

**GREAT PLAINS CONFERENCE
Audit**

INDEPENDENT ACCOUNTANTS REPORTS

**Funds administered by the
Great Plains United Methodist Conference
Council on Finance and Administration**

**CONSOLIDATED FINANCIAL REPORT
December 31, 2017
GREAT PLAINS ANNUAL CONFERENCE**

2018 JOURNAL Audit

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Council on Finance and Administration and the Conference Treasurer
The Great Plains Annual Conference of The United Methodist Church

Report on the Financial Statements

We have audited the accompanying consolidated financial statements of The Great Plains Annual Conference of The United Methodist Church, which comprise the consolidated statements of financial position as of December 31, 2017 and 2016, the related consolidated statements of activities and cash flows for the years then ended, and the related notes to the consolidated financial statements (collectively, the financial statements).

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the 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.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of The Great Plains Annual Conference of The United Methodist Church as of December 31, 2017 and 2016, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

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Report on Supplementary Information

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The supplementary information on pages 28 through 34 is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audits of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements, or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

RSM US LLP

Kansas City, Missouri
July 2, 2018

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The Great Plains Annual Conference of The United Methodist Church

Consolidated Statements of Financial Position
December 31, 2017 and 2016

	2017	2016
Assets		
Current assets:		
Cash and cash equivalents	\$ 5,752,104	\$ 5,201,399
Receivables (Note 2)	1,562,285	1,490,817
Current portion of pledges receivable (Note 3)	344,736	181,027
Prepaid expenses	44,329	112,914
Total current assets	7,703,454	6,986,157
Investments (Notes 4 and 5)	72,289,018	62,663,445
Pledges receivable, less current portion	335,010	245,538
Property and equipment, net (Note 6)	12,210,134	15,081,579
Assets held for sale (Notes 5 and 7)	6,018,446	4,461,002
Overfunded postretirement benefit obligation (Note 10)	1,897,168	878,996
Total assets	\$ 100,453,230	\$ 90,316,717
Liabilities and Net Assets		
Current liabilities:		
Accounts payable	\$ 1,460,666	\$ 1,458,770
Accrued expenses	351,450	331,259
Due to other organizations	-	10,626
Current portion of long-term debt (Note 8)	105,392	158,990
Total current liabilities	1,917,508	1,959,645
Long-term debt, less current maturities (Note 8)	1,836,319	2,163,578
Total liabilities	3,753,827	4,123,223
Net assets:		
Unrestricted (Note 13)	83,216,714	74,868,151
Temporarily restricted (Note 14)	8,555,313	6,504,407
Permanently restricted (Notes 12 and 14)	4,927,376	4,820,936
Total net assets	96,699,403	86,193,494
Total liabilities and net assets	\$ 100,453,230	\$ 90,316,717

See notes to consolidated financial statements.

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The Great Plains Annual Conference of The United Methodist Church

Consolidated Statement of Activities Year Ended December 31, 2017

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Support, revenues and gains:				
Mission share revenue	\$ 13,042,187	\$ -	\$ -	\$ 13,042,187
Conference advance gifts	25,942	182,193	950	209,085
Special Sunday offerings—conf. share	-	41,985	-	41,985
Gifts and grants	612,768	1,305,511	105,490	2,023,769
Mission agency support	-	1,092,259	-	1,092,259
Pension and health income	2,974,125	-	-	2,974,125
District mission share	-	223,802	-	223,802
Camp Lakeside acquisition (Note 17)	956,324	372,534	-	1,328,858
Total contributions	17,611,346	3,218,284	106,440	20,936,070
Program service fees	1,996,370	5,833	-	2,002,203
Net investment gain	10,700,098	1,398,947	-	12,099,045
Other income	421,332	11,779	-	433,111
Total support, revenues and gains	30,729,146	4,634,843	106,440	35,470,429
Release of net asset restrictions:				
Satisfaction of purpose restrictions (Note 15)	2,583,937	(2,583,937)	-	-
Total support, revenues, gains and release of net asset restrictions	33,313,083	2,050,906	106,440	35,470,429
Expenses and losses:				
Program services:				
Episcopal office	4,106,737	-	-	4,106,737
Pension and health expense	2,570,735	-	-	2,570,735
Clergy excellence	1,441,130	-	-	1,441,130
Congregational excellence	6,150,790	-	-	6,150,790
Mercy and justice	2,591,798	-	-	2,591,798
Other conference ministries	3,024,917	-	-	3,024,917
Total program expenses	19,886,107	-	-	19,886,107
Supporting activities:				
Administrative	4,192,540	-	-	4,192,540
Fundraising	179,182	-	-	179,182
Loss on sale of property, equipment, and assets held for sale	706,691	-	-	706,691
Total expenses and losses	24,964,520	-	-	24,964,520
Change in net assets	8,348,563	2,050,906	106,440	10,505,909
Net assets, beginning of year	74,868,151	6,504,407	4,820,936	86,193,494
Net assets, end of year	\$ 83,216,714	\$ 8,555,313	\$ 4,927,376	\$ 96,699,403

See notes to consolidated financial statements.

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Consolidated Statement of Activities Year Ended December 31, 2016

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Support, revenues and gains:				
Mission share revenue	\$ 13,199,750	\$ -	\$ -	\$ 13,199,750
Conference advance gifts	18,456	135,612	4,650	158,718
Special Sunday offerings—conf. share	-	43,628	-	43,628
Gifts and grants	583,952	1,145,896	2,500	1,732,348
Mission agency support	-	1,144,249	-	1,144,249
Pension and health income	3,542,812	-	-	3,542,812
District mission share	-	241,017	-	241,017
Total contributions	17,344,970	2,710,402	7,150	20,062,522
Program service fees	1,673,573	2,661	-	1,676,234
Net investment gain	4,886,504	560,605	-	5,447,109
Gain on sale of assets	312,432	61,965	-	374,397
Other income	1,222,345	22,353	-	1,244,698
Total support, revenues and gains	25,439,824	3,357,986	7,150	28,804,960
Release of net asset restrictions:				
Satisfaction of purpose restrictions (Note 15)	3,017,789	(3,017,789)	-	-
Total support, revenues, gains and release of net asset restrictions	28,457,613	340,197	7,150	28,804,960
Expenses and losses:				
Program services:				
Episcopal office	4,451,490	-	-	4,451,490
Pension and health expense	2,333,454	-	-	2,333,454
Clergy excellence	1,449,917	-	-	1,449,917
Congregational excellence	5,760,123	-	-	5,760,123
Mercy and justice	2,453,809	-	-	2,453,809
Other conference ministries	3,082,477	-	-	3,082,477
Total program expenses	19,531,270	-	-	19,531,270
Supporting activities:				
Administrative	4,047,898	-	-	4,047,898
Fundraising	69,439	-	-	69,439
Total expenses and losses	23,648,607	-	-	23,648,607
Change in net assets	4,809,006	340,197	7,150	5,156,353
Net assets, beginning of year	70,059,145	6,164,210	4,813,786	81,037,141
Net assets, end of year	\$ 74,868,151	\$ 6,504,407	\$ 4,820,936	\$ 86,193,494

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Consolidated Statements of Cash Flows Years Ended December 31, 2017 and 2016

	2017	2016
Cash flows from operating activities:		
Change in net assets	\$ 10,505,909	\$ 5,156,353
Adjustments to reconcile change in net assets to net cash used in operating activities:		
Depreciation expense	966,406	746,228
Contributed property and equipment	(1,100)	(246,251)
Contributed property and equipment—Camp Lakeside	(945,372)	-
Cash received on contributions received for long-term investment	(17,040)	(7,150)
Net realized and unrealized gain on investments	(10,948,714)	(4,668,733)
Net realized and unrealized gain on investments—postretirement benefit plan assets	(956,248)	(564,573)
Loss (gain) on sale of property and equipment, net	706,691	(374,397)
(Increase) decrease in receivables and pledge receivables	(324,649)	453,154
Decrease (increase) in prepaid expenses	68,585	(49,408)
Increase in accounts payable and accrued expenses	22,087	286,751
Increase (decrease) in due to other organizations	(10,626)	(39,607)
Decrease in postretirement benefit obligation	(604,432)	(1,427,286)
Net cash used in operating activities	(1,538,503)	(734,919)
Cash flows from investing activities:		
Proceeds from sale of investments	8,577,818	4,470,752
Purchase of investments	(6,637,340)	(2,661,673)
Purchase of investments—postretirement benefit plan assets	(74,829)	(78,868)
Proceeds from sale of property and equipment	1,478,486	1,239,299
Purchase of property and equipment	(891,110)	(1,715,736)
Net cash provided by investing activities	2,453,025	1,253,774
Cash flows from financing activities:		
Proceeds from borrowings on long-term debt	-	300,000
Principal repayments on long-term debt	(380,857)	(197,140)
Proceeds on contributions received for long-term investment	17,040	7,150
Net cash (used in) provided by financing activities	(363,817)	110,010
Net increase in cash and cash equivalents	550,705	628,865
Cash and cash equivalents, beginning of year	5,201,399	4,572,534
Cash and cash equivalents, end of year	\$ 5,752,104	\$ 5,201,399
Supplemental disclosures of cash flow information:		
Cash paid for interest	\$ 145,844	\$ 104,339
Supplemental disclosures of noncash activities:		
Transfer of property and equipment to assets held for sale	\$ 2,170,979	\$ 1,205,941

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Notes to Consolidated Financial Statements

Note 1. Nature of Organization and Significant Accounting Policies

Nature of organization: The Great Plains Annual Conference of The United Methodist Church and affiliates (the Conference) is a nonprofit organization representing 17 districts, 1,020 local congregations, 215,000 lay people and nearly 900 active elders, deacons, associate members and local pastors in Kansas and Nebraska. On January 1, 2014, the three conferences of Kansas East, Kansas West and Nebraska were legally combined into the Conference as presented in this report.

The Conference provides various services for its member churches, including credentialing, appointment and supervision of clergy; administration of optional health benefits and retirement plans available to member clergy and lay employees; and the collection of funds for remittance to various conferences and regional, national and global ministries. The Conference is primarily supported through apportionments, the use of investment earnings, and charitable contributions. Approximately 60 percent and 46 percent of the Conference's support came from apportionments in 2017 and 2016, respectively. Apportionments are included in mission share revenue on the consolidated statements of activities.

Nature of activities: The program services of the Conference are defined as follows:

Episcopal office: The episcopal office supports the Bishop's office and the offices of 17 district superintendents that oversee clergy deployment.

Clergy excellence: Clergy excellence focuses on the recruitment, credentialing, training and development of clergy leaders for every congregation in the Great Plains Conference.

Congregational excellence: Congregational excellence focuses on equipping and connecting local congregations so that they may become more vital and effective in the mission of the church, which includes specialized areas such as new church development, Hispanic ministries, youth ministries, campus ministries and camping.

Mercy and justice: Mercy and justice focuses on assisting local congregations in developing ministries to provide mission and outreach services to their communities and to the world.

Other conference ministries: Other conference ministries include all other programs and ministries that do not fall under one of the categories listed above that are either self-sustaining or supported by the above ministries.

Basis of accounting: The Conference uses the accrual method of accounting. The assets and liabilities of the Conference are reported as one of three classes of net assets: unrestricted, temporarily restricted or permanently restricted.

Principles of consolidation: Generally accepted accounting principles require the Conference to consolidate entities in which it has control and an economic interest when that control is evidenced through majority ownership or voting interests. The Great Plains Annual Conference of The United Methodist Church has an economic interest in, and control of, the Great Plains United Methodist New Church Development (NCD), the Great Plains United Methodist Campus Ministry, Inc. (UMCM) and the Great Plains United Methodist Camps, Inc. (CAMP), through voting interests, and consolidation is required. The consolidated financial statements include the accounts of the Conference, NCD, UMCM and CAMP. All significant intercompany balances and transactions have been eliminated in consolidation.

NCD: NCD works in recruitment and training of new church start pastors and parent congregations, and identifying and prioritizing locations for new start churches throughout the Great Plains Conference.

UMCM: The vision of UMCM is to invite, disciple and equip students so that they may be sent out as transformed leaders who can change the world.

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Notes to Consolidated Financial Statements

Note 1. Nature of Organization and Significant Accounting Policies (Continued)

CAMP: The vision of CAMP is to develop Christian spiritual leaders, provide intentional places apart to encounter God, extend genuine Christian hospitality and community, nurture Christian faith and discipleship, teach creation care and appreciation, collaborate with the United Methodist churches and agencies, and inspire and equip guests to do love and justice.

Cash and cash equivalents: The Conference considers all highly liquid investments available for current use with an initial maturity of three months or less to be cash equivalents. The Conference has excluded cash held in or designated for investment accounts.

Promises to give and pledges receivable: Unconditional promises to give and an allowance for uncollectible amounts, if deemed applicable, are recognized as revenue in the period when the promise is received and recognized either as assets, or decrease of liabilities or expenses, depending on the form of the benefits received. Conditional promises to give are recognized when the conditions on which they depend are substantially met.

Capitalization and depreciation: It is the policy of the Conference to capitalize property and equipment with a cost of \$5,000 or more. Lesser amounts are expensed at the time of purchase or donation. Purchased property and equipment is capitalized at cost, while donated property and equipment is recorded at estimated fair value. Property and equipment is depreciated over its estimated economic life using the straight-line method.

The ranges of estimated useful lives used in computing depreciation for financial statement purposes are as follows:

	Years
Buildings and improvements	10-40
Furniture, fixtures and appliances	3-7
Office equipment	5-7
Vehicles	5

Assets held for sale: Assets held for sale represent land and property contributed to or purchased by the Conference held for future sale, for which no sales contract is currently in place. The contributed assets were recorded at the appraised values on the dates of the gifts. All assets held for sale are measured at the lower of carrying amount, or fair market value less estimated cost to sell.

Investments: The Conference carries its debt and equity securities at fair value. Market risk could occur and is dependent on the future changes in market prices of the various investments held. Unrealized appreciation or depreciation is reported as an increase or decrease to net assets. Fair values of investments are based on quoted market values (Level 1 measurements) or, in the case of alternative investments, at estimated values provided by the fund managers based on quoted market prices for similar instruments (Level 2), if available, or other valuation methods (Level 3). These estimated values are reviewed by management for reasonableness. See Note 5 for a schedule of fair value measurements.

Due to other organizations: Donations received with donor-placed restrictions specifying that the funds must be paid out to certain other charities are recorded as a liability.

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Notes to Consolidated Financial Statements

Note 1. Nature of Organization and Significant Accounting Policies (Continued)

Contributions: The Conference records contributions, including promises to give (pledges), when the contribution is deemed unconditional. Contributions are reflected in the consolidated financial statements at the earlier of the transfer of assets or at the time the unconditional promise to give is made and are reported as increases in the appropriate category of net assets in accordance with donor restrictions. When a restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the consolidated statements of activities as net assets released from restrictions.

Pension and health income: The Conference direct bills local churches for a Conference-determined portion of the Clergy Retirement Security Plan/Comprehensive Protection Plan (pension/death and disability) for the clergy. In addition, clergy may enroll in optional benefits, which results in an additional charge to local churches. Pension and health income is recognized in the month it is billed to the local church.

Income taxes: All entities that consolidate into the Conference are nonprofit organizations that are exempt from income taxes under the provisions of section 501(c)(3) of the Internal Revenue Code and do not file income tax returns pursuant to a group exemption.

Uncertain tax provisions, if any, are recorded in accordance with the Financial Accounting Standards Board (FASB)'s *FASB Accounting Standards Codification* (ASC) Topic 740, Income Taxes, which requires the recognition of a liability for tax positions taken that do not meet the more-likely-than-not standard that the position will be sustained upon examination by taxing authorities. There is no liability for uncertain tax positions recorded at December 31, 2017 or 2016.

Prior to the year ended December 31, 2014, CAMP filed annual Form 990 returns. CAMP no longer files Form 990 returns under the group exemption. Forms 990 previously filed by CAMP are subject to examination by the Internal Revenue Service (IRS) up to three years from the extended due date of each return.

Classification of net assets: The Conference reports information regarding its financial position and activities according to three classes of net assets, defined as follows:

Unrestricted: Unrestricted net assets are neither permanently nor temporarily restricted by donor-imposed stipulations. The Conference may designate portions of its unrestricted net assets as Board-designated for various purposes.

Temporarily restricted: Temporarily restricted net assets result from contributions and other inflows of assets whose use by the Conference is limited by donor-imposed stipulations that either expire with the passage of time or can be fulfilled or otherwise removed by actions of the Conference meeting the purpose of the restriction.

Permanently restricted: Permanently restricted net assets result from contributions and other inflows of assets whose use by the Conference is limited by donor-imposed stipulations that neither expire with the passage of time nor can be fulfilled or otherwise removed by actions of the Conference. Although such assets cannot be expended, the investment income earned on them is generally to be expended for a specific purpose.

Fundraising costs: The Conference expenses fundraising costs as incurred. Total expense for fundraising for the years ended December 31, 2017 and 2016, was \$179,182 and \$69,439, respectively, of which \$162,477 and \$57,215, respectively, is attributable to CAMP.

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Notes to Consolidated Financial Statements

Note 1. Nature of Organization and Significant Accounting Policies (Continued)

Use of estimates: The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America (U.S. GAAP) requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

Recent accounting pronouncements: In August 2016, the FASB issued Accounting Standards Update (ASU) No. 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*, which simplifies and improves how a not-for-profit organization classifies its net assets, as well as the information it presents in financial statements and notes about its liquidity, financial performance, and cash flows. Among other changes, the ASU replaces the three current classes of net assets with two new classes, "net assets with donor restrictions" and "net assets without donor restrictions", and expands disclosures about the nature and amount of any donor restrictions. The new standard is effective for the Conference on January 1, 2018. The Conference is currently evaluating the impact the adoption of this guidance will have on its consolidated financial statements.

In May 2014, the FASB issued ASU No. 2014-09, *Revenue from Contracts with Customers (Topic 606)*, which requires an entity to recognize the amount of revenue to which it expects to be entitled for the transfer of promised goods or services to customers. This guidance will replace most existing revenue recognition guidance in U.S. GAAP when it becomes effective. The new standard is effective for the Conference on January 1, 2019. The standard permits the use of either the retrospective or cumulative effect transition method.

In February 2016, the FASB issued ASU No. 2016-02, *Leases (Topic 842)*. The guidance in this ASU supersedes the leasing guidance in Topic 840, *Leases*. Under the new guidance, lessees are required to recognize lease assets and lease liabilities on the balance sheet for all leases with terms longer than 12 months. Leases will be classified as either finance or operating, with classification affecting the pattern of expense recognition in the income statement. The new standard is effective for fiscal year 2020. A modified retrospective transition approach is required for lessees for capital and operating leases existing at, or entered into after, the beginning of the earliest comparative period presented in the financial statements, with certain practical expedients available. The Conference is currently evaluating the impact of the pending adoption of the new standard on its consolidated financial statements.

Note 2. Receivables

Receivables at December 31, 2017 and 2016, consist of the following:

	2017	2016
Apportionments due from local United Methodist churches	\$ 1,472,792	\$ 1,274,223
Other receivables	89,493	216,594
Total current receivables	\$ 1,562,285	\$ 1,490,817

Apportionments: Amounts due from local United Methodist churches for apportionments consist of payments postmarked during the first five business days in January of the subsequent year for the current fiscal year. The operating budget of the Conference is allocated to its member churches based upon a formula that takes into consideration local church operating income. Local churches are permitted to make payments through the first five business days of each succeeding year. Any apportionment amount not paid at that time is considered uncollectible and is not reflected as revenue or receivable. Therefore, no allowance for doubtful accounts has been recorded at December 31, 2017 and 2016.

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Notes to Consolidated Financial Statements

Note 3. Pledges Receivable

The Conference receives pledges from donors as a normal part of its operations. At December 31, 2017, estimated payments of pledges receivable for each of the next five years, and thereafter, are as follows:

	<u>Camp Comeca</u>	<u>Camp Fontanelle</u>
Years ending December 31:		
2018	\$ 155,376	\$ 189,360
2019	25,500	141,730
2020	25,000	17,780
2021	25,000	-
2022	25,000	-
Thereafter	75,000	-
	<u>\$ 330,876</u>	<u>\$ 348,870</u>

Note 4. Investments

The Conference has agreements with the Kansas Area United Methodist Foundation (KAUMF), the Nebraska United Methodist Foundation (NUMF), Union Bank, Edward Jones and Wespath, in which KAUMF, NUMF and Wespath act as agents and investment managers of the Conference's investments, as well as for other organizations related to The United Methodist Church. These investments are pooled into larger investment funds at KAUMF, NUMF and Wespath. Fund investments consist of approved equity securities, fixed-income and money market instruments in accordance with investment objectives and the Social Principles of The United Methodist Church. Investments at December 31, 2017 and 2016, consist of the following:

	<u>Fair Value</u>	
	<u>2017</u>	<u>2016</u>
Money market	\$ 12,416	\$ 26,522
U.S. government securities	397,889	413,956
Mutual funds	598,941	137,766
Equity securities	23,919	-
Pooled investments	71,255,853	62,085,201
	<u>\$ 72,289,018</u>	<u>\$ 62,663,445</u>

Investment earnings for the years ended December 31, 2017 and 2016, consist of the following:

	<u>2017</u>	<u>2016</u>
Realized gains on sale of investments	\$ 1,825,960	\$ 334,406
Unrealized changes in market value	10,079,002	4,898,900
	<u>11,904,962</u>	<u>5,233,306</u>
Interest and dividend income, net of fees	194,083	213,803
	<u>\$ 12,099,045</u>	<u>\$ 5,447,109</u>

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Notes to Consolidated Financial Statements

Note 5. Fair Value Measurements

The Fair Value Measurements and Disclosures topic of the ASC defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants and requires the use of valuation techniques that are consistent with the market approach, the income approach and/or the cost approach. Inputs to valuation techniques refer to the assumptions that market participants would use in pricing the asset or liability. Inputs may be observable, meaning those that reflect the assumptions market participants would use in pricing the asset or liability developed based on market data obtained from independent sources, or unobservable, meaning those that reflect the reporting entity's own assumptions about the assumptions market participants would use in pricing the asset or liability developed based on the best information available in the circumstances. In that regard, the topic establishes a fair value hierarchy for valuation inputs that gives the highest priority to quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy under the topic are described below:

Level 1: Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the entity 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 of 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.

The asset's 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 market value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

The determination of where an asset or liability falls in the hierarchy requires significant judgment. The Conference evaluates its hierarchy disclosures based on various factors. It is possible that an asset or liability may be classified differently from year to year. However, the Conference expects that changes between the different levels will be rare.

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Notes to Consolidated Financial Statements

Note 5. Fair Value Measurements (Continued)

Assets recorded at fair value on a recurring basis: A description of the valuation methodologies used for assets on a recurring basis is set forth below.

Investments: Where quoted prices are available in an active market, securities are classified within Level 1 of the valuation hierarchy. Level 1 securities would include highly liquid government bonds and exchange-traded equities. If quoted market prices are not available, then fair values are estimated using pricing models, quoted prices of securities with similar characteristics, or discounted cash flow. Level 2 securities would include U.S. agency securities; mortgage-backed agency securities; obligations of states and political subdivisions; and certain corporate, asset-backed and other securities.

In certain cases where there is limited activity or transparency around inputs to the valuation, including alternative investments, securities are classified within Level 3 of the valuation hierarchy.

Pooled investments: Pooled investments are valued based on the fair value of securities underlying the pool as determined generally by quoted market prices.

The investments held at KAUMF are invested in a short-term income pooled fund, fixed-income pooled fund and an equity pooled fund. The underlying investments within these pooled funds are made up of Level 1, Level 2 and Level 3 investments. Because the Conference's investment consists of a portion of the pooled funds, not individual investments, all of the Conference's investments held with KAUMF are classified as Level 3.

The investments held at NUMF are invested in a balanced pooled fund, long-term growth pooled fund and a conservative pooled fund. The underlying investments within these pooled funds are made up of Level 1 investments. Because the Conference's investment consists of a portion of the pooled funds, not individual investments, all of the Conference's investments held with NUMF are classified as Level 2.

The investments held with Wespath are in a multiple-asset fund, international equity fund, short-term investment fund, U.S. equity fund, inflation protection fund and fixed-income fund. The underlying investments within these pooled funds are made up of Level 1 and Level 2 investments. Because the Conference's investment consists of a portion of the pooled funds, not individual investments, all of the Conference's investments held with Wespath are classified as Level 2.

The BL Paine Trust investment is an investment account in which the Conference holds a specified percentage interest. The underlying investments within this account are made up of Level 1 investments. Because the Conference's investment consists of a specified percentage interest in the account, this investment is classified as Level 3.

Assets held for sale: Assets held for sale are valued based on the capitalized cost or independent appraisals.

The methods described above 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 the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

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Notes to Consolidated Financial Statements

Note 5. Fair Value Measurements (Continued)

The following tables summarize assets and liabilities measured at fair value on a recurring basis as of December 31, 2017 and 2016, segregated by the level of the valuation inputs within the fair value hierarchy utilized to measure fair value:

	December 31, 2017			
	Level 1	Level 2	Level 3	Total
Investments:				
Money market	\$ 12,416	\$ -	\$ -	\$ 12,416
Fixed-income securities:				
U.S. government bonds	397,889	-	-	397,889
Common stock:				
Consumer staples	23,919	-	-	23,919
Mutual funds:				
Domestic stock mutual funds	521,672	-	-	521,672
International stock mutual funds	25,153	-	-	25,153
Fixed-income mutual funds	52,116	-	-	52,116
Pooled investments:				
Wespath	-	67,783,820	-	67,783,820
Kansas Area United Methodist Foundation	-	-	1,505,772	1,505,772
Nebraska United Methodist Foundation	-	1,900,667	-	1,900,667
BL Paine Trust	-	-	65,594	65,594
	<u>1,033,165</u>	<u>69,684,487</u>	<u>1,571,366</u>	<u>72,289,018</u>
Assets held for sale	-	-	6,018,446	6,018,446
Total	<u>\$ 1,033,165</u>	<u>\$ 69,684,487</u>	<u>\$ 7,589,812</u>	<u>\$ 78,307,464</u>

	December 31, 2016			
	Level 1	Level 2	Level 3	Total
Investments:				
Money market	\$ 26,522	\$ -	\$ -	\$ 26,522
Fixed-income securities:				
U.S. government bonds	413,956	-	-	413,956
Mutual funds:				
Domestic stock mutual funds	73,472	-	-	73,472
International stock mutual funds	23,175	-	-	23,175
Fixed-income mutual funds	41,119	-	-	41,119
Pooled investments:				
Wespath	-	58,450,112	-	58,450,112
Kansas Area United Methodist Foundation	-	-	1,332,077	1,332,077
Nebraska United Methodist Foundation	-	2,239,924	-	2,239,924
BL Paine Trust	-	-	63,088	63,088
	<u>578,244</u>	<u>60,690,036</u>	<u>1,395,165</u>	<u>62,663,445</u>
Assets held for sale	-	-	4,461,002	4,461,002
Total	<u>\$ 578,244</u>	<u>\$ 60,690,036</u>	<u>\$ 5,856,167</u>	<u>\$ 67,124,447</u>

The Conference does not have assets and liabilities recorded at fair value on a nonrecurring basis.

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Notes to Consolidated Financial Statements

Note 5. Fair Value Measurements (Continued)

ASC Topic 825, Financial Instruments, requires disclosure of the fair value of financial assets and financial liabilities, including those financial assets and financial liabilities that are not measured and reported at fair value on a recurring or nonrecurring basis. Financial instruments are described as cash or contractual obligations or rights to pay or to receive cash. The methodologies for estimating fair value of financial assets and financial liabilities that are measured at fair value on a recurring or nonrecurring basis are discussed above. The fair value approximates carrying value for cash and cash equivalents, receivables, accounts payable, accrued liabilities and other current liabilities due to the short-term maturity of these instruments.

Note 6. Property and Equipment

At December 31, 2017 and 2016, property and equipment consists of the following:

	2017	2016
Land	\$ 2,854,966	\$ 2,990,988
Construction in process	43,281	13,500
Buildings and improvements	16,632,282	18,194,390
Furniture, fixtures and appliances	1,409,628	804,023
Office equipment	373,501	327,271
Vehicles	765,613	816,478
	<u>22,079,271</u>	<u>23,146,650</u>
Less accumulated depreciation	(9,869,137)	(8,065,071)
	<u>\$ 12,210,134</u>	<u>\$ 15,081,579</u>

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Notes to Consolidated Financial Statements

Note 7. Assets Held for Sale

Assets held for sale, recorded at the lower of carrying amount or fair market value less estimated costs to sell, at December 31, 2017 and 2016, consist of the following:

	2017	2016
Conference Office Building, Wichita, KS	\$ 907,839	\$ -
Conference Office Building, Topeka, KS	369,555	-
Parsonage, Wichita, KS	275,419	-
Parsonage, Elkhorn Valley, KS	229,738	-
Parsonage, Episcopal Residence, Wichita, KS	499,009	-
Conference Office Building, Lincoln, NE	1,634,044	-
Parsonage, Parsons, KS	172,204	172,204
Parsonage, Hays, KS	343,153	343,153
Parsonage, Great West, NE	-	230,667
Parsonage, Missouri River, NE	-	166,995
Closed Churches, Building & Land, Board of Trustees	151,100	175,670
Building & Land, 115th and Leavenworth Road, Kansas City, KS	-	1,091,170
Land, 167th and Kill Creek, Gardner, KS	759,465	759,465
Closed Church Land/Building, Wichita, KS	232,908	962,430
Land, 21st and 135th, Wichita, KS	4,680	4,680
Building & Land, Park City, Wichita, KS	439,332	505,232
Land, 46th and Button Road, Topeka, KS	-	49,336
	\$ 6,018,446	\$ 4,461,002

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Notes to Consolidated Financial Statements

Note 8. Long-Term Debt

	December 31	
	2017	2016
On October 10, 2008, the United Methodist Campus Ministry entered into a \$900,000, 20-year promissory note with the Kansas Foundation for the purchase of property in Manhattan, Kansas. The note matures on November 1, 2028, and carries a variable interest rate at the base lending rate of the Kansas Foundation to be established every fifth year of the loan. The rate for 2017 and 2016 is 5.25%. This loan is secured by a real estate mortgage on the land purchased with the proceeds in Manhattan, Kansas (Note #58).	\$ 517,926	\$ 571,878
On October 24, 2010, the New Church Development entered into a \$360,000, 20-year promissory note with the Kansas Foundation, maturing November 1, 2030. The note carries a variable interest rate, which is 4.9% for 2017 and 2016. The loan is secured by a real estate mortgage on the Lot 4 property in Park City, Kansas (Note #65).	271,483	286,548
On May 22, 2013, the New Church Development entered into a \$239,791, 20-year promissory note with the Kansas Foundation, maturing June 1, 2033. The note carries a variable interest rate at the base lending rate of the Kansas Foundation to be established every fifth year of the loan. The rate for 2017 and 2016 is 5.25%. This loan is secured by approximately 11 acres on W. Sante Fe Street in Gardner, Kansas (Loan #82).	204,841	213,249
On March 3, 2014, the Great Plains United Methodist Camps entered into a \$13,096, five-year promissory note with Capital City Bank to purchase equipment. Maturing May 3, 2018, the note carries an interest rate of 3.75%. The loan is secured by the equipment purchased with the proceeds (Note #5771).	3,511	6,203
On April 1, 2014, the New Church Development refinanced outstanding loans #81 and #84 with a \$759,115 promissory note with the Kansas Foundation, maturing April 1, 2034. The note carries a variable interest rate at the base lending rate of the Kansas Foundation to be established every fifth year of the loan. The rate for 2017 and 2016 is 4.10%. This loan is secured by a real estate mortgage on the land purchased with the proceeds in Wichita, Kansas (Note #84).	662,106	690,026

(Continued)

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Notes to Consolidated Financial Statements

Note 8. Long-Term Debt (Continued)

	December 31	
	2017	2016
<p>On February 26, 2015, the New Church Development refinanced outstanding loans #22 and #67 with a \$362,070 promissory note with the Kansas Foundation, maturing April 1, 2021. The note carries a variable interest rate at the base lending rate of the Kansas Foundation to be established January 1 of each year. The rate for 2017 is 4% (2016—3.75%). This loan was paid in full in November 2017. This loan was secured by a real estate mortgage on the land purchased with the proceeds on the 115th and Leavenworth property in Kansas City, Kansas (Note #86).</p>	\$	-
<p>On April 29, 2016, the Great Plains United Methodist Camps entered into a \$300,000, 20-year promissory note maturing May 1, 2036. The note carries a variable interest rate to be established every third year of the loan. The initial base rate is 4.6% per annum, with the first principal and interest due June 1, 2016. This note is secured by a real estate mortgage on the land registered with Franklin County, Kansas, registered with Franklin County, Kansas, Register of Deeds (Loan #89).</p>	\$	261,854
	281,844	292,810
	1,941,711	2,322,568
Less current maturities	(105,392)	(158,990)
Long-term portion	\$ 1,836,319	\$ 2,163,578

Aggregate maturities of long-term debt by year are as follows:

Years ending December 31:	
2018	\$ 105,392
2019	108,446
2020	113,131
2021	118,803
2022	124,642
Thereafter	1,371,297
	\$ 1,941,711

Note 9. Lease Commitments and Expense

The Conference leases offices for its programs and administrative services under lease agreements that expire at various times through January 2023. The Conference is responsible under certain of the agreements for maintenance, insurance and taxes.

Rental expense related to these lease commitments for the years ended December 31, 2017 and 2016, totaled \$200,554 and \$215,197, respectively.

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Notes to Consolidated Financial Statements

Note 9. Lease Commitments and Expense (Continued)

Following is a schedule of future minimum annual rental commitments required under the operating leases at December 31, 2017:

Years ending December 31:	
2018	\$ 330,124
2019	312,607
2020	286,052
2021	237,045
2022	233,157
Thereafter	19,465
	<u>\$ 1,418,450</u>

Note 10. Pension, Postretirement Health Insurance and Optional Benefits

The Conference provides the following pension benefit plans for clergy members of the Conference:

Ministers Reserve Pension Fund (MRPF): The MRPF is a multiemployer defined benefit pension plan administered by Wespath. The fund covers service prior to 1982 for substantially all clergy. The plan name is the Ministers Reserve Pension Fund, and the employer identification number of the plan is 43-0652616. Based on the actuarial projected total liability for current and future pensioners, this plan is presently fully funded. Therefore, the Conference was not required to pay and did not pay any contributions into the MRPF during the years ended December 31, 2017 and 2016.

	Total Plan Net Assets	Present Value of Accumulated Plan Benefits	Total Contributions	Funded Status
January 1, 2017	\$ 2,274,682,824	\$ 2,180,910,324	\$ -	Over 100% funded
January 1, 2016	2,274,682,824	2,169,401,928	-	Over 100% funded

Ministerial Pension Plan (MPP): The MPP is a multiemployer defined contribution pension plan administered by Wespath. This plan covers service subsequent to 1981 and prior to 2007 for substantially all clergy. The plan name is the Ministerial Pension Plan, and the employer identification number of the plan is 43-0652616. The plan requires the Conference to contribute 12 percent of each participant's compensation limited to the denominational average compensation. Based on the actuarial projected total liability for current and future pensioners, this plan is presently fully funded. Therefore, the Conference was not required to pay and did not pay any contributions into the MPP during the years ended December 31, 2017 and 2016.

	Total Plan Net Assets	Present Value of Accumulated Plan Benefits	Total Contributions	Funded Status
January 1, 2017	\$ 3,701,460,997	\$ 3,532,916,942	\$ -	Over 100% funded
January 1, 2016	3,600,174,516	3,422,875,264	-	Over 100% funded

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Notes to Consolidated Financial Statements

Note 10. Pension, Postretirement Health Insurance and Optional Benefits (Continued)

Clergy Retirement Security Plan (CRSP): For service subsequent to 2006, Conference clergy members and local pastors under Episcopal appointment are eligible for pension coverage under the CRSP. The CRSP is a multiemployer plan providing a combination of defined benefits and defined contributions. The plan name is the Clergy Retirement Security Plan, and the employer identification number of the plan is 43-0652616. The defined contribution is 3 percent of the clergy's plan compensation. The defined benefit is 1.25 percent of the denomination average compensation times the number of service years accrued under the CRSP. The Conference contributed \$1,074,624 and \$1,316,215 in 2017 and 2016, respectively, for the defined contribution portion of the CRSP. In 2017 and 2016, \$3,354,498 and \$3,304,044, respectively, was transferred from the Conference's share of the MRPF.

	Total Plan Net Assets	Present Value of Accumulated Plan Benefits	Total Contributions	Funded Status
January 1, 2017	\$ 1,700,835,563	\$ 1,588,243,217	\$ 1,074,624	Over 100% funded
January 1, 2016	1,530,170,830	1,422,046,473	1,316,215	Over 100% funded

Comprehensive Protection Plan (CPP): Certain clergy members of the Conference are provided disability and death benefits as well as certain minimum benefits related to pension coverage through participation in the CPP. During 2017 and 2016, the Conference paid \$1,013,385 and \$1,303,963, respectively, into the CPP.

Personal Investment Plan: Conference and local church personnel are eligible to participate in a defined contribution plan administered by Wespath. Contributions are limited by the Internal Revenue Code requirements for section 403(b) plans. No contributions are made to the plan by the Conference, as participants contribute to the plan directly.

Clergy benefit expense is presented net of the amounts billed to member churches and clergy in the accompanying consolidated financial statements.

Postretirement benefits: The Conference sponsors a postretirement health benefit plan for all retired clergy and lay employees of the former Nebraska conference that meet eligibility requirements as of December 31, 2013. Any Nebraska clergy retired by December 31, 2019, will be able to participate in the plan. Any Nebraska clergy that retire after December 31, 2019, will be ineligible to participate in the plan.

Significant balances, costs and assumptions are as follows:

	December 31	
	2017	2016
Accumulated postretirement benefit obligation	\$ (5,672,755)	\$ (6,277,186)
Fair value of plan assets	7,569,923	7,156,182
Overfunded postretirement benefit obligation	\$ 1,897,168	\$ 878,996

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Notes to Consolidated Financial Statements

Note 10. Pension, Postretirement Health Insurance and Optional Benefits (Continued)

The following actuarial assumptions were used in the valuation of the postretirement obligation as of December 31, 2017 and 2016:

- Termination table T-3 was used for clergy and termination table T-7 was used for lay employees.
- Actual spouse information was used for current retired participants. For current active participants, 85 percent of males and 45 percent of females are assumed to be married at retirement, with males assumed to be two years older than females.
- 100 percent of eligible active participants are assumed to elect coverage at retirement.
- Post-age 64 health reimbursement account (HRA) contribution max of \$4,000 annual per person cost. The post-age 64 HRA contribution is dependent on the year of retirement and service at retirement.
- The HRA contribution is not assumed to increase.
- Estimated taxes were not included in the valuation due to the commitment of the plan sponsor to ensure the cost of the coverage remains below the excise tax limits.

Weighted-average assumptions used to determine benefit obligations are as follows:

	2017	2016
Discount rate	3.15%	3.55%
Mortality table	RP 2014 Generational with MP-2017 scale	RP 2014 Generational with MP-2014 scale
Measurement date	December 31, 2017	December 31, 2016

In accordance with ASC Topic 715, Compensation—Retirement Benefits, the Conference has recognized the overfunded status of a defined benefit postretirement plan as an asset in the consolidated statements of financial position and has recognized changes in that funded status in the year in which the changes in unrestricted net assets occur. The plan's benefit obligations are measured as of December 31, 2017 and 2016.

The following are the plan's assets by category as of December 31, 2017 and 2016 (the measurement dates of the plan assets):

	2017	2016
Money market funds	\$ 169,421	\$ 8,363
Mutual funds	2,681,337	2,092,242
Equity securities	1,455,091	2,289,014
Pooled investments	3,264,074	2,766,563
	\$ 7,569,923	\$ 7,156,182

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Notes to Consolidated Financial Statements

Note 10. Pension, Postretirement Health Insurance and Optional Benefits (Continued)

The following tables summarize the plan assets measured at fair value on a recurring basis as of December 31, 2017 and 2016, segregated by the level of the valuation inputs within the fair value hierarchy utilized to measure fair value:

	December 31, 2017			Total
	Level 1	Level 2	Level 3	
Investments:				
Fixed-income securities:				
Money market	\$ 169,421	\$ -	\$ -	\$ 169,421
Equity securities:				
Common stock:				
Consumer discretionary	119,423	-	-	119,423
Consumer staples	142,065	-	-	142,065
Energy	98,079	-	-	98,079
Financial	300,304	-	-	300,304
Health care	189,472	-	-	189,472
Information technology	359,258	-	-	359,258
Materials	40,086	-	-	40,086
Telecommunications	89,075	-	-	89,075
Utilities	31,524	-	-	31,524
Other	85,805	-	-	85,805
Mutual funds:				
Domestic stock mutual funds	445,200	-	-	445,200
International stock mutual funds	497,081	-	-	497,081
Fixed-income mutual funds	1,739,056	-	-	1,739,056
Pooled investments:				
Wespath	-	3,264,074	-	3,264,074
	<u>\$ 4,305,849</u>	<u>\$ 3,264,074</u>	<u>\$ -</u>	<u>\$ 7,569,923</u>

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Notes to Consolidated Financial Statements

Note 10. Pension, Postretirement Health Insurance and Optional Benefits (Continued)

	December 31, 2016			
	Level 1	Level 2	Level 3	Total
Investments:				
Fixed-income securities:				
Money market	\$ 8,363	\$ -	\$ -	\$ 8,363
Equity securities:				
Common stock:				
Consumer discretionary	220,337	-	-	220,337
Consumer staples	178,046	-	-	178,046
Energy	283,947	-	-	283,947
Financial	441,022	-	-	441,022
Health care	386,749	-	-	386,749
Industrial	143,600	-	-	143,600
Information technology	498,552	-	-	498,552
Materials	26,603	-	-	26,603
Telecommunications	110,158	-	-	110,158
Mutual funds:				
Domestic stock mutual funds	455,510	-	-	455,510
International stock mutual funds	918,227	-	-	918,227
Fixed-income mutual funds	718,505	-	-	718,505
Pooled investments:				
Wespath	-	2,766,563	-	2,766,563
	<u>\$ 4,389,619</u>	<u>\$ 2,766,563</u>	<u>\$ -</u>	<u>\$ 7,156,182</u>

Postretirement benefits cash flows: The benefits expected to be paid to participants over the next 10 years, as of December 31, 2017, are as follows:

Years ending December 31:	
2018	\$ 571,041
2019	543,845
2020	515,219
2021	486,080
2022–2026	1,996,195
	<u>\$ 4,112,380</u>

Optional benefits: For the year ended December 31, 2014, clergy with 75 percent or full-time appointment in local churches were offered group health insurance through the Conference. Beginning January 1, 2015, the Conference no longer offered health insurance to clergy appointed to local churches. Instead of group health insurance, clergy at 75 percent or full-time appointment were given a health care allowance (as taxable income) by their church(es) to purchase health insurance as they deemed appropriate. The Conference continues to offer group health insurance to its employees as required by law. The Conference offers, to clergy in local churches and Conference staff, optional benefits that include dental, vision, life insurance, critical illness and accident insurance.

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Notes to Consolidated Financial Statements

Note 11. Related Parties

The Kansas Area United Methodist Foundation holds and reinvests investments and holds notes payable from the Conference, as well as other United Methodist local churches (see Note 8). Trustees of KAUMF are elected by the Conference. The fair values of Conference investments held with KAUMF as of December 31, 2017 and 2016, were \$1,505,772 and \$1,322,077, respectively, of the investments presented in the consolidated financial statements.

NCD sold property to the Wichita Korean United Methodist Church that resulted in a loss of approximately \$653,000.

Note 12. Endowments

Interpretation of relevant law: The Conference's endowments consist of funds permanently restricted by donors. The Conference has interpreted the Uniform Prudent Management of Institutional Funds Act (UPMIFA) as adopted by the State of Kansas to be applicable to the Conference. In accordance with this, the Conference classifies as permanently restricted net assets (a) the fair value of gifts donated to the permanent endowment, (b) the original fair value of subsequent gifts donated to the permanent endowment and (c) accumulations to the permanent endowment made in accordance with the instructions of the applicable donor gift instrument. The Conference also considers the following factors in determining whether to expend or accumulate donor-restricted endowment funds:

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

Investments and spending policies: The Conference has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding for programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets. Endowment assets are invested in a manner that is intended to produce positive results while assuming a moderate to conservative investment risk. The Conference relies on a total return strategy in which returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The spending policy of the earnings on the endowment is determined by the respective boards charged with overseeing the particular fund.

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Notes to Consolidated Financial Statements

Note 12. Endowments (Continued)

Changes in endowment net assets for the years ended December 31, 2017 and 2016, are as follows:

	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, December 31, 2015	\$ 2,589,369	\$ 4,813,786	\$ 7,403,155
Contributions	25,560	7,150	32,710
Investment income, net of fees	48,012	-	48,012
Net appreciation (realized and unrealized)	479,781	-	479,781
Program expenditures	(73,994)	-	(73,994)
Endowment net assets, December 31, 2016	3,068,728	4,820,936	7,889,664
Contributions	1,182,276	17,040	1,199,316
Investment income, net of fees	7,071	-	7,071
Net appreciation (realized and unrealized)	92,044	-	92,044
Program expenditures	(97,673)	-	(97,673)
Endowment net assets, December 31, 2017	<u>\$ 4,252,446</u>	<u>\$ 4,837,976</u>	<u>\$ 9,090,422</u>

Note 13. Board-Designated Unrestricted Net Assets

Board-designated unrestricted net assets included as a component of unrestricted net assets on the consolidated statements of net position at December 31, 2017 and 2016, are composed of the following:

	2017	2016
Purpose designations:		
Episcopal ministries	\$ 262,258	\$ 396,631
Missional opportunities: CFA restricted reserve	3,000,000	3,000,000
Clergy and staff benefits:		
Pension/health benefit team	15,911,403	13,558,132
CFA restricted reserve	10,000,000	10,000,000
Property reserves: Board of Trustees	9,539,355	9,233,215
Administration	78,113	43,678
Districts	196,772	180,529
Clergy excellence	346,711	300,699
Congregational excellence	128,236	133,479
Mercy and justice	331,176	305,163
Disaster response	3,542	1,300
New church development:		
New Church Development Committee	2,450,386	3,443,448
CFA restricted reserve	4,560,500	4,905,500
Campus ministry	2,516,787	2,043,819
Camping ministry	9,851,181	8,337,222
	<u>\$ 59,176,420</u>	<u>\$ 55,882,815</u>

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Notes to Consolidated Financial Statements

Note 14. Restricted Net Assets

Net assets temporarily restricted at December 31, 2017 and 2016, are as follows:

	2017	2016
Episcopal ministries	\$ 25,000	\$ 25,000
Clergy and staff benefits	2,939,296	2,162,974
Conference property (Board of Trustees)	200,976	182,229
Administration	4,147	4,147
Bridges to the Future	366,000	366,000
District ministries	802,948	790,655
Board of Ordained Ministry	780,071	710,464
Clergy excellence	16,787	23,796
Congregational excellence	141,560	39,741
Mercy and justice	388,417	342,314
Disaster response	261,914	556,848
New Church Development	468,216	282,433
Campus ministry	113,258	101,590
Camping ministry	2,046,723	916,216
Total	\$ 8,555,313	\$ 6,504,407

Net assets permanently restricted at December 31, 2017 and 2016, are as follows:

	2017	2016
Clergy and staff benefits	\$ 2,296,845	\$ 2,296,845
Conference property (Board of Trustees)	58,000	58,000
District ministries	39,826	39,827
Board of Ordained Ministry	726,049	709,008
Congregational excellence	527,286	527,286
New Church Development	771,516	771,516
Camping ministry	418,454	418,454
	\$ 4,837,976	\$ 4,820,936

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Notes to Consolidated Financial Statements

Note 15. Net Assets Released From Restrictions

Net assets were released from restrictions by incurring expenses satisfying the restricted purpose specified or by the occurrence of other events during the years ended December 31, 2017 and 2016, as follows.

	2017	2016
Purpose restrictions:		
Episcopal	\$ -	\$ 191
Board of Pensions	11,115	17,693
Board of Trustees	11,901	45,982
Bridges to the Future	-	22,272
Mission agencies	1,045,436	1,144,250
Districts	253,577	229,345
Board of Ordained Ministry	251,290	201,096
Clergy excellence	15,590	6,332
Congregational excellence	26,992	41,957
Mercy and justice	140,794	260,510
Disaster response	377,855	160,772
Campus ministry	54,746	39,623
Camps	394,641	847,766
	<u>\$ 2,583,937</u>	<u>\$ 3,017,789</u>

Note 16. Concentrations

There was a significant concentration in apportionment revenue from one church, which represented approximately 14 percent of the total apportionments received for the years ended December 31, 2017 and 2016.

Note 17. Camp Lakeside Acquisition

On January 1, 2017, Camp Lakeside was acquired by CAMP. All of the assets and liabilities were assumed at their net book values and are reported as a contribution in the consolidated statement of activities for the year ended December 31, 2017. Total net assets assumed was \$1,328,858.

Note 18. Subsequent Events

Management has evaluated subsequent events through July 2, 2018, the date the consolidated financial statements were available to be issued. At the Annual Conference session held in June 2017, it was approved to combine Lincoln, Wichita and Topeka Conference office buildings into one building. The combined building is to be located in Topeka, Kansas, with relocation expected to occur on or before June 30, 2018.

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**The Great Plains Annual Conference of The United Methodist Church
Bishop's Schedules of Activities
Years Ended December 31, 2017 and 2016**

	2017	2016
Revenues and support:		
Episcopal funds—GCFA	\$ 104,560	\$ 92,900
Episcopal reimbursements—GCFA	3,500	4,353
Conference mission share support	41,054	81,410
General donations	360	487
Episcopal apartment use of investment	16,175	13,996
Total revenues and support	165,649	193,146
Expenses:		
Office:		
Staff salary	70,655	68,637
Staff payroll taxes	5,275	5,124
Staff pension and benefits	15,526	14,895
Continuing education/coaching	13,947	1,660
Office expense	9,033	10,586
Bishop's ministry fund	12,036	18,482
Connectional activities	2,499	9,331
Episcopal audit	1,750	1,750
Investigation/review expenses	3,274	65,474
Staff travel	7,896	6,296
Episcopacy meeting expense	2,253	8,230
Miscellaneous expense	2,184	1,362
Total office	146,328	211,827
Residence:		
Utilities	10,926	8,024
Repairs	18,866	4,131
Grounds and pool maintenance	15,465	8,987
HQ/RE tax assessments	1,291	705
Insurance	2,274	1,268
Appliance/furniture purchase	18,975	6,228
Apartment rent	10,800	15,930
Total residence	78,597	45,273
Total expenses	224,925	257,100
Change in net assets	(59,276)	(63,954)
Net assets, beginning of year	59,276	123,230
Net assets, end of year	-	59,276

GREAT PLAINS CONFERENCE Audit

The Great Plains Annual Conference of The United Methodist Church Consolidating Statement of Financial Position December 31, 2017

Assets	Great Plains Conference	New Church Development	Campus Ministry	Camps	Eliminations	Consolidated Totals
Current assets:						
Cash and cash equivalents	\$ 2,991,117	\$ 945,162	\$ 344,309	\$ 1,471,516	\$ -	\$ 5,762,104
Receivables	1,800,954	-	5,671	12,670	(257,010)	1,562,285
Pledges receivable	-	-	-	344,736	-	344,736
Prepaid expenses	29,207	-	-	15,122	-	44,329
Total current assets	4,821,278	945,162	349,980	1,844,044	(257,010)	7,703,454
Investments	68,497,940	1,218,441	1,422,208	1,150,429	-	72,289,018
Pledges receivable	-	-	-	335,010	-	335,010
Property and equipment, net	802,100	1,260,031	1,395,051	8,752,952	-	12,210,134
Assets held for sale	4,582,061	1,436,385	-	-	-	6,018,446
Overfunded postretirement benefit obligation	1,897,168	-	-	-	-	1,897,168
Total assets	\$ 80,600,547	\$ 4,860,019	\$ 3,167,239	\$ 12,082,435	\$ (257,010)	\$ 100,453,230
Liabilities and Net Assets						
Current liabilities:						
Accounts payable	\$ 1,364,510	\$ 28,977	\$ 8,112	\$ 59,067	\$ -	\$ 1,460,666
Accrued expenses	293,504	2,495	11,154	44,297	-	351,450
Due to other organizations	12,731	-	-	244,279	(257,010)	-
Current portion of long-term debt	-	53,167	39,259	12,966	-	105,392
Total current liabilities	1,670,745	84,639	58,525	360,609	(257,010)	1,917,508
Long-term debt, less current maturities	-	1,085,263	478,667	272,389	-	1,836,319
Total liabilities	1,670,745	1,169,902	537,192	632,998	(257,010)	3,753,827
Net assets:						
Unrestricted	69,354,680	2,450,383	2,516,786	8,894,865	-	83,216,714
Temporarily restricted	5,927,116	468,218	113,261	2,046,718	-	8,555,313
Permanently restricted	3,648,006	771,516	-	507,854	-	4,927,376
Total net assets	78,929,802	3,690,117	2,630,047	11,449,437	-	96,699,403

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The Great Plains Annual Conference of The United Methodist Church Consolidating Statement of Financial Position December 31, 2016

Assets	Great Plains Conference	New Church Development	Campus Ministry	Camps	Eliminations	Consolidated Totals
Current assets:						
Cash and cash equivalents	\$ 3,424,184	\$ 332,094	\$ 436,797	\$ 1,008,324	\$ -	\$ 5,201,399
Receivables	1,820,041	-	2,976	16,512	(348,712)	1,490,817
Pledges receivable	-	-	-	181,027	-	181,027
Prepaid expenses	89,026	-	-	23,888	-	112,914
Total current assets	5,333,251	332,094	439,773	1,229,751	(348,712)	6,986,157
Investments	60,174,159	1,032,726	864,817	591,743	-	62,663,445
Pledges receivable	-	-	-	245,538	-	245,538
Property and equipment, net	4,074,754	1,295,124	1,431,966	8,279,735	-	15,081,579
Assets held for sale	1,086,689	3,372,313	-	-	-	4,461,002
Overfunded postretirement benefit obligation	878,996	-	-	-	-	878,996
Total assets	\$ 71,549,849	\$ 6,032,257	\$ 2,736,556	\$ 10,346,767	\$ (348,712)	\$ 90,316,717
Liabilities and Net Assets						
Current liabilities:						
Accounts payable	\$ 1,390,177	\$ 4,736	\$ 5,900	\$ 57,957	\$ -	\$ 1,458,770
Accrued expenses	272,860	2,709	13,367	42,323	-	331,259
Due to other organizations	8,021	75,740	-	275,577	(348,712)	10,626
Current portion of long-term debt	-	109,327	37,255	12,408	-	158,990
Total current liabilities	1,671,058	192,512	56,522	389,265	(348,712)	1,959,645
Long-term debt, less current maturities	-	1,342,350	534,623	286,605	-	2,163,578
Total liabilities	1,671,058	1,534,862	591,145	674,870	(348,712)	4,123,223
Net assets:						
Unrestricted	61,043,659	3,443,445	2,043,820	8,337,227	-	74,868,151
Temporarily restricted	5,204,166	282,434	101,591	916,216	-	6,504,407
Permanently restricted	3,630,966	771,516	-	418,454	-	4,820,936
Total net assets	69,878,791	4,497,395	2,145,411	9,671,897	-	86,193,494
Total liabilities and net assets	\$ 71,549,849	\$ 6,032,257	\$ 2,736,556	\$ 10,346,767	\$ (348,712)	\$ 90,316,717

GREAT PLAINS CONFERENCE Audit

The Great Plains Annual Conference of The United Methodist Church Consolidating Statement of Activities Year Ended December 31, 2017

	Great Plains Conference	New Church Development	Campus Ministry	Camps	Eliminations	Consolidated Totals
Unrestricted net assets:						
Support, revenues and gains:						
Mission share revenue	\$ 13,042,187	\$ -	\$ -	\$ -	\$ -	\$ 13,042,187
Conference advance gifts	932,910	200	5,634	20,308	-	25,942
Gifts and grants	-	-	76,615	303,643	-	471,268
Program health income	2,874,125	-	-	956,324	-	2,970,449
Camp Lakeside Merger	-	-	-	-	-	956,324
Total contributions	16,248,622	200	82,249	1,280,275	-	17,611,346
Program service fees	477,604	-	147,683	1,371,083	-	1,996,370
Investment income	10,526,789	444	154,761	18,124	-	10,700,098
Gain (loss) on sale of assets	328,026	(1,049,405)	-	14,688	-	(706,691)
Other income	172,830	-	-	59,192	-	232,022
Total support, revenues and gains	27,654,862	(91,746)	384,693	2,734,362	-	30,822,465
Release of net asset restrictions:						
Satisfaction of purpose restriction	-	-	54,746	394,639	-	2,583,937
Intercompany revenue, net of intercompany expenses	2,134,552	884,706	929,961	770,601	(2,585,268)	-
Total support, revenues, gains and release of net asset restrictions	29,969,434	(46,776)	1,369,400	3,899,602	(2,585,268)	32,606,392
Expenses and losses:						
Program services:						
Episcopal office	4,106,737	-	-	-	-	4,106,737
Pension and health expense	2,570,735	-	-	-	-	2,570,735
Clergy excellence	1,441,130	-	-	-	-	1,441,130
Congregational excellence	2,090,226	688,053	785,965	2,586,546	-	6,150,790
Mercy and justice	2,891,788	-	-	-	-	2,891,788
Other conference ministries	33,857	-	34,955	-	-	68,812
Total program expenses	15,728,267	688,053	820,921	2,586,546	-	19,825,717
Supporting activities:						
Administrative	3,267,350	258,233	74,016	592,841	-	4,192,540
Fundraising	15,209	-	1,497	162,477	-	179,182
Total supporting activities	3,282,559	258,233	75,513	755,318	-	4,371,722
Total expenses	19,073,145	946,286	896,434	3,341,864	-	24,257,829
Intercompany expenses, net of intercompany revenue	2,585,268	-	-	-	(2,585,268)	-
Total expenses and losses	21,658,413	946,286	896,434	3,341,864	(2,585,268)	24,257,829
Change in unrestricted net assets	8,311,021	(983,062)	472,966	557,638	-	8,348,563
Net assets, beginning of year	61,043,659	-3,443,445	2,045,820	8,337,227	-	74,868,151
Net assets, end of year	\$ 69,354,680	\$ -2,450,383	\$ 2,518,786	\$ 8,894,865	\$ -	\$ 83,216,714

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The Great Plains Annual Conference of The United Methodist Church Consolidating Statement of Activities (Continued) Year Ended December 31, 2017

	Great Plains Conference	New Church Development	Campus Ministry	Camps	Eliminations	Consolidated Totals
Temporarily restricted net assets:						
Support, revenues and gains:						
Conference advance gifts	\$ 182,183	\$ -	\$ -	\$ -	\$ -	\$ 182,183
Camp share offerings	182,093	-	-	-	-	182,093
Gifts and grants	182,781	69	66,124	1,056,567	-	1,305,511
Mission agency support	1,092,259	-	-	-	-	1,092,259
Pension and health income	223,802	-	-	-	-	223,802
District mission share	-	-	-	372,534	-	372,534
Camp Lakeside Merger	-	-	-	-	-	-
Total contributions	1,722,990	69	66,124	1,429,101	-	3,218,294
Program service fee	5,833	-	-	-	-	5,833
Investment income	1,116,900	185,715	292	96,040	-	1,398,947
Gain on sale of assets	-	-	-	-	-	-
Other income	11,779	-	-	-	-	11,779
Total support, revenues and gains	2,857,502	185,784	66,416	1,525,141	-	4,634,843
Release of net asset restrictions:						
Sustaining fund restriction	(2,134,552)	-	(64,746)	(304,639)	-	(2,503,937)
Change in temporarily restricted net assets	722,950	185,784	11,670	1,130,502	-	2,050,906
Net assets, beginning of year	5,204,166	282,434	101,591	916,216	-	6,504,407
Net assets, end of year	\$ 5,927,116	\$ 468,218	\$ 113,261	\$ 2,046,718	\$ -	\$ 8,555,313
Permanently restricted net assets:						
Support, revenues and gains:						
Mission share revenue	\$ 950	\$ -	\$ -	\$ 89,400	\$ -	\$ 90,350
Gifts and grants	16,090	-	-	89,400	-	105,490
Increase in permanently restricted net assets	17,040	-	-	89,400	-	106,440
Net assets, beginning of year	3,630,996	771,516	-	418,454	-	4,820,966
Net assets, end of year	\$ 3,648,036	\$ 771,516	\$ -	\$ 507,854	\$ -	\$ 4,927,406
Total change in net assets	\$ 9,051,011	\$ (607,278)	\$ 484,636	\$ 1,777,540	\$ -	\$ 10,505,909
Net assets, beginning of year	69,878,791	4,497,395	2,145,411	9,671,897	-	86,193,494
Net assets, end of year	\$ 78,929,802	\$ 3,890,117	\$ 2,630,047	\$ 11,449,437	\$ -	\$ 96,899,403

GREAT PLAINS CONFERENCE Audit

The Great Plains Annual Conference of The United Methodist Church Consolidating Statement of Activities Year Ended December 31, 2016

Unrestricted net assets: Support, revenues and gains:	Great Plains Conference	New Church Development	Campus Ministry	Camps	Eliminations	Consolidated Totals
Mission share revenue	\$ 13,199,750	\$ -	\$ 6,077	\$ 12,379	\$ -	\$ 13,199,750
Conference advance gifts	120,558	8,677	77,819	376,898	-	583,952
Gifts and grants	3,542,812	-	-	-	-	3,542,812
Pension and health income	16,863,120	8,677	83,896	389,277	-	17,344,970
Total contributions	20,636,240	17,354	161,792	765,474	-	21,574,860
Program service fees	472,750	-	164,568	1,036,225	-	1,673,573
Investment income	4,817,885	540	62,103	3,460	-	4,886,504
Gain on sale of assets	308,972	-	-	131,789	-	440,761
Other income	955,963	134,583	-	-	-	1,090,546
Total support, revenues and gains	23,418,690	143,800	310,597	1,566,737	-	25,439,824
Release of net asset restrictions:						
Satisfaction of purpose restriction	2,130,400	100,000	(60,377)	847,766	-	3,017,789
Intercompany revenue, net of intercompany expenses	-	630,370	657,143	650,473	(1,977,986)	-
Total support, revenues, gains and release of net asset restrictions	25,549,090	874,170	907,363	3,104,976	(1,977,986)	28,457,613
Expenses and losses:						
Program activities:						
Episcopal office	4,451,190	-	-	-	-	4,451,190
Pension and health expense	2,333,454	-	-	-	-	2,333,454
Clergy excellence	1,449,917	-	-	-	-	1,449,917
Congregational excellence	2,197,824	583,342	816,433	2,162,524	-	5,760,123
Mercy and justice	2,453,042	-	-	767	-	2,453,809
Other conference ministries	2,998,100	-	4,796	79,581	-	3,082,477
Total program expenses	15,883,527	583,342	821,229	2,242,872	-	19,531,270
Supporting activities:						
Administrative	3,365,680	224,552	86,225	371,441	-	4,047,898
Fundraising	8,562	-	3,662	57,215	-	69,449
Total supporting activities	3,374,242	224,552	89,887	428,656	-	4,117,337
Total expenses	19,258,069	807,894	911,116	2,671,528	-	23,648,607
Intercompany expenses, net of intercompany revenue	1,977,986	-	-	-	-	1,977,986
Total expenses and losses	21,236,055	807,894	911,116	2,671,528	(1,977,986)	23,648,607
Change in unrestricted net assets	4,313,035	66,276	(3,763)	433,448	-	4,809,006
Net assets, beginning of year	56,730,624	3,377,169	2,047,573	7,903,779	-	70,059,145
Net assets, end of year	\$ 61,043,659	\$ 3,443,445	\$ 2,043,820	\$ 8,337,227	\$ -	\$ 74,868,151

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**The Great Plains Annual Conference of The United Methodist Church
Consolidating Statement of Activities (Continued)
Year Ended December 31, 2016**

	Great Plains Conference	New Church Development	Campus Ministry	Camps	Eliminations	Consolidated Totals
Temporarily restricted net assets:						
Support, revenues and gains:						
Conference advance gifts	\$ 136,612	\$ -	\$ -	\$ -	\$ -	\$ 136,612
Special Sunday offerings	43,628	-	-	-	-	43,628
Gifts and grants	330,864	80	33,063	781,866	-	1,146,899
Mission agency support	1,144,249	-	-	-	-	1,144,249
Pension and health income	-	-	-	-	-	-
District mission share	241,017	-	-	-	-	241,017
Total contributions	1,885,370	80	33,063	781,866	-	2,710,402
Program service fee	2,661	-	-	-	-	2,661
Investment income	468,566	80,116	89	11,801	-	560,605
Gain on sale of assets	20	-	-	61,765	-	61,805
Other income	22,363	-	-	-	-	22,363
Total support, revenues and gains	2,386,183	80,196	33,182	855,425	-	3,357,886
Release of net asset restrictions:						
Satisfaction of purpose restriction	(2,130,400)	(100,000)	80,377	(647,786)	-	(3,017,789)
Change in temporarily restricted net assets	258,783	(19,804)	83,559	7,659	-	340,197
Net assets, beginning of year	4,045,383	302,238	8,032	908,557	-	6,154,210
Net assets, end of year	\$ 5,204,166	\$ 282,434	\$ 101,591	\$ 916,216	\$ -	\$ 6,504,407
Permanently restricted net assets:						
Support, revenues and gains:						
Mission share revenue	\$ 4,650	\$ -	\$ -	\$ -	\$ -	\$ 4,650
Gifts and grants	-	-	-	2,500	-	2,500
Increase in permanently restricted net assets	4,650	-	-	2,500	-	7,150
Net assets, beginning of year	3,620,316	771,516	-	415,954	-	4,813,786
Net assets, end of year	\$ 3,630,966	\$ 771,516	\$ -	\$ 418,454	\$ -	\$ 4,820,936
Total change in net assets	\$ 4,576,468	\$ 46,472	\$ 89,806	\$ 443,807	\$ -	\$ 5,156,553
Net assets, beginning of year	65,302,523	4,450,853	2,055,605	9,228,590	-	81,037,141
Net assets, end of year	\$ 69,878,991	\$ 4,497,325	\$ 2,145,411	\$ 9,671,897	\$ -	\$ 86,193,494