptions	2,140,921
Net expected benefit payments	<u>(2,535,137)</u>
Change in healthcare post-retirement benefit obligations	<u>(9,675,049)</u>
Healthcare post-retirement benefit obligations - end of year	<u>\$ 42,261,897</u>

The discount rate used to determine the benefit obligation at year-end was 5.10%. For measurement purposes, the rate of increase in the per capita cost of covered healthcare benefits has been assumed to be 7.5% for 2014, 7.0% for 2015, 6.5% for 2016, 6.0% for 2017, 5.5% for 2018, 5.0% for 2019, and 4.5% for 2020 and thereafter.

Contribution ranges are dependent on years of service at retirement and apply to the retiree and his or her spouse. Plan premium is paid by the Conference upon presentment of invoice by the insurer for payment toward coverage of healthcare plan benefits and thus equals benefits paid. These payments are recorded to medical coverage expense on the consolidated statement of activities and changes in net assets.

# WEST OHIO ANNUAL CONFERENCE OF THE UNITED METHODIST CHURCH AND AFFILIATES

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

---

### NOTE Q - HEALTHCARE POST-RETIREMENT BENEFITS OBLIGATION - continued

During 2012, there was a change to plan provisions that will require surviving spouses to contribute an amount based on the deceased spouse's service at retirement, effective January 1, 2014. This, combined with the assumption changes in the above table, resulted in the post-retirement obligation for retiree health care to be reduced by approximately \$9.7 million.

The projected benefit payments, before reduction for participant contributions, are as follows:

2014	\$ 2,286,109
2015	2,346,562
2016	2,452,315
2017	2,552,245
2018	2,655,216
2019 - 2023	<u>14,232,691</u>
	<u>\$ 26,525,138</u>

### NOTE R - RETIREMENT PLANS

#### Clergy Retirement Security Program

Effective January 1, 2007, the General Board of Pension and Health Benefits (GBPHB) of the United Methodist Church implemented a new plan called the Clergy Retirement Security Program (CRSP), which replaced the clergy 403(b) MPP 1982 - 2006. The MPP is a defined contribution plan, whereas, the CRSP has both a defined benefit and defined contribution component. The defined contribution component of CRSP is 3% of eligible compensation, while the defined benefit component is 1.25% times the Denomination Average Compensation (DAC) times years of credited service from January 1, 2007 through December 31, 2013, plus 1% times DAC times years of credited service after December 31, 2013.

When the new Plan became effective, the GBPHB stated that the Conference's over funded position in the defined benefit Ministerial Pension Plan - Pre-82 could be used to fund the defined benefit component of the CRSP. The Conference has continued billing its churches at 12% of eligible compensation capped at the DAC, as was the practice under the MPP 1982 - 2006. The additional funds collected by the Conference for pensions (roughly 9% if eligible compensation is below or equal to DAC) was used to fund the under-funded position of the post-retirement healthcare plan, or other retired clergy benefits, as designated by the Conference Board of Pension and Health Benefits.

#### Ministerial Pension Plan - Pre-82

The Conference participates in a multi-employer defined benefit pension plan (the "Plan"), administered by the GBPHB, covering all clergy with Pre-82 pension credit service. The benefits are based on the greater of the past service pension rate multiplied by the clergy's Pre-82 years of service with the Conference, or the service annuity benefit specified by the Plan.

Annual contributions by the Conference are determined within certain guidelines established by the GBPHB. Contributions made by the Conference are held in a general pool with the contributions of other conferences, and are generally available to pay the benefits of the other employers in the Plan. The employed clergy are not obligated to make contributions. The Conference's account within the plan was over-funded during the year ended December 31, 2013, therefore, the Conference was not required and did not make any contributions for the year ended December 31, 2013.

**WEST OHIO ANNUAL CONFERENCE OF THE UNITED METHODIST CHURCH AND AFFILIATES**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**NOTE R - RETIREMENT PLANS - continued**

The GBPHB prepares actuarial valuations annually, generally issued each September. The most recent valuation reflects the Plan asset values and liability funding status as of January 1, 2013. There is no other valuation of the current reporting year-end dates. However, the Plan values are estimated to be materially consistent.

Plan information and assumptions are as follows at January 1, 2013:

**Assets and Funding**

Market value of Plan assets	\$100,251,133
Less pension benefit obligation	<u>(85,281,533)</u>

Over (Under)-funded past service liability	<u>\$ 14,969,600</u>
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**Assumptions**

Interest rate	7.00%
Past service rate (PSR) increase	2.50%
Mortality table	RP-2000 (BB)

All Plan assets are invested in the Multiple Asset Fund (MAF) of the GBPHB. The investment objective of the MAF is to maximize long-term investment returns, including current income and capital appreciation, while reducing short-term risk by investing in a broad mix of investments. The following are the weighted-average asset allocations of Plan investments as of December 31, 2013:

	<u>Policy Target</u> <u>Range</u>		<u>Actual</u>
U.S. Equity Fund	37%	43%	41%
International Equity Fund	23	27	25
Fixed Income Fund	23	27	24
Inflation Protection Fund	8	12	9
Cash	-	2	1

Pension Refund from General Board of Pension

During December 2013, the Conference entered into agreements with two other United Methodist Annual Conferences ("Annual Conferences"), whereby their 2013 required multi-employer pension contributions were paid from the \$14,969,600 over-funded portion of the Conference's Pre-82 Ministerial Pension Plan. In exchange, the Annual Conferences paid the Conference the amount due for their respective required 2013 plan contributions. These transactions resulted in the Conference being able to obtain refunds of prior contributions to the Pre-82 Ministerial Pension Plan totaling \$11,424,077.

Ministerial Pension Plan 1982 - 2006

The Conference sponsors a 403(b) defined contribution plan, otherwise known as the Ministerial Pension Plan (MPP), for clergy employees. Eligible employees are 100% vested in their contributions. The Conference made a matching contribution equal to 12% of denomination average compensation for clergy employees. This Plan was closed to new contributions at the end of 2006.

**NOTE R - RETIREMENT PLANS - continued**

United Methodist Personal Investment Plan

The Conference sponsors a 403(b) defined contribution plan for ordained clergy and all full-time Conference and District lay employees only. Eligible participants are 100% vested in their contributions. The Conference makes a matching contribution equal to 9% of the wages of each eligible lay employee.

Matching contributions for the 403(b) defined contribution plan are immediately vested. Matching contributions for 2013 totaled approximately \$119,680.



**BRADY WARE**  
& SCHOENFELD

**INDEPENDENT AUDITORS' REPORT ON SUPPLEMENTARY INFORMATION**

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Council on Finance and Administration  
**West Ohio Annual Conference of the  
United Methodist Church and Affiliates**  
Columbus, Ohio

We have audited the consolidated financial statements of the **West Ohio Annual Conference of the United Methodist Church and Affiliates**, as of and for the year ended December 31, 2013, and our report thereon dated May 20, 2014, which expressed an unmodified opinion on those consolidated financial statements as a whole appears on pages 1 - 2. Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements taken as a whole. The consolidating statements on pages 23 - 28 are presented for purposes of additional analysis and are not a required part of the consolidated 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 consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements, and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements, or to the consolidated 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 consolidated financial statements as a whole.

*Brady, Ware & Schoenfeld, Inc.*

Columbus, Ohio  
May 20, 2014

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WEST OHIO ANNUAL CONFERENCE OF THE UNITED METHODIST CHURCH AND AFFILIATES

CONSOLIDATING STATEMENT OF FINANCIAL POSITION BY FUND

DECEMBER 31, 2013

	West Ohio Annual Conference						Community	Foothills
	Treasurer's Accounts	Board of Trustees	Council on Development	Pension Billing	Capitol Area North	Capitol Area South	Ministries of the Capitol Area	
<b>ASSETS</b>								
Cash and cash equivalents	\$ 2,745,121	\$ -	\$ 15,309	\$ -	\$ 19,993	\$ 8,098	\$ 30,174	\$ 110,878
Accounts receivable - apportionments	1,271,764	-	-	-	6,767	10,851	9,606	7,548
Accounts receivable - other	31,274	-	-	-	-	-	-	-
Pledge campaign receivables	-	392,332	-	-	-	-	-	-
Notes receivable - church extension	-	143,106	-	-	-	-	65,897	1,000
Investments	5,445,996	10,183,215	9,567,976	42,195,120	584,610	647,663	2,087,621	387,274
Due (to) from affiliate	31,920,464	(779,081)	152,870	(31,294,253)	(1,423)	(1,516)	2,939	-
Prepaid expenses	658,019	-	-	-	-	-	-	-
Beneficial interest in perpetual trusts	-	-	-	-	-	-	-	-
	<u>42,072,638</u>	<u>9,939,572</u>	<u>9,736,155</u>	<u>10,900,867</u>	<u>609,947</u>	<u>665,096</u>	<u>2,196,237</u>	<u>506,700</u>
<b>PROPERTY AND EQUIPMENT, NET</b>	<u>-</u>	<u>3,344,304</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>243,679</u>
	<u>\$ 42,072,638</u>	<u>\$ 13,283,876</u>	<u>\$ 9,736,155</u>	<u>\$ 10,900,867</u>	<u>\$ 609,947</u>	<u>\$ 665,096</u>	<u>\$ 2,196,237</u>	<u>\$ 750,379</u>
<b>LIABILITIES</b>								
Accounts payable and other accrued liabilities	2,472,242	\$ -	\$ -	\$ -	\$ 13,428	\$ 10,877	\$ 11,065	\$ 576
Healthcare post-retirement benefit obligations	42,261,897	-	-	-	-	-	-	-
Life income and annuity gift liabilities	-	-	9,088,150	-	-	-	-	-
Line of credit	-	-	-	-	-	-	-	-
	<u>44,734,139</u>	<u>-</u>	<u>9,088,150</u>	<u>-</u>	<u>13,428</u>	<u>10,877</u>	<u>11,065</u>	<u>576</u>
<b>NET ASSETS</b>								
Unrestricted	(3,527,886)	6,928,134	209,783	10,900,867	596,519	654,219	1,993,374	749,803
Temporarily restricted	866,385	6,355,742	326,656	-	-	-	121,346	-
Permanently restricted	-	-	111,566	-	-	-	70,452	-
	<u>(2,661,501)</u>	<u>13,283,876</u>	<u>648,005</u>	<u>10,900,867</u>	<u>596,519</u>	<u>654,219</u>	<u>2,185,172</u>	<u>749,803</u>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<u>\$ 42,072,638</u>	<u>\$ 13,283,876</u>	<u>\$ 9,736,155</u>	<u>\$ 10,900,867</u>	<u>\$ 609,947</u>	<u>\$ 665,096</u>	<u>\$ 2,196,237</u>	<u>\$ 750,379</u>

## WEST OHIO ANNUAL CONFERENCE OF THE UNITED METHODIST CHURCH AND AFFILIATES

## CONSOLIDATING STATEMENT OF FINANCIAL POSITION BY FUND - CONTINUED

DECEMBER 31, 2013

	<u>Maumee Watershed</u>	<u>Miami Valley</u>	<u>Northwest Plains</u>	<u>Ohio River Valley</u>	<u>Shawnee</u>	<u>Subtotal</u>	<u>Eliminations</u>	<u>Total</u>
<b>ASSETS</b>								
Cash and cash equivalents	\$ 211,472	\$ 180,562	\$ 408,134	\$ 129,635	\$ 427,829	\$ 4,287,205	\$ -	\$ 4,287,205
Accounts receivable - apportionments	31,278	45,214	16,789	28,528	8,983	1,437,328	-	1,437,328
Accounts receivable - other	-	-	-	-	-	31,274	(31,274)	-
Pledge campaign receivables	-	-	-	-	-	392,332	-	392,332
Notes receivable - church extension	15,404	-	-	330,298	15,392	571,097	-	571,097
Investments	450,759	833,041	763,226	5,328,377	2,067,144	80,542,022	(1,885,284)	78,656,738
Due (to) from affiliate	-	-	-	-	-	-	-	-
Prepaid expenses	-	-	-	123,334	-	781,353	-	781,353
Beneficial interest in perpetual trusts	-	-	-	639,206	-	639,206	-	639,206
	<u>708,913</u>	<u>1,058,817</u>	<u>1,188,149</u>	<u>6,579,378</u>	<u>2,519,348</u>	<u>88,681,817</u>	<u>(1,916,558)</u>	<u>86,765,259</u>
<b>PROPERTY AND EQUIPMENT, NET</b>	<u>467,182</u>	<u>256,830</u>	<u>306,116</u>	<u>618,729</u>	<u>381,500</u>	<u>5,618,340</u>	<u>-</u>	<u>5,618,340</u>
	<u>\$ 1,176,095</u>	<u>\$ 1,315,647</u>	<u>\$ 1,494,265</u>	<u>\$ 7,198,107</u>	<u>\$ 2,900,848</u>	<u>\$ 94,300,157</u>	<u>\$ (1,916,558)</u>	<u>\$ 92,383,599</u>
<b>LIABILITIES</b>								
Accounts payable and other accrued liabilities	\$ 24,720	\$ 38,673	\$ 13,248	\$ 266,150	\$ 573,453	\$ 3,424,432	\$ (31,274)	\$ 3,393,158
Healthcare post-retirement benefit obligations	-	-	-	-	-	42,261,897	-	42,261,897
Life income and annuity gift liabilities	-	-	-	-	-	9,088,150	(1,885,284)	7,202,866
Line of credit	-	-	-	198,576	-	198,576	-	198,576
	<u>24,720</u>	<u>38,673</u>	<u>13,248</u>	<u>464,726</u>	<u>573,453</u>	<u>54,973,055</u>	<u>(1,916,558)</u>	<u>53,056,497</u>
<b>NET ASSETS</b>								
Unrestricted	1,151,375	470,168	1,421,234	4,689,480	1,438,053	27,675,123	-	27,675,123
Temporarily restricted	-	785,076	59,783	1,389,681	768,895	10,673,564	-	10,673,564
Permanently restricted	-	21,730	-	654,220	120,447	978,415	-	978,415
	<u>1,151,375</u>	<u>1,276,974</u>	<u>1,481,017</u>	<u>6,733,381</u>	<u>2,327,395</u>	<u>39,327,102</u>	<u>-</u>	<u>39,327,102</u>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<u>\$ 1,176,095</u>	<u>\$ 1,315,647</u>	<u>\$ 1,494,265</u>	<u>\$ 7,198,107</u>	<u>\$ 2,900,848</u>	<u>\$ 94,300,157</u>	<u>\$ (1,916,558)</u>	<u>\$ 92,383,599</u>

WEST OHIO ANNUAL CONFERENCE OF THE UNITED METHODIST CHURCH AND AFFILIATES

CONSOLIDATING STATEMENT OF ACTIVITIES BY FUND - UNRESTRICTED NET ASSETS

YEAR ENDED DECEMBER 31, 2013

	West Ohio Annual Conference						Community Ministries of the Capitol Area	Foothills
	Treasurer's Accounts	Board of Trustees	Council on Development	Pension Billing	Capitol Area North	Capitol Area South		
<b>UNRESTRICTED NET ASSETS</b>								
Revenue and Support								
Apportionments	\$ 10,488,410	\$ -	\$ -	\$ -	\$ 262,167	\$ 237,694	\$ 293,000	\$ 208,250
Medical coverage insurance	8,181,729	-	-	-	-	-	-	-
Post-retirement benefit contributions	4,859,578	-	-	-	-	-	-	-
Net gains on investments	(26,555)	527,945	-	2,378,519	52,121	69,035	214,013	-
Interest and dividends	86,050	89,069	-	746,348	12,113	15,553	45,244	667
Camp operations	428,599	-	-	-	-	-	-	-
Mission projects, Annual Conference and other	89,673	-	-	-	-	-	-	-
Gain (loss) on sale of assets	-	1,045,154	-	-	-	151	-	110,755
Miscellaneous	792,221	112,079	11,283	12,305	21,878	44,088	3,237	102,969
Satisfaction of donor restrictions	407,076	465,152	1,353,831	-	-	-	9,000	-
	<u>25,306,781</u>	<u>2,239,399</u>	<u>1,365,114</u>	<u>3,137,172</u>	<u>348,279</u>	<u>366,521</u>	<u>564,494</u>	<u>422,641</u>
Expenses								
Connectional administration and ministerial support	4,351,836	177,167	-	-	256,915	246,909	207,480	246,216
World services and conference benevolence	3,055,775	-	-	-	22,091	36,583	216,661	101,674
Church benevolence	514,997	-	-	-	-	-	-	-
Medical coverage	10,143,724	-	-	-	-	-	-	-
Board of Pensions and Health Benefits	3,376,899	-	-	134,671	-	-	-	-
Camp operations	833,182	160,306	-	-	-	-	-	-
Episcopal residence	-	34,844	-	-	-	-	-	-
Gardner Village	-	29,263	-	-	-	-	-	-
Other/Board of Trustees	-	636,375	6,360	-	-	-	-	-
Distributions to other organizations and beneficiaries	-	-	1,349,175	-	-	-	-	-
Miscellaneous expenses	942	82,982	-	-	-	-	-	-
	<u>22,277,355</u>	<u>1,120,937</u>	<u>1,355,535</u>	<u>134,671</u>	<u>279,006</u>	<u>283,492</u>	<u>424,141</u>	<u>347,890</u>
<b>CHANGE IN UNRESTRICTED NET ASSETS PRIOR TO PENSION REFUND FROM BOARD OF PENSIONS AND CHANGE IN HEALTHCARE POST-RETIREMENT BENEFIT OBLIGATIONS</b>	3,029,426	1,118,462	9,579	3,002,501	69,273	83,029	140,353	74,751
<b>PENSION REFUND FROM BOARD OF PENSIONS</b>	11,424,077	-	-	-	-	-	-	-
<b>CHANGE IN HEALTHCARE POST-RETIREMENT BENEFIT OBLIGATIONS</b>	<u>9,675,049</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>CHANGE IN UNRESTRICTED NET ASSETS</b>	24,128,552	1,118,462	9,579	3,002,501	69,273	83,029	140,353	74,751
<b>UNRESTRICTED NET ASSETS</b>								
Beginning of year - restated	<u>(27,656,438)</u>	<u>5,809,672</u>	<u>200,204</u>	<u>7,898,366</u>	<u>527,246</u>	<u>571,190</u>	<u>1,853,021</u>	<u>675,052</u>
End of year	<u>\$ (3,527,886)</u>	<u>\$ 6,928,134</u>	<u>\$ 209,783</u>	<u>\$ 10,900,867</u>	<u>\$ 596,519</u>	<u>\$ 654,219</u>	<u>\$ 1,993,374</u>	<u>\$ 749,803</u>

See independent auditors' report on supplementary information.

WEST OHIO ANNUAL CONFERENCE OF THE UNITED METHODIST CHURCH AND AFFILIATES

CONSOLIDATING STATEMENT OF ACTIVITIES BY FUND - UNRESTRICTED NET ASSETS - CONTINUED

YEAR ENDED DECEMBER 31, 2013

	<u>Maumee Watershed</u>	<u>Miami Valley</u>	<u>Northwest Plains</u>	<u>Ohio River Valley</u>	<u>Shawnee</u>	<u>Subtotal</u>	<u>Eliminations</u>	<u>Total</u>
<b>UNRESTRICTED NET ASSETS</b>								
Revenue and Support								
Apportionments	\$ 382,455	\$ 611,887	\$ 357,871	\$ 618,137	\$ 160,063	\$ 13,619,934	\$ -	\$ 13,619,934
Medical coverage insurance	-	-	-	-	-	8,181,729	(213,883)	7,967,846
Post-retirement benefit contributions	-	-	-	-	-	4,859,578	-	4,859,578
Net gains on investments	15,024	1,236	2,874	480,795	100,835	3,815,842	-	3,815,842
Interest and dividends	3,147	7,457	19,294	137,369	22,342	1,184,653	-	1,184,653
Camp operations	-	-	-	-	-	428,599	-	428,599
Mission projects, Annual Conference and other	-	-	-	25	-	89,698	-	89,698
Gain (loss) on sale of assets	1,177	4,395	(44,017)	(34,732)	23,326	1,106,209	(515,559)	590,650
Miscellaneous	450,226	64,682	13,274	10,321	337,546	1,976,109	(126,666)	1,849,443
Satisfaction of donor restrictions	-	-	20,657	92,236	5,740	2,353,692	-	2,353,692
	<u>852,029</u>	<u>689,657</u>	<u>369,953</u>	<u>1,304,151</u>	<u>649,852</u>	<u>37,616,043</u>	<u>(856,108)</u>	<u>36,759,935</u>
Expenses								
Connectional administration and ministerial support	748,814	326,316	330,675	467,521	173,520	7,533,369	(383,918)	7,149,451
World services and conference benevolence	353,431	276,448	73,593	319,529	103,169	4,558,954	(14,361)	4,544,593
Church benevolence	-	-	-	-	-	514,997	-	514,997
Medical coverage	-	-	-	-	-	10,143,724	-	10,143,724
Board of Pensions and Health Benefits	-	-	-	-	-	3,511,570	70,035	3,581,605
Camp operations	-	-	-	-	-	993,488	-	993,488
Episcopal residence	-	-	-	-	-	34,844	(12,305)	22,539
Gardner Village	-	-	-	-	-	29,263	-	29,263
Other/Board of Trustees	-	-	-	-	-	642,735	(515,559)	127,176
Distributions to other organizations and beneficiaries	-	-	-	26,518	12,633	1,388,326	-	1,388,326
Miscellaneous expenses	-	-	-	-	-	83,924	-	83,924
	<u>1,102,245</u>	<u>602,764</u>	<u>404,268</u>	<u>813,568</u>	<u>289,322</u>	<u>29,435,194</u>	<u>(856,108)</u>	<u>28,579,086</u>
<b>CHANGE IN UNRESTRICTED NET ASSETS PRIOR TO PENSION REFUND FROM BOARD OF PENSIONS AND CHANGE IN HEALTHCARE POST-RETIREMENT BENEFIT OBLIGATIONS</b>	(250,216)	86,893	(34,315)	490,583	360,530	8,180,849	-	8,180,849
<b>PENSION REFUND FROM BOARD OF PENSIONS</b>	-	-	-	-	-	11,424,077	-	11,424,077
<b>CHANGE IN HEALTHCARE POST-RETIREMENT BENEFIT OBLIGATIONS</b>	-	-	-	-	-	9,675,049	-	9,675,049
<b>CHANGE IN UNRESTRICTED NET ASSETS</b>	(250,216)	86,893	(34,315)	490,583	360,530	29,279,975	-	29,279,975
<b>UNRESTRICTED NET ASSETS</b>								
Beginning of year - restated	<u>1,401,591</u>	<u>383,275</u>	<u>1,455,549</u>	<u>4,198,897</u>	<u>1,077,523</u>	<u>(1,604,852)</u>	<u>-</u>	<u>(1,604,852)</u>
End of year	<u>\$ 1,151,375</u>	<u>\$ 470,168</u>	<u>\$ 1,421,234</u>	<u>\$ 4,689,480</u>	<u>\$ 1,438,053</u>	<u>\$ 27,675,123</u>	<u>\$ -</u>	<u>\$ 27,675,123</u>

See independent auditors' report on supplementary information.

WEST OHIO ANNUAL CONFERENCE OF THE UNITED METHODIST CHURCH AND AFFILIATES

CONSOLIDATING STATEMENT OF ACTIVITIES BY FUND - TEMPORARILY AND PERMANENTLY RESTRICTED NET ASSETS

YEAR ENDED DECEMBER 31, 2013

	West Ohio Annual Conference							Community Ministries of the Capitol Area	Foothills
	Treasurer's Accounts	Board of Trustees	Council on Development	Pension Billing	Capitol Area North	Capitol Area South			
<b>TEMPORARILY RESTRICTED NET ASSETS</b>									
Revenue, Support and Expenses									
Apportionments	\$ 213,061	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Life income and annuity gifts	-	-	50,756	-	-	-	-	-	-
Net gains on investments	-	431,573	52,433	-	-	-	14,267	-	-
Interest and dividends	-	79,924	2,483	-	-	-	2,896	-	-
Contributions	135,899	-	787,255	-	-	-	-	-	-
Pledge campaign contributions	-	99,731	-	-	-	-	-	-	-
Miscellaneous	-	-	-	-	-	-	(671)	-	-
Satisfaction of donor restrictions	(407,076)	(440,152)	(1,353,831)	-	-	-	(9,000)	-	-
<b>CHANGE IN TEMPORARILY RESTRICTED NET ASSETS</b>	(58,116)	171,076	(460,904)	-	-	-	7,492	-	-
<b>TEMPORARILY RESTRICTED NET ASSETS</b>									
Beginning of year - restated	924,501	6,184,666	787,560	-	-	-	113,854	-	-
End of year	\$ 866,385	\$ 6,355,742	\$ 326,656	\$ -	\$ -	\$ -	\$ 121,346	\$ -	\$ -
<b>PERMANENTLY RESTRICTED NET ASSETS</b>									
Beginning of year - restated	\$ -	\$ 25,000	\$ 111,566	\$ -	\$ -	\$ -	\$ 70,452	\$ -	\$ -
Transfer to Friends of Sabroske, Inc.	-	(25,000)	-	-	-	-	-	-	-
Gain on beneficial interest in perpetual trusts	-	-	-	-	-	-	-	-	-
End of year	\$ -	\$ -	\$ 111,566	\$ -	\$ -	\$ -	\$ 70,452	\$ -	\$ -

WEST OHIO ANNUAL CONFERENCE OF THE UNITED METHODIST CHURCH AND AFFILIATES

CONSOLIDATING STATEMENT OF ACTIVITIES BY FUND - TEMPORARILY AND PERMANENTLY RESTRICTED NET ASSETS - CONTINUED

YEAR ENDED DECEMBER 31, 2013

	<u>Maumee Watershed</u>	<u>Miami Valley</u>	<u>Northwest Plains</u>	<u>Ohio River Valley</u>	<u>Shawnee</u>	<u>Subtotal</u>	<u>Eliminations</u>	<u>TOTAL</u>
<b>TEMPORARILY RESTRICTED NET ASSETS</b>								
Revenue, Support and Expenses								
Apportionments	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 213,061	\$ -	\$ 213,061
Life income and annuity gifts	-	-	-	-	-	50,756	-	50,756
Net gains on investments	-	56,275	-	205,805	287,277	1,047,630	-	1,047,630
Interest and dividends	-	10	18	1,851	298	87,480	-	87,480
Contributions	-	-	20,000	-	-	943,154	-	943,154
Pledge campaign contributions	-	-	-	-	-	99,731	-	99,731
Miscellaneous	-	-	-	-	-	(671)	-	(671)
Satisfaction of donor restrictions	-	-	(20,657)	(92,236)	(5,740)	(2,328,692)	-	(2,328,692)
<b>CHANGE IN TEMPORARILY RESTRICTED NET ASSETS</b>	-	56,285	(639)	115,420	281,835	112,449	-	112,449
<b>TEMPORARILY RESTRICTED NET ASSETS</b>								
Beginning of year - restated	-	728,791	60,422	1,274,261	487,060	10,561,115	-	10,561,115
End of year	\$ -	\$ 785,076	\$ 59,783	\$ 1,389,681	\$ 768,895	\$ 10,673,564	\$ -	\$ 10,673,564
<b>PERMANENTLY RESTRICTED NET ASSETS</b>								
Beginning of year - restated	\$ -	\$ 21,730	\$ -	\$ 589,017	\$ 120,447	\$ 938,212	\$ -	\$ 938,212
Transfer to Friends of Sabroske, Inc.	-	-	-	-	-	(25,000)	-	(25,000)
Gain on beneficial interest in perpetual trusts	-	-	-	65,203	-	65,203	-	65,203
End of year	\$ -	\$ 21,730	\$ -	\$ 654,220	\$ 120,447	\$ 978,415	\$ -	\$ 978,415