

## **FISCAL POLICIES FOR 2020 WEST VIRGINIA ANNUAL CONFERENCE**

### *All Discipline References - 2016*

1. The Council has oversight of the fiscal affairs of the Annual Conference. It is amenable to and acts on policies stated in the Discipline or authority granted by the West Virginia Annual Conference. (Par. 611-619)
2. The goal is for every church of the Conference to achieve a 100% payout of its share in the Annual Conference Budget. To achieve this goal we urge the use of materials available from the General Church and the Annual Conference, along with the services of the Conference Treasurer and the teams from the Council on Finance and Administration, to interpret the Conference Financial Programs, such as the apportionment calculation, World Service giving, missional support and giving, pastoral compensation and salary sheets, and other ministry expenditures.
3. The Conference Agencies are required to present to the Council on Finance and Administration a revised budget for 2020, within the line amount approved by the Annual Conference, no later than 30 days following the close of the Annual Conference.
4. The term total appointive cost, as used by the cabinet in fixing appointments includes the following: base compensation, health insurance premiums paid by the local church/charge in excess of any Annual Conference requirement, tax-deferred annuities and Accountable Reimbursement Plan or other non-compensation expenses (Medical Reimbursement Accounts, Cafeteria 125 Plans, etc). Total appointive costs less any Accountable Reimbursement Plans or other non-compensation items will be used to compute medical insurance premiums and payments to the Clergy Retirement Security Program and Comprehensive Protection Plan.
5. When a clergyperson under appointment moves, the total appointive costs, the pension payment and monthly medical insurance premiums for the month in which a move occurs is to be paid by the former charge.
6. All parsonage utilities including but not limited to gas, electric, water, sewer, fuel oil, coal, wood, basic telephone service and internet services will be in the name of the local church/charge and all local churches/charges shall be responsible for 100% of these utility costs. These expenses are not considered as a part of the total appointive costs.
7. The Fair Share figure shall be distributed to the churches and charges under three categories: (1) Ministerial Support; (2) World Service and Conference Benevolences; (3) Administration and General Funds. The remittance form provided by the Conference Treasurer shall require the Charge Treasurers to designate the category or categories for which payment is made.
8. When a 100% payout in any category of the Conference budget is reached, authority is granted by the Council on Finance and Administration to direct the excess to other categories.

9. Authority is granted to make compensation and related employee expenses payable from the Conference budget as first claim on the Conference budget within anticipated payout of the categories remitted by the churches. The Council accepts pensions as a deferred compensation item.
10. Routine maintenance and improvements of parsonages for District Superintendents shall be the responsibility of the respective districts.
11. The President of the Council, or a member of the Council designated by the Council, is authorized to approve all vouchers drawn on the Annual Conference Administration Fund, the Conference Lay Leader Account, the Conference Operating Fund, and the District Superintendent's Fund.
12. No member or employee of any Conference agency and no employee, trustee, or director of any agency participating in the funds of the Conference budget shall be eligible for voting membership on the Council. (Par. 612.2(b)).
13. The Conference Treasurer shall be the treasurer of the Council. This person is elected by Annual Conference on nomination of its Council on Finance and Administration for the quadrennium. The Council shall have authority and supervision over the treasurer (Par. 619). The treasurer shall be bonded (Par. 618.1). The Council on Finance and Administration provides the bonding.
14. The chairperson or other duly authorized representative of each Conference agency shall have an opportunity to represent the claims of said agency to the Council on Finance and Administration (Par. 614).
15. The Council shall recommend to the Annual Conference for its action and determination, budgets of anticipated income and proposed expenditures, for all funds to be apportioned to the churches (Par. 614).
16. Wherever possible, the Conference Treasurer may serve as treasurer of all agencies (Par. 613.11 & 619.5b). All persons who hold or receive Conference funds shall be bonded in the amount as determined by a surety company approved by the Council. The Treasurer shall be custodian of all surety bonds (Par. 618).
17. The compensation, housing, and office expense of the District Superintendents shall be determined by the Conference upon recommendation of the Council on Finance and Administration. Provisions shall be made for the insurance and major maintenance emergencies of district parsonages (Par. 614.1).
18. No Conference agency or local church shall make a special Conference-wide appeal to local churches or members of the same without the approval of the Annual Conference except in areas of extreme emergency. Then such approval may be given by two-thirds vote of the Bishop, the District Superintendents and the Council on Finance and Administration, acting jointly (Par. 614.5.a).
19. All applications for the privilege of Conference-wide appeals for finance shall be referred to the Council for investigation and determination of needs as well as effect on the regular budgets of the Conference. The Council shall make recommendations to the Conference for its action and determination (Par. 614.5.b).
20. No board of trustees, officer or official of any agency or institution of the Annual Conference shall encumber the real or personal property which it owns or holds in trust or in any manner involve the Annual Conference in any obligation or

indebtedness without the prior approval of the Annual Conference or between sessions of the Annual Conference with the prior approval of the Council on Finance and Administration of the Annual Conference and the presiding bishop and a majority of the District Superintendents of the Annual Conference and compliance with the provision of Paragraph 2517 of the Book of Discipline. [The provisions of this paragraph are not applicable to West Virginia Wesleyan College, as the Conference is not responsible for the College's obligations or indebtedness].

21. Except as otherwise provided by the Book of Discipline, any agency presenting a report to the Annual Conference requiring financial asking shall have the financial asking referred to the Council for their recommendation, before final consideration of the report by the Annual Conference.
22. Any agency presenting a budget that differs from that printed in the Conference Workbook shall place an amended budget in the hands of the president, treasurer, and secretary of the Council at the time the report is considered by the Annual Conference.
23. Operating budgets under Conference benevolences are set each year; therefore, any unspent balance remaining at the close of the Conference year will be applied as follows: First, to deficits incurred in the Covenant Council's budget; second, the Covenant Council and Council on Finance and Administration will negotiate a fair share of any deficit in the Conference Operating Fund with the remaining monies to be expended for the World Service apportionment.
24. The Fair Share portion of the total missional budget approved by the Annual Conference shall be calculated by the Conference Treasurer and sent to the District Superintendents within sixty (60) days following adjournment. The Annual Conference on recommendation of the Council shall determine the basis of the calculation.
25. The District Superintendent shall present the amounts apportioned to the local churches within ninety (90) days following adjournment of the Annual Conference. **Items apportioned to the churches and charges are not subject to acceptance of a lesser amount by the Charge Conference.**
26. To maintain a sound financial policy, the Council may set an expenditure limitation on items other than compensation – if, in its judgment, the anticipated rate of receiving income warrants such action.
27. The Council shall have the books of the Treasurer audited by a Certified Public Accountant. Any member of the Annual Conference may inspect copies of the annual audit, kept in the Treasurer's office. As part of the audit, the accountant shall confer with the presiding bishop of the Annual Conference and the president of the Council (Par. 617.1).
28. Any agency receiving funds from the Conference which has a treasurer other than the Conference Treasurer, shall file with the Conference Treasurer within 180 days after the close of the Conference Fiscal Year an external audit by a Certified Public Accountant with standards set by the General Council on Finance and Administration (GCFA). The cost of the audit or report shall be paid by the agency for which it is made. (Par. 617.2) **The Conference Treasurer shall not distribute funds to agencies failing to comply.**

29. The Treasurer of the Conference may invest, in accordance with the Council's Investment Policy, and under the direction of the Council, any available balances, the income to accrue to the Conference Operating Funds, unless otherwise designated by the Council (Par. 613.5 and 619.2d).
30. The Council shall designate a depository or depositories for all Conference funds (Par. 616).
31. The Conference Treasurer shall make a full report each month to the president and members of the Council, the Bishop and the members of the Cabinet, of all funds received, disbursed, and balances under the Treasurer's direction. An annual report shall be printed in the *Conference Journal* (Par. 619.c1).
32. Every clergy member of an annual conference appointed to extension ministry shall furnish annually to the conference secretary at such time as the secretary shall direct a statement of his or her total compensation (including base compensation, travel, automobile, housing, and other expenses allowed and paid) for the year then ending, and said compensation of all appointed to extension ministry shall be published in the journal of the annual conference. When this information is not furnished, the appointment of the clergyperson shall be subject to review by resident bishop and the cabinet. (Paragraph 628)
33. The Annual Conference shall maintain a **Conference Operating Fund** of 5% of the Annual Conference budget.
34. The Annual Conference shall maintain a **Conference Property Maintenance and Improvement Fund** with the goal being to achieve a balance of 5% of the Annual Conference Budget. Seventy five percent of the interest income from this account shall be divided equally among the districts for use by the District Trustees for the maintenance and improvements of the parsonage located there. This amount which shall be allowed to accumulate from year to year will be placed in a holding account for each district and will be available upon application by District Trustees. The remaining interest income only shall become available for use in Conference owned properties, primarily District Parsonage emergencies. An emergency is an unanticipated expense that would cause the occupant difficulty in inhabiting that house.
35. The Annual Conference shall maintain a **Conference Reserve Fund** with the goal being to achieve a balance of 5% of the Annual Conference budget.
36. Once approved by the Annual Conference, all agency budgets, including the line items within them, are fixed for the ensuing year. Each agency is expected to administer its budget according to the income that becomes available. Any deficits at the end of the fiscal year shall be charged against the next budget for that agency. Exceptions to this policy may be granted by the Council, after consultation with the Covenant Council.
37. Each line item within a budget is to be executed and reported accurately as to its actual cost. When income for an agency is less than needed, the agency is responsible for identifying the priorities among the line items that are to receive support. Divisions or sections of an agency must adhere to decisions of the total agency of which it is a unit.
38. No agency or unit thereof is entitled to authorize expenditures of funds for purposes

not previously approved by the Annual Conference unless expressly approved by the Council between sessions of the Annual Conference. Any funds so spent will be recovered from the next year's budget of that agency.

39. All agencies shall reimburse their members for expenses incurred in attending meetings when they submit itemized vouchers. This is interpreted to include only travel at the Conference rate (or if commercial transportation, the actual cost at coach rate), highway tolls, parking, meals and lodging. Receipts are required for all expenses. There shall be no exception unless prior approval of the expenditure is given through proper channels by the Council. Members of agencies traveling from outside the Conference boundaries to a meeting site within the Annual Conference shall be reimbursed only for that portion of vouchered expenses occurring within the boundaries of the Annual Conference to and from the site of the meeting. If this vouchered expense is for air transportation, the expense will be pro-rated by actual air mileage from the Conference boundaries to and from the site of the meeting.
40. Providing quality on-site care shall be a priority for all Conference agencies. When on-site care is not feasible and spouse care is not available, financial remuneration shall be made by the Conference agencies to its members for dependent care (child, person with disabilities, or elder care) as legitimate meeting expense so long as the total for all conference boards and agencies does not exceed \$1,000. The amount to be reimbursed shall be the actual cost to provide specialized care not to the point of medical care and not to exceed \$50 per dependent per day.
41. Expenses of the Annual Conference Session shall be a line item of the Conference budget and offerings received during each Annual Conference session shall be designated for Annual Conference and General Church causes to be determined annually by the Annual Conference on recommendation of the Covenant Council.
42. The Council on Finance and Administration will not consider program related financial requests without the prior consideration of the Conference Covenant Council.
43. A bond of at least \$25,000 shall be provided by the local church/charge for Treasurers and other persons who handle funds within the local church. This bond shall be forfeited if a clear separation of duties is not followed by people responsible for receipts and expenses (Paragraph 2511).
44. The term "AGENCY," as used in recommendations and fiscal policies, shall be interpreted in its broadest sense to include all line items in the conference budget.
45. When two churches are merged with an effective date immediately following Annual Conference, the current Fair Share for the new charge shall be determined by adding 50% of the Fair Share of the smaller fair share church to the larger fair share church. The merged congregation will use the church number of the larger fair share church. All current year remittances received before the merger from the smaller fair share church will be transferred in the remittance system to the larger fair share church. For future fair share calculations, the financial statistical data for the smaller fair share church will not be added to the statistics of the larger fair share church. Only the membership figure will be transferred (smaller fair share church membership to be added to the larger membership). The percentage of

payout on Line 73 for the merged church will be the higher percentage figure of either church.

46. Ten percent of the net proceeds from the sale of closed church property shall be allocated for the purpose of creating an endowment fund for capital improvements, repair and restoration of ethnic minority local churches. These funds shall be invested through United Methodist Foundation of WV, Inc., and that the income shall be administered by Ethnic Local Church Concerns Committee.
47. Failure to submit Statistical Reports in accordance with the *Book of Discipline* requirements will result in ten percent (10%) being added to the previous year's adjusted expenses to determine the current year expenses for Fair Share calculation purposes.

## INVESTMENT POLICY:

### I. INTRODUCTION

The Investment Committee of the Council on Finance and Administration has approved this policy in accordance with paragraph 612.5 of the *Book of Discipline* of The United Methodist Church. This policy is for guidance and use of the Investment Committee, the Council on Finance and Administration, depositories of funds of the Annual Conference and others in the execution of their duties related to the management of the investment portfolio of the Annual Conference.

### II. OBJECTIVES

The Conference has four objectives for its investment portfolio which shall be considered when determining the appropriateness of investments for the portfolio. They are:

- A. Preserve the capital assets of the Conference;
- B. Maintain an appropriate level of liquidity within the portfolio;
- C. Maximize the return on the invested funds of the Conference, and
- D. Be consistent with the Social Principles of The United Methodist Church.

### III. INVESTMENT CRITERIA

A. Permissible Investments - The Conference will limit its investments to the classes of securities listed in this paragraph. Other types of securities may be purchased when it is in the best interest of the Conference to do so, if approved as outlined in the exceptions of his policy. Permissible investments are as follows:

1. Direct obligations of the U.S. Treasury;
2. Federal Agency securities;
3. Certificates of deposit, deposit notes, and time deposits, to the extent they are fully insured by the FDIC;
4. Commercial Paper;
5. Corporate Bonds;
6. Constant Dollar Money Market Funds;
7. Mutual funds and common trust funds which are principally composed of any assets in this section.

- B. Credit Criteria and Quality Ratings - Credit criteria for U.S. Treasury, Federal agency securities and insured deposits are not needed because credit quality is inherent in the instruments. All other investments should meet the following credit criteria:
1. Corporate bonds must be rated and maintain any "A" rating by either Moody's or Standard and Poors';
  2. Commercial paper must be rated "A-2" or "P-2" or better;
  3. Money Market Funds used must be principally composed of assets meeting the credit criteria of this section.
- C. Maturity - After all other criteria contained in this statement have been met, U.S. Treasury obligations, those of federal agencies, and those of corporations should have a maturity of three years or less when purchased directly by the Conference Treasurer or a maturity of twenty years or less when purchased as part of mutual funds and common trust funds. All other investments should be money market instruments with maturities of one year or less. At least one third of the total investment shall have maturities of 91 days or less. Exceptions to this policy can be granted when warranted in accordance with section V of this policy.
- D. Diversification
1. At least one third of the total funds invested must be in money market funds or bank accounts available within 24 hours;
  2. Obligations of the U.S. Treasury and agencies of the U.S. Government may be purchased without limitation as to size, as long as the limitation in III, D 1, above, is met;
  3. Deposits in banks shall be limited to the amount the institutions depositors are insured by the FDIC;
  4. No single investment in commercial paper or corporate bonds shall exceed 10% of the total funds invested at the time of purchase.
- E. Trading and Speculation - It is the policy of the Conference that the investments of the Conference will not be involved in trading. Trading is characterized by a high volume of purchase and sale activity, when considered in light of a short holding period for securities, clearly demonstrates an intention to profit from short-term price movements. Those involved with investments are prohibited from using the account to speculate in securities. This includes prohibitions on settlement of purchases other than regular way and zero - coupon of stripped products.
- F. Social Responsibility - It shall be policy of the Conference that a conscious effort shall be made to invest in institutions, companies, corporations or

funds which make a positive contribution toward the realization of goals outlined in the Social Principles; and to endeavor to avoid investments that appear likely, directly or indirectly, to support racial discrimination or the production of nuclear armaments, alcoholic beverages or tobacco, or companies dealing in pornography. Any depository considered for selection by the Conference shall affirm that it is an Equal Opportunity Employer and an Equal Housing Lender and shall make available to the Investment Committee of the Council on Finance and Administration a copy of its Affirmative Action Policy. Any minority-owned or controlled financial institution in West Virginia which meets the requirements of the Fiscal Policies and Investment Policy shall be given special consideration as a minority vender under the Conference Affirmative Action Policy.

- G. Authorities and Limitations - The Depository and/or investment Manager shall report investment activities to the Conference Treasurer monthly, including a report on all securities bought and sold during the month. The Treasurer shall inform the Investment Manager of any unusual cash flows anticipated. The Treasurer shall review the investment account with the Investment Committee not less than quarterly. The Investment Committee shall report to the Council on Finance and Administration at each of its meetings.

#### IV. POLICY REVIEW

This policy statement has been approved by the Council on Finance and Administration through its Investment Committee. The Council shall approve significant changes to the policy before said changes are implemented. This policy shall be printed in the *Conference Journal* at least once in each quadrennium.

#### V. EXCEPTIONS TO POLICY

Any statement of investment policy restrictive enough to be meaningful will also suffer from a lack of flexibility. At times, this lack of flexibility could cause the Conference to miss an excellent investment opportunity. Therefore, the following procedure is established for approving exceptions to the investment policy:

- A. Exceptions will be made on the recommendation of the Investment Manager and with the approval of the Conference Treasurer. Verbal approval of the Treasurer is all that is required. The Investment Manager must then write a memorandum for the record documenting why he recommended the exception and documenting the approval received. This memo will be submitted to each member of the Investment Committee by mail as soon as possible, and shall be entered into the minutes of the next Investment Committee meeting;
- B. If the Treasurer is not available, the approval will be delegated to the Chairperson of the Investment Committee, the Comptroller of the Conference, or to any member of the Investment Committee, in that order.

**Board of Trustees Financial Statement**  
As Of December 31, 2018

Cash Invested - United Methodist Foundation	<u>\$395,566.85</u>
Total Available Cash	\$395,566.85
Notes Receivable:	
Total Notes Receivable	\$0.00
<b>Total Gross Assets</b>	<b>\$395,566.85</b>
Committed Assets	
Reserve for Trustees	\$100,000.00
2019 Distribution to New Church Development	\$122,300.82
2019 Distribution to Ethnic Church Fund	<u>\$30,575.21</u>
Total Committed Assets	\$252,876.03
Total Net Assets	<u><u>\$142,690.82</u></u>

**Property Insurance Account**  
As Of December 31, 2018

Income	
Apportioned Receipts	\$215,553.47
UMI Surplus	\$91.00
Other Income	\$0.00
Transfer from Conference Operating Fund	\$14,970.53
Total Income	\$230,615.00
Expenses	
Commercial Package	\$87,871.00
Conference Auto	\$18,730.00
Camp Package	\$44,962.00
Mission Projects	\$73,300.00
Campus Ministries	\$5,752.00
transfer To Conference Operating Fund	<u>\$0.00</u>
Total Expenses	\$230,615.00
Net Gain/(Loss) for 2018	<u>\$0.00</u>

Transfer From Insurance Reserve \$14,970.53

**Property Proceeds Account**

As Of December 31, 2018

Beginning Balance	January 1, 2018	\$378,963.44
Income:		
Property/Furniture Sales		\$328,532.77
Bank Account Closures		\$50,796.14
Interest Income - Foundation		\$14,549.46
Rents, Leases and Royalties		\$2,147.44
Other Income		\$1,406.41
<b>Total Income</b>		<b>\$397,432.22</b>
Expenses:		
Salary		\$16,182.52
Legal Fees		\$2,465.49
Administration		\$2,906.51
Camp Shuttering Expenses		\$0.00
District Parsonage Expenses		\$0.00
+ Appraisals		\$136.16
Transfer to New Church Development		\$61,593.69
Transfer to UM Foundation for Ethnic Churches		\$15,398.42
Agents Expense		\$0.00
Transfer to Reserve		\$0.00
Taxes		\$550.07
Other		\$502.74
Utilities Closed Properties		\$3,582.63
Workers compensation		\$0.00
Spring Heights Capital Maintenance		\$21,206.56
<b>Total Expenses</b>		<b>\$124,524.79</b>
Net Year to Date Activity		<u>\$272,907.43</u>
Ending Balance	December 31, 2018	<u><b>\$651,870.87</b></u>
Following entries made in 2019	\$305,752.06	
Transfer to UMF for New Church Development	\$122,300.82	
Transfer to UM Foundation for Ethnic Churches	\$30,575.21	

**Ministers' Emergency Fund**

Cash Balance	1/1/2018	\$657,894.22
Income:		
Day of Remembrance		\$0.00
Estates and Trusts		\$44,799.41
Dividends		\$2,599.29
Memorials		\$11,122.87
Miscellaneous		\$0.00
Gifts		\$10.00
Total Receipts		<u>\$58,531.57</u>
Expenses:		
Emergency Distributions		\$15,197.89
Disaster Response Emergency Money		\$0.00
Supplies		\$369.13
Property Taxes		\$2,694.22
Western District - Ebenezer		\$5,480.00
Ministers' moving expenses		\$30,146.56
Total Disbursements		<u>\$53,887.80</u>
Net Income or (Expense) for the year		\$4,643.77
Balance	12/31/2018	<u><u>\$662,537.99</u></u>

**Medical Insurance Plan  
As of 12/31/2018**

## Income:

Apportioned Receipts	\$3,324,239.04	32.66%
Insurance Premiums	\$3,273,603.00	32.16%
Optional Life Insurance Premiums	\$204.00	0.00%
Transfer from Undesignated Reserves	\$1,536,350.42	15.09%
Transfer from DB Redirection	\$2,043,909.36	20.08%
Other Income	\$859.60	0.01%
<b>Total Receipts</b>	<b><u>\$10,179,165.42</u></b>	<b>100.00%</b>

## Expenses:

Benefits Administrator	\$189,095.80	1.86%
Dental Claims	\$255,762.84	2.51%
Hospital Claims	\$5,104,187.19	50.14%
Doctor Claims	\$2,058,271.38	20.22%
Prescription Drugs	\$1,719,149.69	16.89%
Preauthorization Costs	\$7,062.25	0.07%
Conference Pre Retirement Seminar	\$800.00	0.01%
Consulting fees	\$7,018.20	0.07%
Re-Insurance Premiums	\$751,684.20	7.38%
PPO Network Administration	\$27,405.50	0.27%
AUMCPBO and wespath Mtg Costs	\$1,428.14	0.01%
Conference Paid Life Insurance	\$15,433.68	0.15%
Other Administrative Charges	\$7,932.11	0.08%
Virgin Pulse	\$6,045.08	0.06%
Property Tax (Antero)	\$5,889.36	0.06%
Legal Services	\$22,000.00	0.22%
<b>Total Disbursements</b>	<b><u>\$10,179,165.42</u></b>	<b>100.00%</b>

**Total Claims** **\$9,137,371.10**

**Net Income or (Expense) for the year** **\$0.00**

**Beginning Conference Insurance Reserves** **\$136,571.52**  
**2018 Reserve Increase** **\$48,887.53**  
**Ending Reserve Balance 12/31/2018** **\$185,459.05**