



INDEPENDENT AUDITORS' REPORT

Council on Finance and Administration
West Virginia Annual Conference of The United
Methodist Church
Charleston, West Virginia

We have audited the accompanying financial statements of the West Virginia Annual Conference of The United Methodist Church – Treasurer's Fund, which comprise the statement of assets, liabilities, and fund balances - modified cash basis as of December 31, 2017 and 2016 and the related statement of fund transactions and fund balances - modified cash basis for the year ended December 31, 2017, and the related notes to the financial statements.

Treasurer's Responsibility for the Financial Statements

The Treasurer is responsible for the preparation and fair presentation of these financial statements in accordance with the modified cash basis of accounting described in Note 1; this includes determining that the modified cash basis of accounting is an acceptable basis for the preparation of the financial statements in the circumstances. Management is also responsible for 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.

Auditors' Responsibility

Our responsibility is to express an opinion on these 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 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.

200 Westmoreland Office Center
Dunbar, West Virginia 25064
(304) 766-1120 • Fax: (304) 766-1123
www.rowancpas.com

**WEST VIRGINIA ANNUAL CONFERENCE OF
THE UNITED METHODIST CHURCH
(A Not for Profit Organization)**

TREASURER'S FUND

MODIFIED CASH BASIS FINANCIAL STATEMENTS


YEAR ENDED DECEMBER 31, 2017

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the assets, liabilities, and fund balances - modified cash basis of West Virginia Annual Conference of The United Methodist Church - Treasurer's Fund as of December 31, 2017 and 2016 and the changes in its fund balances for the year ended December 31, 2017 in conformity with the basis of accounting described in Note 1.

Basis of Accounting

We draw attention to Note 1 of the financial statements, which describes the basis of accounting. The financial statements are prepared on the modified cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to that matter.



Dunbar, West Virginia
April 5, 2018

West Virginia Conference of The United Methodist Church - Treasurer's Fund
Assets, Liabilities and Fund Balances - Modified Cash Basis
December 31, 2017 and 2016

Assets

	<u>2017</u>	<u>2016</u>
Unrestricted Cash and Cash Equivalents	\$ 315,577	\$ 1,801,179
Restricted Cash and Cash Equivalents	<u>562,084</u>	<u>927,589</u>
Total Cash and Cash Equivalents	<u>877,661</u>	<u>2,728,768</u>
Accounts Receivable	824,869	656,943
Restricted Investments (at cost)	14,553,834	12,052,254
Notes Receivable - Western District Trustees	59,012	68,191
Notes Receivable - Minister Housing Loans	<u>300,566</u>	<u>339,941</u>
Total Assets	<u>\$ 16,615,942</u>	<u>\$ 15,846,097</u>

Liabilities and Fund Balances

Accounts Payable	\$ 725,178	\$ 665,989
Total Liabilities	<u>725,178</u>	<u>665,989</u>
Fund Balances:		
Unrestricted:		
Ministerial Support	597,373	2,006,200
World Service and Conference Benevolences	(66,302)	(32,644)
Administration and General	<u>243,775</u>	<u>226,709</u>
Total Unrestricted Funds	774,846	2,200,265
Non-Budgeted Temporarily Restricted Funds	<u>15,115,918</u>	<u>12,979,843</u>
Total Fund Balances	<u>15,890,764</u>	<u>15,180,108</u>
Total Liabilities and Fund Balances	<u>\$ 16,615,942</u>	<u>\$ 15,846,097</u>

The accompanying notes are an integral part of these financial statements

West Virginia Annual Conference
of the United Methodist Church - Treasurer's Fund
Statement of Fund Transactions and Fund Balances - Modified Cash Basis
For the Year Ended December 31, 2017

	Budget	Beginning Balance	Receipts	Disbursements	Ending Balance
CATEGORY I					
Black Ministry Fund	\$ 6,400	\$ -	\$ 5,494	\$ 5,494	\$ -
Board of Ordained Ministry	184,400	-	160,483	160,483	-
Clergy Support	18,400	-	15,800	15,800	-
District Promotional Funds	1,486,834	-	1,338,531	1,338,531	-
Episcopal Fund	249,692	-	249,692	249,692	-
Episcopal Residence	15,000	98,394	32,884	54,964	76,314
Equitable Compensation	150,000	333,296	128,827	77,635	384,488
Health Insurance	3,900,000	-	8,730,863	8,730,863	-
Health Insurance Reserve	100,000	1,574,510	204,290	1,642,229	136,571
MPP/CPP Conference Responsibility	380,000	-	326,362	326,362	-
Pensions, Past Service	400,000	-	693,537	693,537	-
Sexual Ethics	10,000	-	8,588	8,588	-
TOTAL CATEGORY I	6,900,726	2,006,200	11,895,351	13,304,178	597,373
CATEGORY II					
Archives & History	22,680	-	18,901	18,901	-
Board of Global Ministry	743,944	-	621,839	621,839	-
Board of Laity	14,100	-	13,452	13,452	-
Camps & Educational Center	231,181	(56,645)	345,322	357,979	(69,302)
Christian Unity	43,000	-	36,213	36,213	-
Justice & Advocacy	5,500	-	4,812	4,812	-
New Faith Comm. & Congregation	102,500	-	97,986	97,986	-
Communications	89,310	-	74,643	74,643	-
Connectional Ministries	937,640	-	812,343	812,343	-
Diversity Inclusion	20,000	-	25,521	25,521	-
Evangelism	13,000	-	10,834	10,834	-
Higher Education / Campus Ministry	438,634	-	368,366	368,366	-
Older Adult Ministries	2,300	-	1,916	1,916	-
Ethnic Ministries & Religion and Race	19,955	-	16,632	16,632	-
World Service	843,153	-	843,153	843,153	-
World Service Contingency	143,257	24,001	119,402	140,403	3,000
Youth Ministries	37,800	-	31,506	31,506	-
Young Adult Ministries	6,000	-	5,002	5,002	-
TOTAL CATEGORY II	3,713,954	(32,644)	3,447,843	3,481,501	(66,302)
CATEGORY III					
Annual Conference Reserve	11,000	209,665	9,122	-	218,787
Annual Conference Session	133,000	-	131,787	131,787	-
Area Fund	30,000	-	24,878	24,878	-
Conference Administration	484,324	-	491,936	491,936	-
Conference Lay Leader	3,500	-	2,902	2,902	-
General Delegate Fund	10,000	5,679	8,292	348	13,623
Jurisdictional Fund	25,000	-	24,996	24,996	-
Property Insurance	200,000	-	212,857	212,857	-
Spring Heights Conference Trustees	-	11,365	-	-	11,365
Spring Heights Maintenance	30,000	-	37,628	37,628	-
UM Center	191,300	-	158,641	158,641	-
General Church Funds	546,185	-	474,991	474,991	-
TOTAL CATEGORY III	1,664,309	226,709	1,578,030	1,560,964	243,775

The accompanying notes are an integral part of these financial statements

West Virginia Annual Conference
of the United Methodist Church - Treasurer's Fund
Statement of Fund Transactions and Fund Balances - Modified Cash Basis
For the Year Ended December 31, 2017

	Budget	Beginning Balance	Receipts	Disbursements	Ending Balance
<u>MISCELLANEOUS RESTRICTED</u>					
Annual Conference Offerings	-	-	17,387	17,387	-
Audio Visuals	-	2,947	-	2,947	-
Bethesda Ministries	-	8,094	-	-	8,094
Bishop Bike Trip - Annual	-	-	14,182	14,182	-
CCYM Scholarship	-	12,997	12,717	1,245	24,469
Christian Sunday Offering	-	2,996	568	3,023	541
Christian Educators Fellowship	-	-	-	-	-
Church & Community Workers	-	-	3,969	3,969	-
Church Builders Club	-	36,863	8,174	-	45,037
Churches of Promise	-	30,144	23,083	16,491	36,736
Church Safety Fund	-	1,456	-	-	1,456
Clergy Furnishing Grants	-	822	-	-	822
Communications Equipment	-	248	-	202	46
COME Events	-	3,195	126,971	126,862	3,304
Computer Equipment Reserve	-	80,647	-	3,732	76,915
Conference Events Connectional Min	-	-	-	-	-
Conference Operating Fund	-	986,040	392,756	196,614	1,182,182
Conference Property & Equipment	-	238,560	-	-	238,560
Conference Property Interest	-	71,741	-	-	71,741
Conflict Management	-	1,687	-	-	1,687
Day Spring Day Camp	-	-	4,000	3,208	792
Day of Rememb Offering	-	-	20,279	20,279	-
Day of Hope Offering	-	-	10	-	10
D/S Greenbrier Parsonage	-	235	-	-	235
D/S Midland South Parsonage	-	4,714	-	-	4,714
D/S Mon-Valley Parsonage	-	77	-	-	77
D/S Potomac Highland Parsonage	-	5,187	-	-	5,187
D/S Southern Parsonage	-	6,497	-	-	6,497
D/S Wesleyan Parsonage	-	6,515	-	-	6,515
Discover U	-	-	56,750	-	56,750
District Promotional Fund	-	-	168,264	168,264	-
Educational Funds	-	89,990	78,448	46,234	122,204
ELCC Ethnic Local Church	-	-	2,772	-	2,772
Episcopal Residence Reserve	-	5,547	-	-	5,547
Fairfield Community Ministry	-	-	600	450	150
Fall Workshop	-	-	14,367	14,367	-
Golden Cross	-	-	7,389	7,389	-
Hartford A D & D	-	-	1,650	1,650	-
Health Task Force	-	569	1,000	-	1,569
Flood Victims home Build	-	-	13,048	-	13,048
Igniting Ministries	-	1,630	-	-	1,630
Interest Income	-	60,825	135,809	151,921	44,713
Justice/Adv Ann Conference Offering	-	-	2,721	-	2,721
Leadership Development	-	476	-	76	400
Love Chapel Proceeds	-	1,043	-	-	1,043
Medical Reimbursement Accounts	-	3,784	28,788	29,414	3,158
Marriage Lab Scholarship	-	3,190	-	-	3,190
Merit Scholarships	-	411	-	-	411
Ministerial Education Fund	-	411,866	121,797	132,804	400,859
Mission Loans	-	231,622	8,512	-	240,134

The accompanying notes are an integral part of these financial statements

West Virginia Annual Conference
of the United Methodist Church - Treasurer's Fund
Statement of Fund Transactions and Fund Balances - Modified Cash Basis
For the Year Ended December 31, 2017

	Budget	Beginning Balance	Receipts	Disbursements	Ending Balance
MPP/CPP/CRSP Conf. Collections	-	-	2,749,268	2,749,268	-
Moving Expense	-	143	-	-	143
Native American Awareness	-	16,101	3,231	1,842	17,490
New Church Development	-	280,037	30,697	-	310,734
Online Registration Account	-	-	107,336	106,873	463
Pastor's School	-	8,598	5,887	6,796	7,689
Peace with Justice	-	19,233	1,485	-	20,718
Pensions - Undesignated Restricted Fund	-	1,069,589	458,284	465,000	1,062,873
Pensions - Deposit Account	-	3,490	5,765	4,256	4,999
Pensions - Additional Deposit Account	-	2,022,715	439,025	350,000	2,111,740
Pensions - DC & CPP Account	-	254,728	916,846	898,772	272,802
Pensions - CRSP	-	733,759	2,117,751	-	2,851,510
Pensions - MPP Annuities	-	1,642,245	55,400	-	1,697,645
Psychological Testing	-	18,522	975	-	19,497
Radical Discipleship	-	12,017	2,528	14,545	-
Radical Discipleship Young People	-	7,235	-	-	7,235
Retired Minister Emergency	-	617,570	88,184	47,860	657,894
Retired Minister Loans	-	1,879,533	17,569	-	1,897,102
Scouting Bishop's Dinner	-	2,750	-	-	2,750
Summer Youth Celebration	-	-	17,082	17,082	-
Task Force Central Conf Pen Initiative	-	-	1,200	1,200	-
Trustee - Property Proceeds	-	244,621	195,721	60,551	379,791
UMCOR II Flood 2016	-	-	250,000	-	250,000
UMCOR Flood Long Term Relief	-	236,753	202,500	380,269	58,984
UMPIP - Employers Pension Lay	-	-	100,217	100,217	-
Vehicle Purchase / Amortization	-	74,756	66,000	61,767	78,989
VISA Clearing Account	-	-	318,961	318,961	-
Volunteers in Mission	-	31,977	26,012	1,292	56,697
VIM UMCOR Grant	-	35,024	-	35,024	-
WV Area Administration Fund	-	109,278	87,573	71,804	125,047
WV Emergency Fund	-	1,301,122	362,926	1,101,135	562,913
WV Global Aids Fund Bishops Appeal	-	7,998	375	-	8,373
WV Emerg. Gtofely Foundation	-	15,000	140,766	155,766	-
WV PTLP COS School	-	4,746	102,508	90,629	16,825
WV PTLP COS Trip	-	974	-	-	974
Young Adult Ministries	-	11,956	2,553	1,215	13,294
Youth Mission of Peace	-	530	6,363	5,720	1,173
Youth Bus Trip	-	1,016	-	-	1,016
Youth Service Conference	-	3,212	2,930	3,300	2,842
Designated Funds	-	-	622,820	622,820	-
TOTAL NON-BUDGETED					
TEMPORARILY RESTRICTED FUNDS	-	12,979,843	10,772,749	8,636,674	15,115,918
TOTAL OF FUND BALANCES	\$ 12,278,989	\$ 15,180,108	\$ 27,693,973	\$ 26,983,317	\$ 15,890,764

The accompanying notes are an integral part of these financial statements

WEST VIRGINIA ANNUAL CONFERENCE OF THE UNITED METHODIST CHURCH
TREASURER'S FUND
NOTES TO FINANCIAL STATEMENTS

NOTE 1. SIGNIFICANT ACCOUNTING POLICIES

The Treasurer of the West Virginia Annual Conference, by direction from the Council on Finance and Administration, is charged with receiving church remittances, special offerings, and miscellaneous other receipts. The Treasurer subsequently disburses these funds in accordance with the Conference approved budget for the year, donor instructions, or specific direction of the West Virginia Annual Conference Council on Finance and Administration. The Treasurer generally recognizes revenue from church remittances and Conference expenses when received or paid. However, because the local church is not always able to remit funds received late in the year prior to January 1, those funds received for the prior year are recognized as accounts receivable and recognized as revenue in the year raised by the local church. Conversely, those obligations that arise as a result of the receipts (i.e. pass-through funds) are recorded as accounts payable and recognized as disbursements for the year. All property and equipment acquired by the West Virginia Annual Conference is either expensed when purchased or not recognized when received by gift or by abandonment by a local church.

The Conference Treasurer uses the modified cash basis of accounting. The modified cash basis of accounting differs from generally accepted accounting principles primarily because of property and equipment, and receivables or liabilities pertaining to the self-funded health care plan and the pension plan are not included in the financial statements. Loans, accounts receivable and accounts payable shown in the accompanying financial statements are recognized only to the extent described in the first paragraph.

One of the primary reasons the Treasurer believes generally accepted accounting principles are not appropriate is because of the issuance, by the Financial Accounting Standards Board of the American Institute of Certified Public Accountants, of a rule requiring the Conference to accrue all liability for the future health claims of all retired pastors and their families in the financial statements and liability for all retirement plans obligations. After consideration of all costs involved in acquiring, accumulating, and maintaining the information necessary for such an accrual, and considering that the Treasurer has never capitalized and depreciated property and equipment as required by generally accepted accounting principles, the Treasurer has determined the benefits to the Conference and other financial statement users are not substantial enough to warrant compliance with these rules.

Fund Accounting: To ensure observance of limitations and restrictions placed on the use of resources available to the Conference, the accounts of the Conference are maintained in accordance with the principles of fund accounting. This is the procedure by which resources for various purposes are classified for accounting and reporting purposes into funds established according to their nature and purposes. Separate accounts are maintained for each fund.

Unrestricted fund balances- Fund balances that are not subject to donor-imposed stipulations.

Temporarily restricted fund balances - Fund balances subject to donor-imposed stipulations that may or will be met in the future for their designated purpose.

**WEST VIRGINIA ANNUAL CONFERENCE OF THE UNITED METHODIST CHURCH
TREASURER'S FUND
NOTES TO FINANCIAL STATEMENTS**

NOTE 1. SIGNIFICANT ACCOUNTING POLICIES - continued

Estimates: The preparation of financial statements in conformity with the modified cash basis of accounting requires management to estimate certain amounts reported in these footnotes. Actual amounts could differ from those estimates.

Cash: The Conference considers cash and deposits that are available on demand to be cash.

Income Taxes: The Conference, a religious organization operating under Section 501(c)(3) of the Internal Revenue Code, is generally exempt from federal, state, and local income taxes and, accordingly, no provision for income taxes is included in the financial statements. As churches are not required to file tax returns, they are not typically subject to audit.

NOTE 2. CASH and INVESTMENTS CONCENTRATIONS

Substantially all of the Treasurer's cash is deposited with a single bank. As of December 31, 2017 and 2016, \$607,399 and \$2,698,722 in deposits were not covered by FDIC insurance. All Conference investments reported on the financial statements have been deposited in the United Methodist Foundation of Charleston WV except for three investments in United Methodist General Board of Pensions short term investment fund.

NOTE 3. UNREALIZED GAIN OR LOSS ON INVESTMENTS

Investments are recorded in the Assets, Liabilities and Fund Balances – Modified Cash Basis at cost. As of December 31, 2017, the investment's market value was above cost by \$1,736,653 and as of December 31, 2016 the investment's market value was above cost by \$687,815. No unrealized gains or losses have been recognized in the accompanying statement of fund transactions and fund balances - modified cash basis. Investments made above are not federally insured.

NOTE 4. PENSION PLAN

LAY EMPLOYEES:

The West Virginia Conference of The United Methodist Church participates in a defined contribution pension plan administered by Wespath, Inc. covering all lay employees who normally work 20 hours or more per week (1,000 per year) and at least six months during the plan year. Under the provisions of the Plan, the Conference must contribute an amount equal to 9% of each eligible employee's gross wages. Contribution expense for the year ended December, 31, 2017 was \$100,217 and contribution expense for the year ended December 31, 2016 was \$83,258.

CLERGY EMPLOYEES:

Pre 82 Plan

The West Virginia Annual Conference of The United Methodist Church participates in a defined benefit, multi-employer pension plan that covers Conference members and local pastors under Episcopal appointment. Benefits of this plan, which are administered by Wespath, Inc., are

WEST VIRGINIA ANNUAL CONFERENCE OF THE UNITED METHODIST CHURCH
TREASURER'S FUND
NOTES TO FINANCIAL STATEMENTS

NOTE 4. PENSION PLAN - continued

determined by two primary factors: when service to the Conference was rendered and for how long services were rendered and the Past Service Rate for the plan. Also included in this calculation are Defined Benefit Service Money (DBSM) that may have been contributed by the West Virginia Annual Conference of the United Methodist Church for its participants. Benefits for services rendered prior to 1982 are determined by multiplying the number of years of credited service by a Past Service Rate that is annually re-determined by the West Virginia Annual Conference of The United Methodist Church.

Each time the Past Service Rate is increased, the unfunded past service liability also increases. Based on action of the General Conference, and due to changes approved for the overall structure of the retirement program; effective January 1, 2007 the increase in the Past Service Rate was changed to 2% per year. Currently, any increases in the Past Service Rate must be funded immediately. Consequently the Past Service Rate for 2017 of \$565 was increased to \$576 for 2018. The unfunded past service liability or over-funded status of the plan is based on assumptions about future events that may or may not occur as predicted. The plan is to be fully funded no later than December 31, 2021.

As of 1/1/2017 the plan asset value is \$50,245,815 and the plan liability value is \$36,908,609. The 2017 and 2016 contributions were \$400,000 and \$500,000, respectively, in which the required contribution was \$-0-. The legal status of this plan is such that all assets held by Wespath, Inc. for Supplement One to the Ministerial Pension Plan are available to pay all benefits of the plan, regardless of the annual conference from which contributions came or under which benefits were accrued.

For one year only, the Board of Pensions approved funding of the 2016 CRSP-DB by using the excess funding of the Pre-82 monies. This "holiday" permitted churches to keep their contribution and instead utilize the monies for ministry and mission projects. Churches are encouraged to share how they are using the contributions to benefit ministries, either new or established projects. The amount of this contribution was \$1,824,963 for 2016 that was funded by the Pre-82 monies. For 2017, the West Virginia Annual Conference United Methodist Church reverted back to billing the pension amounts to build up the reserves and used the Pre-82 monies to fund the 2017 CRSP-DB contributions in the amount of \$1,834,927.

Ministerial Pension Plan (MPP)

From January 1, 1982 through December 31, 2006, eligible clergy in the United Methodist Church of West Virginia were enrolled in the Ministerial Pension Plan. This plan was a defined contribution plan where the salary-paying unit (usually the church) paid twelve (12) percent of the clergy person's plan compensation into an investment vehicle that was invested by Wespath, Inc. Currently, upon retirement, 65% of this money must be converted to an annuity. The balance can be rolled over or moved to other investment accounts of the clergy's choosing. The West Virginia Annual Conference of the United Methodist Church remains liable for fully funding the annuities. The 2016 and 2017 contributions were \$-0- and \$-0- respectively.

**WEST VIRGINIA ANNUAL CONFERENCE OF THE UNITED METHODIST CHURCH
TREASURER'S FUND
NOTES TO FINANCIAL STATEMENTS**

NOTE 4. PENSION PLAN - continued

Clergy Retirement Security Program Plan (CRSP)

Effective January 1, 2007 the Denomination established a pension plan for eligible United Methodist Clergy (CRSP – Clergy Retirement Security Program). This plan has a defined benefit component and a defined contribution component. The CRSP defined benefit component is calculated by multiplying 1% times the Denominational Average Compensation (DAC) in effect at the time of retirement times the years of credited service. The DAC for 2017 was \$68,876 and \$67,333 in 2016. The conference currently bills the church 14% of the pastor's plan compensation thru out the year to be able to fund this plan by year end. Eligible clergy of the CRSP defined contribution component receives 2% of the eligible clergyperson's plan compensation and a 1% matching contribution if the clergyperson contributes at least 1% of their plan compensation. Any investment earnings or losses on the participants share is credited to or deducted from the participants account balance. The West Virginia Annual Conference of the United Methodist Church makes contributions to a deposit account with Wespeth Inc. for the defined benefit component of the CRSP. As mentioned above, for one year only, the Board of Pensions approved funding of the 2016 CRSP-DB by using the excess funding from the Pre-82 monies. This "holiday" would permit churches to keep their contribution and instead utilize the monies for ministry and mission projects. For 2017, the West Virginia Annual Conference of the United Methodist Church reverted back to billing 14% of the pastor's plan compensation to build up reserves and used \$1,834,927 of Pre-82 monies to fund the CRSP-Defined Benefit Pension Plan for the year ended December 31, 2017. For the year ended December 31, 2016, the West Virginia Annual Conference of the United Methodist also used 1,824,963 of Pre-82 monies to fund the CRSP – Defined Benefit Pension Plan. As of the most recent data available from actuarial reports, the required contributions are \$1,764,174 and \$1,698,272 for 2018 and 2019 respectively.

NOTE 5. SELF-FUNDED HEALTH CARE PLAN / RELATED PARTY

Effective April 1, 1989, the Conference established The United Methodist Church Family Health Care Plan ('Plan') for the purpose of providing health care benefits to participants on a self-funded basis. Funding for the Plan is provided by contributions from the Annual Conference, the local church, and participants. The West Virginia Annual Conference of the United Methodist Church determines participant contribution amounts.

Generally, active full-time employees of the West Virginia Annual Conference, member churches, agencies and institutions of the United Methodist Church, and their dependents, are eligible to participate in the Plan. Additionally, retirees, their dependents and surviving spouses can be eligible for participation.

Benefits are provided as specified by the Plan. Eligible covered expenses include charges for hospitalization, outpatient services, prescription drugs, physician's services, surgery, diagnostic and dental services, among others. Participants should refer to the Plan document for specific information including limitations and exclusions.

**WEST VIRGINIA ANNUAL CONFERENCE OF THE UNITED METHODIST CHURCH
TREASURER'S FUND
NOTES TO FINANCIAL STATEMENTS**

NOTE 5. SELF-FUNDED HEALTH CARE PLAN / RELATED PARTY- continued

The Plan maintains an individual stop-loss insurance policy by which benefit payments in excess of \$150,000 per individual a year are considered eligible for reimbursement from a 3rd party insurance company, with the exception of specified individuals where the excess amount will not count until the annual expenditure exceeds as much as \$275,000 for specific events. The insurance policy will pay for all amounts above the specific deductible and aggregate specific deductible.

An officer of the third party administrator (TPA) of the health plan is also a member of the WV Annual Conference Council on Finance and Administration. Total fees paid to the TPA for administration and insurance were \$969,564 for 2017 and \$968,082 for 2016. Total health care expenses and administration were \$8,730,863 for 2017 and \$7,094,743 for 2016, net of any reimbursements received.

NOTE 6. HEALTH CARE CLAIMS LIABILITY

The unpaid health claims as of December 31, 2017 are estimated to be approximately \$1,171,763 and for December 31, 2016, the unpaid health claims were estimated to be \$746,100. These amounts must be estimated because certain claims incurred in year 2017 have still not been submitted to the plan for payment, and certain claims are still in the process of eligibility determination as of the date these financial statements were published. As explained in Note 1 above, this liability for unpaid health care claims is not reflected in the accompanying financial statements. The West Virginia Annual Conference of the United Methodist Church has health insurance reserves. Due to an unusual number of large claims the 2016 reserve of \$1,574,510 has dropped to \$136,571.

NOTE 7. ROYALTY INCOME

During March of 2016, the West Virginia Conference of the United Methodist Church – Treasurer's Fund was notified that Pension Funds Inc. (also known as Old Minister Fund United Methodist Episcopal Church) was the royalty interest owner in some gas wells that had been drilled. The operator, Antero Resources sent a check to Pension Funds Inc. in the amount of \$766,266 for current and accrued royalties to date. Since then, the monthly royalty checks have averaged about \$30,000 or more per month. All funds have been invested in an undesignated Pension Fund reserve account with the United Methodist Foundation and are reported in these financial statements.

NOTE 8. SUBSEQUENT EVENTS

Management evaluated subsequent events through April 5, 2018 the date the financial statements were available to be issued.

NOTE 9. COMPARATIVE 2016 AMOUNTS

The amounts shown for the period ended December 31, 2016 in the accompanying financial statements are included to provide a basis for comparison with 2017 and represent summarized totals only. Accordingly, the 2016 amounts are not intended to present all information necessary for a fair presentation in accordance with the modified cash basis of accounting.

**WEST VIRGINIA ANNUAL CONFERENCE OF THE UNITED METHODIST CHURCH
TREASURER'S FUND
NOTES TO FINANCIAL STATEMENTS**

NOTE 10. OPERATING LEASES / RELATED PARTY TRANSACTION

The West Virginia Annual Conference of the United Methodist Church – Treasurer's Fund has the following four operating leases. The first is an operating lease that started January 2015 from Pitney Bowes Global for postage machine equipment with a monthly payment of \$525.94 for a period of 60 months billed quarterly. The second is an operating lease that started April of 2014 for reproduction equipment from LEAF Capital Funding, LLC with a monthly payment of \$388 for a period of 60 months. The third operating lease started December of 2014 for phone equipment from AVAYA with a monthly payment of \$248 for a period of 60 months. The fourth operating lease is for the office space used by the employees and volunteers of the West Virginia Annual Conference of the United Methodist Church. This operating lease is a related party transaction with one of the West Virginia Conference's churches. The lease started January 1999 for a period of five years and then was automatically renewed for three-year increments if not cancelled. The yearly amount of the lease was \$70,308 for 2017 and \$70,296 for 2016.

The following is a schedule of future minimum lease payments required:

2018	\$ 84,239
2019	<u>10,839</u>
Total	<u>\$ 95,078</u>