

WESTERN NORTH CAROLINA CONFERENCE
XII. TREASURY SERVICES DOCUMENTS

A. REPORT OF THE ANNUAL AUDIT

*WESTERN NORTH CAROLINA CONFERENCE
 OF THE
 UNITED METHODIST CHURCH AND SUBSIDIARY*

*FINANCIAL STATEMENTS
 DECEMBER 31, 2019*

Western North Carolina Conference of the United Methodist Church and Subsidiary
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December 31, 2019

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INDEPENDENT AUDITORS' REPORT

To the Council on Finance and Administration of
Western North Carolina Conference of the United Methodist Church and Subsidiary
Huntersville, North Carolina

We have audited the accompanying consolidated financial statements of Western North Carolina Conference of the United Methodist Church and Subsidiary (the "Conference" - a not-for-profit entity), which comprise the consolidated statement of financial position as of December 31, 2019, and the related consolidated statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these 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 audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of 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 consolidated financial statements referred to in the first paragraph present fairly, in all material respects, the financial position of Western North Carolina Conference of the United Methodist Church and Subsidiary, as of December 31, 2019 and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

C. Dewitt Foard & Company, P.A.
May 20, 2020

Western North Carolina Conference of the United Methodist Church and Subsidiary
Consolidated Statement of Financial Position
December 31, 2019

ASSETS

Cash and cash equivalents	\$ 5,632,914
Accounts receivable	3,416,830
Investments	86,999,394
Notes receivable	411,134
Prepaid expenses	930,393
Inventory	590,988
Property and equipment, net	8,899,470
<i>TOTAL</i>	<i>\$ 106,881,123</i>

LIABILITIES AND NET ASSETS

Liabilities:	
Accounts payable and accrued expenses	\$ 166,583
Agency liabilities	821,409
Liability for amounts held in trust	189,119
Deferred grant revenue	345,671
Accrued health benefits	1,279,455
Accrued postretirement health benefit obligation	11,475,222
<i>Total Liabilities</i>	<i>14,277,459</i>
Net Assets:	
Without Donor Restrictions:	
Undesignated	12,826,803
Board-designated	69,183,342
Investment in property and equipment	8,899,470
Total Net Assets Without Donor Restrictions	90,909,615
With Donor Restrictions	1,694,049
<i>Total Net Assets</i>	<i>92,603,664</i>
<i>TOTAL</i>	<i>\$ 106,881,123</i>

Western North Carolina Conference of the United Methodist Church and Subsidiary
Consolidated Statement of Activities
Year Ended December 31, 2019

	Without Donor Restrictions	With Donor Restrictions	TOTALS
<u>SUPPORT AND REVENUE</u>			
Apportionment income	\$ 15,364,376	\$ -	\$ 15,364,376
Premium income	13,010,868	-	13,010,868
Pension direct invoicing	4,755,883	-	4,755,883
Contributions	2,488,226	1,153,592	3,641,818
Grants	1,908,079	-	1,908,079
Investment income	2,111,274	-	2,111,274
Gain on sale of closed churches and properties	2,504,346	-	2,504,346
Net assets released from restrictions	3,335,241	(3,335,241)	-
<i>TOTAL</i>	<i>45,478,293</i>	<i>(2,181,649)</i>	<i>43,296,644</i>
<u>EXPENSES</u>			
Program:			
Conference operations	22,613,916	-	22,613,916
Benefits and pension	21,221,820	-	21,221,820
Management and general	2,220,236	-	2,220,236
<i>TOTAL</i>	<i>46,055,972</i>	<i>-</i>	<i>46,055,972</i>
<i>CHANGE IN NET ASSETS FROM OPERATING ACTIVITIES</i>	<i>(577,679)</i>	<i>(2,181,649)</i>	<i>(2,759,328)</i>
<u>NONOPERATING GAINS (LOSSES)</u>			
Net gain on investments	11,773,012	-	11,773,012
Net gain on fixed asset disposals	75,176	-	75,176
<i>TOTAL</i>	<i>11,848,188</i>	<i>-</i>	<i>11,848,188</i>
<i>CHANGE IN NET ASSETS</i>	<i>11,270,509</i>	<i>(2,181,649)</i>	<i>9,088,860</i>
<i>NET ASSETS, BEGINNING</i>	<i>79,639,106</i>	<i>3,875,698</i>	<i>83,514,804</i>
<i>NET ASSETS, ENDING</i>	<i>\$ 90,909,615</i>	<i>\$ 1,694,049</i>	<i>\$ 92,603,664</i>

Western North Carolina Conference of the United Methodist Church and Subsidiary
Consolidated Statement of Functional Expenses
Year Ended December 31, 2019

	Program Services		Management and General	TOTAL
	Conference	Benefits		
Medical claims	\$ -	\$ 13,854,551	\$ -	\$ 13,854,551
Pension distributions	-	5,995,496	-	5,995,496
Apportionments	5,955,253	-	-	5,955,253
Ministries and missions	5,070,380	87,767	-	5,158,147
Salaries and wages	3,388,055	76,560	1,125,084	4,589,699
Properties expenses	3,836,911	-	28,476	3,865,387
Contracted services	830,008	1,120,833	36,597	1,987,438
Benefits and payroll taxes	1,134,220	25,630	376,645	1,536,495
Supplies	810,412	1,514	22,844	834,770
Travel	397,723	4,163	-	401,886
Occupancy	240,273	-	65,582	305,855
Training and events	281,685	11,790	-	293,475
Depreciation expense	183,557	4,148	60,954	248,659
Scholarships	207,247	-	-	207,247
Legal and audit	-	-	166,232	166,232
Bad debts	-	-	154,215	154,215
Telephone and communications	84,483	-	22,660	107,143
Interest	-	-	102,757	102,757
Office supplies	82,362	2,617	17,270	102,249
Insurance	29,342	36,751	29,682	95,775
Equipment and technology	82,005	-	11,238	93,243
<i>TOTAL EXPENSES</i>	\$ 22,613,916	\$ 21,221,820	\$ 2,220,236	\$ 46,055,972

Western North Carolina Conference of the United Methodist Church and Subsidiary
Consolidated Statement of Cash Flows
Year Ended December 31, 2019

OPERATING ACTIVITIES

Change in net assets	\$ 9,088,860
Adjustments to reconcile change in net assets to cash flows from operating activities:	
Depreciation	248,659
Gain on investments	(11,773,012)
Gain on sale of fixed assets	(75,176)
(Increase) decrease in operating assets:	
Trade receivables	(132,259)
Prepaid expenses	(56,837)
Inventory	338,307
Increase (decrease) in operating liabilities:	
Accounts payable	(1,563,482)
Agency liabilities	610,333
Liability for amounts held in trust	21,756
Deferred grant revenue	42,906
Accrued health benefits	462,294
Accrued postretirement health benefit obligation	1,783,126
<i>Cash Flows from Operating Activities</i>	<u>(1,004,525)</u>

INVESTING ACTIVITIES

Proceeds from sale of investments	6,662,372
Purchases of investments	(6,872,994)
Payments received on notes receivable	136,598
Proceeds on sale of fixed assets	362,665
Purchase of fixed assets	(335,061)
<i>Cash Flows from Investing Activities</i>	<u>(46,420)</u>

CHANGE IN CASH AND CASH EQUIVALENTS **(1,050,945)**

CASH AND CASH EQUIVALENTS, BEGINNING **6,683,859**

CASH AND CASH EQUIVALENTS, ENDING **\$ 5,632,914**

Western North Carolina Conference of the United Methodist Church and Subsidiary
Notes to Financial Statements
December 31, 2019

NOTE 1 – NATURE OF ORGANIZATION

Nature of organization

The Western North Carolina Conference of the United Methodist Church and Subsidiary (the Conference) is a not-for-profit organization representing approximately 1,100 member churches and is comprised of eight districts. The Conference provides various services for its member churches including administration of health benefits and retirement plans available to member clergy and Conference lay employees and collection of funds for remittance to various regional, national and global benevolences.

A portion of the funds collected from its member churches is remitted to the General Council on Finance and Administration of the United Methodist Church, which provides funds to national and global benevolences. The amounts remitted have been included in the consolidated statements of activities as general church expenses.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING PRINCIPLES

Principles of consolidation

The Conference's consolidated financial statements include the accounts of the Western North Carolina Conference of the United Methodist Church and the Board of Pensions and Health Benefits, Inc., Western North Carolina Conference, The United Methodist Church (Conference Board of Pensions and Health Benefits), as the Conference Board of Pension and Health Benefits' Board of Directors is appointed by the Conference. All significant intercompany accounts and transactions have been eliminated in consolidation. The consolidated financial statements of the Conference also include the funds of the Charlotte Area Episcopal Office.

Accrual basis

The consolidated financial statements are prepared on the accrual basis in accordance with U.S. generally accepted accounting principles (GAAP).

Basis of presentation

Net assets and revenues, expenses, gains and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

Net Assets Without Donor Restrictions - are those currently available for use in the day-to-day operations of the Conference and those resources invested in property and equipment. Designated net assets represent amounts designated by the Board of Directors for purposes other than operations.

Western North Carolina Conference of the United Methodist Church and Subsidiary
Notes to Financial Statements
December 31, 2019

Net Assets With Donor Restrictions – these amounts consist of both temporarily and permanently restricted net assets. Temporarily restricted net assets are subject to donor-imposed stipulations that either expire by passage of time or can be fulfilled and removed by actions of the Conference pursuant to these stipulations. When donor restrictions expire, that is, when the assets are spent for the stipulated purpose or the restricted time passes, temporarily restricted net assets are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restriction. Permanently restricted net assets are subject to donor-imposed stipulations that they be maintained permanently by the Conference. They consist of contributions whose use is limited by donor-imposed stipulations that neither expire by passage of time nor can be fulfilled or otherwise removed by the Conference’s actions. Generally, the donors of these assets permit the use of all or part of the income earned on related investments for general or specific purposes in accordance with the Conference’s spending rule.

Revenue and support

The principal source of revenue and support is apportionments received from the local churches. Apportionments are the approved levels of allocated support from the local churches. Apportionments expire at the end of each calendar year. Although the church discipline requires local churches to satisfy their apportionment allocation as their first benevolent response, local churches do not have any financial commitment for the underpayment of their apportionments.

Insurance premiums

The Conference administers a self-funded insurance program under which health benefits are provided for clergy and select lay employees of the Conference. Insurance premiums and related expenses are recorded in the period to which the premium and claim relate.

Contributions

Contributions are recognized as restricted support if they are pledged or received with donor stipulations that limit the use of the donation. Donor-restricted contributions whose restrictions are met in their same reporting period are reported as net assets without donor restrictions. Conditional promises are not included as support until such time as conditions are substantially met.

Grants

Grant awards are evaluated by management and determined to be either unconditional contributions or exchange transactions. If considered to be a contribution, revenue from grants is recorded upon notification of the award. If considered to be an exchange transaction, revenue from grants is recorded as expenditures are made under the terms of the respective grant agreement.

New accounting pronouncement

The Conference expects to adopt the requirements of the Financial Accounting Standards Board’s Accounting Standards Update No. 2014-09, “*Revenue from Contracts with Customers*” (ASU 2014-09), in 2020. The core principle of this standard is that an entity recognizes revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The Organization does not expect the implementation of this standard to have a material impact on its financial statements.

Western North Carolina Conference of the United Methodist Church and Subsidiary
Notes to Financial Statements
December 31, 2019

Cash

At various times throughout the year, cash balances in financial institutions exceed the amounts which are federally insured. At December 31, 2019, the balance of uninsured cash was \$7,984,709. The Conference periodically assesses the financial condition of the institutions and believes that the risk of any loss is minimal.

Assets held for others

The Conference is due apportionments and holds funds in various operating accounts related to payments to be made on behalf of other affiliated related ministries. These funds are directed by the third parties and are not available for the Conference operations.

Accounts receivable

As a significant dollar amount of church member apportionments are received close to year end, member churches are provided a cut-off date subsequent to year end in order for churches to fulfill their annual apportionments. Thus, accounts receivable is recorded based on the actual amount of apportionments received by the cut-off date. As such, no allowance for doubtful accounts is necessary.

Notes receivable

The Conference has notes receivable outstanding relating to the sale of land and other funds loaned to member churches. The Conference believes the amounts to be fully collectable and does not believe an allowance for doubtful accounts is necessary. Of the amount receivable as of December 31, 2019, \$15,280 is due within one year and the remaining \$395,854 is due through 2036. Interest of 2% to 6.4% annually is paid on the long-term balance. Interest income was approximately \$22,000 for the year ended December 31, 2019, and is recorded within investment income on the consolidated statement of activities.

Investments

Purchased investments are initially recorded at cost. Investments received by gift are initially recorded at fair value at the date of donation. The Conference's investments are assets invested by the United Methodist Foundation of Western North Carolina, Inc. (the Foundation) and Wespath, the investment agency of the Board of Pension and Health Benefits of the United Methodist Church, under investment agreements wherein the investments are either directly invested or pooled into larger investment funds of the Foundation and Wespath. The Conference's pooled investments are valued at fair value based upon the net asset value (NAV) of each fund as provided by the Foundation and Wespath. The Conference's direct investments, which consist primarily of cash and money market funds, are valued at cost, which approximates fair value.

Board-designated investments

The Conference has designated certain investments to function as endowments to fund the Conference's pension and postretirement health benefits.

Western North Carolina Conference of the United Methodist Church and Subsidiary
Notes to Financial Statements
December 31, 2019

Property and equipment

Building, improvements and equipment are stated at cost less accumulated depreciation. Building, improvements and equipment received by gift are initially recorded at fair value at the date of donation. Minor renewals and replacements are expensed when incurred. Depreciation is computed on a straight-line basis over the estimated economic lives of the respective assets held, which are assumed to be 10-40 years for buildings and improvements and 3-10 years for furniture and equipment.

Agency liabilities

The Conference is an agent for various affiliates and constituents. Amounts received and not yet expended on behalf of beneficiaries have been reported as a liability for amounts held for others.

Accrued health benefits:

The Conference records a liability for their healthcare claims incurred but not reported, which is estimated using the actual claims expense and the expected lag in days the claims are outstanding.

Operating and nonoperating activities

The consolidated statements of activities report the change in net assets from operating and nonoperating activities. Operating revenues consist of substantially all of the activity of the Conference except for certain items specifically considered to be of a nonoperating nature. Nonoperating activities include contributions restricted for capital expenditures and permanently restricted endowment contributions, net gain (loss) on investments, postretirement changes other than net periodic postretirement health benefit costs and significant items of an unusual or nonrecurring nature.

Allocation of functional expenses

The Conference's activities are focused in two functional areas. Program services represent the primary focus of the Conference's activities. Supporting services are general and administrative activities. No significant resources are expended for fundraising. Personnel expenses, benefits and payroll taxes, and depreciation are allocated based on management's estimate of time spent. Contracted services, supplies and insurance are allocated based on an analysis of the purpose of the underlying expenditure.

Use of estimates

The preparation of consolidated financial statements in accordance with 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 consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from these estimates.

Western North Carolina Conference of the United Methodist Church and Subsidiary
Notes to Financial Statements
December 31, 2019

Income taxes

The Conference is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code and applicable state statutes, and accordingly, no income taxes have been provided for the Conference in the accompanying financial statements. Management of the Conference does not believe the financial statements include any uncertain tax positions.

NOTE 3 – INVESTMENTS

The Conference has an agreement with the Foundation, in which the Foundation acts as agent and investment manager of the Conference's investments. These investments are either directly invested or pooled by the Foundation into larger investment funds. The Foundation adheres to the Statement of Investment Guidelines adopted by the General Council Finance and Administration of the United Methodist Church.

The Conference also maintains investments with Wespath, which are invested by Wespath in pooled investment funds. Wespath investments are comprised of approved investment instruments in accordance with the funds' objectives.

The Conference's investments at December 31, 2019, are as follows:

Assets invested by the Foundation:	
Direct investments	\$ 2,076,362
Pooled investments	84,524,171
<hr/>	
Total Foundation	86,600,533
Assets invested by Wespath	
Pooled investments	398,861
<hr/>	
<i>TOTAL INVESTMENTS</i>	<i>\$ 86,999,394</i>

The Conference's investment securities are exposed to various risks, such as interest rate, market and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the value of investment securities will occur in the near term and that such changes could materially affect the amounts reported in the statement of financial position.

Total investment return is comprised of the following for the years ended December 31, 2019:

Investment income, net of investment fees	\$ 2,111,274
Net gain on investments	11,773,012
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<i>TOTAL INVESTMENT INCOME</i>	<i>\$ 13,884,286</i>

Western North Carolina Conference of the United Methodist Church and Subsidiary
Notes to Financial Statements
December 31, 2019

NOTE 4 – FAIR VALUE MEASUREMENT

Fair value measurements apply to all financial assets and liabilities that are being measured and reported on a fair value basis. GAAP establishes a framework for measuring the fair value of assets and liabilities and requires fair value measurements be classified and disclosed in one of three categories. Level 1 assets are those financial instruments with unadjusted, quoted prices listed on active market exchanges. Level 2 assets are those financial instruments which are valued using pricing inputs other than quoted prices in active markets, which are either directly or indirectly observable as of the reporting date. The Conference's Level 2 assets were valued based on the interest rates utilized for loans made by the Foundation under the Clergy Loan program. Level 3 assets are those financial instruments that are not actively traded on a market exchange and require using significant unobservable inputs in determining fair value. The Conference had no Level 3 assets.

The Conference has segregated its financial instruments into the most appropriate level within the fair value hierarchy at December 31, 2019, as follows:

Financial assets:

Direct investments:

Cash and money market funds – Level 1	\$ 7,610,974
Clergy Debt program – Level 2	2,076,362
Investments measured at net asset value not subject to classification	77,312,058
<i>TOTAL INVESTMENTS</i>	<i>\$ 86,999,394</i>

NOTE 5 – NET ASSET VALUE (NAV)

The Conference's assets measured at NAV are held with the Foundation and Wespath under investment agreements wherein the investments are pooled into larger investment funds of the Foundation and Wespath. None of the funds had any unfunded commitments or redemption restrictions and may be redeemed daily with no advance notice.

Commingled pool of assets:

Assets invested by the Foundation:

Balance fund (a)	\$ 15,068,293
Conservative fund (b)	3,811,434
Diversified fund (c)	57,163,812
Development fund (d)	375,058
All-equity fund (e)	494,495
Assets invested by Wespath:	
Short-term investment fund (g)	244,131
Multiple asset fund (h)	154,835
<i>TOTAL</i>	<i>\$ 77,312,058</i>

Western North Carolina Conference of the United Methodist Church and Subsidiary
Notes to Financial Statements
December 31, 2019

- (a) Seeks to provide investment income while growing principal over the long-term by investing in a balance portfolio of both stocks and bonds.
- (b) Seeks to preserve both invested principal and earned interest while minimizing the risk of loss of principal.
- (c) Seeks to attain current income and capital appreciation by investing in a broad mix of different types of investments with a long-term horizon. Investors should be willing to experience some fluctuations in the value of the fund, though not as much as from holding a fund comprised exclusively of common stocks.
- (d) Seeks to provide an investment alternative for those who are seeking the security of a fixed-type vehicle at competitive rates. The offering is made to individuals serving the United Methodist Church and church institutions that reside in North Carolina or South Carolina to finance Methodist institutions for building programs and other capital investments.
- (e) Seeks to attain long-term capital appreciation from a broadly diversified portfolio that includes both domestic and foreign common stocks. It is designed for investors who seek long-term investment growth through exposures to the broad domestic stock market as well as regulated foreign stock exchanges and who are willing to accept the risk of possible wide fluctuations in the unit price of the fund.
- (f) Seeks to maximize current income consistent with preservation of capital. This type of fund usually ranks low on the risk-return spectrum and is designed for low risk-tolerant institutional investors who are reluctant to risk the loss of any capital contributions or accumulated interest.
- (g) Seeks long-term investment growth and income from exposure to a broadly diversified portfolio. Balanced funds generally rank moderate to high on the risk return spectrum. The fund is designed for investors with a relatively long-term horizon who are willing to experience some fluctuations in the value of the fund, though not as much as from holding a fund comprised exclusively of common stocks.

NOTE 6 – PROPERTY AND EQUIPMENT

Fixed assets consist of the following at December 31, 2019:

Building and improvements	\$	8,204,979
Furniture and equipment		444,971
Construction in progress		270,941
Land		1,470,585
TOTAL		10,391,476
Less accumulated depreciation		1,492,006
<i>PROPERTY AND EQUIPMENT, net</i>	\$	<i>8,899,470</i>

Depreciation expense was \$248,659 for the year ended December 31, 2019.

Western North Carolina Conference of the United Methodist Church and Subsidiary
Notes to Financial Statements
December 31, 2019

NOTE 7 – RETIREMENT PLANS

Ministers Reserve Pension Fund (MRPF):

The Conference participates in the MRPF, which is a multi-employer defined benefit pension plan administered by Wespath. The fund covers service prior to 1982 for substantially all clergy and lay pastors. For service subsequent to 1981, clergy members of the Conference are eligible to participate in the multi-employer retirement plan offered by the United Methodist Church as described below.

The Conference Board of Pension and Health Benefits acts as trustee responsible for deposits with Wespath. All assets of the plan are available to pay all benefits of the plan, regardless of the conference from which the contributions came or under which benefits were accrued. However, each conference controls certain benefit provisions of the plan and may choose to fund this plan using different funding methodologies. In the past, the Conference has chosen to fund the plan using the full actuarial allocation and is overfunded. Therefore, no contributions were made to this plan in 2019 and 2018, and the Conference's excess funding in this plan has been used to fund the benefits for the Clergy Retirement Security Program (CRSP) shown below. An actuarial report is available from Wespath that shows the funding requirements and funded status of all the conferences for the MRPF.

Because employers that contribute to multi-employer plans are responsible only to make the contributions called for and they do not have a directly identified or separate interest in investment gains or losses or administrative costs, nor do the employers have a directly identified or separate obligation for benefit payments, separate assets and liabilities for their portion of the plan are not recognized and the contributions are recognized as expense in the period in which they are paid.

Ministerial Pension Plan (MPP):

U.S. bishops, Conference members and local pastors under Episcopal appointment are eligible for pension coverage under the MPP. The MPP is a multi-employer defined contribution plan which required the Conference to contribute 12% of each participant's compensation, subject to a limit on total compensation. This plan was frozen effective December 31, 2006; however, the Conference is required to make payments to the plan as needed. In 2010, the Conference established an investment account to fund the required payments to the MPP. As of December 31, 2019, the investment account has a balance of \$5,869,223. Payment to the MPP was not required during 2019, although future payments toward the plan are possible. This plan was replaced by the CRSP described below.

Comprehensive Protection Plan (CPP)

In addition to the MRPF described above, certain ministerial employees are provided disability and death benefits as well as certain minimum benefits related to pension coverage through participation in the CPP. The CPP is a multi-employer defined benefit pension plan administered by Wespath. There were no contributions made for the plan year ended December 31, 2019.

Western North Carolina Conference of the United Methodist Church and Subsidiary
Notes to Financial Statements
December 31, 2019

United Methodist Personal Investment Plan (UMPIP):

Effective January 1, 2006, the Cumulative Pension and Benefit Fund and the Personal Investment Plan were merged to form the UMPIP. Conference clergy members, lay employees and local church personnel are eligible to participate in this multi-employer defined contribution plan administered by Wespath, which currently allows an employer contribution of up to 12%. The Conference contributes 9% of all eligible lay participants' compensation and 3% of clergy participants' plan compensation. Total contributions to the plan for the year ended December 31, 2019 was \$343,715.

Clergy Retirement Security Program (CRSP):

Effective January 1, 2007, the Conference established the CRSP, which is a multi-employer defined benefit plan and a multi-employer defined contribution plan administered by Wespath. Clergy members and local pastors under Episcopal appointment to a conference, church, charge, district or conference-controlled entity or unit are eligible to participate. Effective January 1, 2014, clergy members and local pastors serving less than half-time are no longer eligible to participate, but will receive benefits accrued through December 31, 2013.

For the defined benefit plan, the contribution is based on a formula using the denominational average compensation and the year of credited service beginning January 1, 2007. For the defined contribution plan, contributions are 2% of each eligible participant's compensation, with an additional match of up to 1% based on each participant's personal contributions.

Total contributions to the CRSP for the year ended December 31, 2019, were as follows:

Defined contribution plan, funded from the Conference	\$	1,413,439
Defined benefit plan, funded from the Conference		5,451,857
<i>TOTAL</i>	\$	<i>6,865,296</i>

The Conference expects the annual contributions for all of the plans above to be approximately \$8,000,000 a year. The total costs for the above benefit plans are generally billed to the churches of the Conference; however, any shortfalls are obligations of the Conference.

NOTE 8 – POSTRETIREMENT HEALTH BENEFIT PLAN

The Conference sponsors a multi-employer defined benefit postretirement health care plan for ministerial employees of its member churches and employees of the Conference. The plan is contributory, whereby the retiree contributions can be adjusted for increases in the cost of health care, and unfunded.

Western North Carolina Conference of the United Methodist Church and Subsidiary
Notes to Financial Statements
December 31, 2019

The following table provides a reconciliation of the changes in the plan's accumulated postretirement health benefit obligation and fair value of plan assets for the year ended December 31, 2019.

Reconciliation of accumulated postretirement health benefit obligation:	
Accumulated postretirement health benefit obligation, beginning	\$ 9,692,096
Service cost for benefits earned during the year	209,314
Interest cost on accumulated postretirement health benefit obligation	406,630
Actuarial loss	1,225,185
Contributions by plan participants	1,082,300
Benefit payments	(1,140,303)
<u>Accumulated postretirement health benefit obligations, ending</u>	<u>11,475,222</u>
Reconciliation of fair value of plan assets:	
Fair value of plan assets, beginning	-
Employer contributions	58,003
Contributions by plan participants	1,082,300
Benefit payments	(1,140,303)
<u>Fair value of plan assets, ending</u>	<u>-</u>
<i><u>Accumulated postretirement health benefit obligation in excess of plan assets</u></i>	<i><u>\$ 11,475,222</u></i>

The components of the net periodic postretirement health benefit net value (added) cost charged to expense for the year ended December 31, 2019, consisted of the following:

Service cost for benefits earned during the year	\$ 209,314
Interest cost on accumulated postretirement health benefit obligation	406,630
Amortization of net gain	(1,125,737)
<u>Total net value added</u>	<u>(509,793)</u>
Amounts recognized in postretirement changes other than net periodic	
Postretirement health benefit costs:	
Actuarial loss for current year	\$ (1,225,185)
Amortization of actuarial gain	(1,125,737)
<u>Postretirement changes other than net periodic postretirement health benefit costs</u>	<u>(2,350,922)</u>
Amounts recognized in net assets without donor restrictions but not yet recognized as components of net periodic postretirement health benefit costs:	
Unamortized actuarial gain	\$ (12,003,303)
Amount in net assets without donor restrictions expected to be recognized in net periodic postretirement health benefit costs in 2020:	
Net actuarial gain	\$ (936,651)

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The actuarial loss in 2019 is due primarily to demographic and claims experience during 2019 along with per-capita cost updates to reflect the actual historical experience. The discount rate has been updated from 4.25% to 3.50%, and the mortality table has been updated to the MP-2014, modified with MP-2018, projected generationally.

The following benefit payments, which reflect expected future service, are expected to be paid by the Conference in future years:

Years ended December 31:		
2020	\$	235,303
2021		216,241
2022		197,463
2023		182,057
2024		167,627
2025-2028		791,155
TOTAL	\$	1,789,846

The accumulated postretirement health benefit obligation was computed using an assumed discount rate of 3.50% for 2019. The actuarial assumptions relating to health care trend rates are evaluated for participants over 65 years of age and under 65 years of age separately. The under 65 health care trend rate was assumed to be 9.50% for 2019 and is assumed to decline by .50% until reaching 5% in 2028, and remaining level thereafter. The over 65 health care trend rate was assumed to be 5% for 2019 and is assumed to remain level going forward.

Assumed health care rates have a significant effect on the amounts reported for the plan. A 1% change in assumed health care cost trend rates would have the following effect:

	<u>1% Decrease</u>	<u>1% Increase</u>
Effect on total service and interest cost components	\$ (196,916)	\$ 287,033
Effect on the accumulated postretirement health benefit obligation	(2,384,839)	3,233,952

As of December 31, 2019, the Conference has approximately \$9,226,000, designated by the Board to be used for payment of future net periodic postretirement health benefit costs. Any changes in the plan or revisions to assumptions that affect the amounts of expected future benefits may have a significant effect on the amount of the reported obligation and future annual expense.

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NOTE 9 – NET ASSETS

Net assets consist of the following as of December 31, 2019

Net assets without donor restrictions:

Board designated:

Endowment	\$ 50,621,273
Church vitality	3,609,235
Pension and health benefits	5,124,681
Property maintenance and acquisition	7,223,727
Program ministries	2,392,951
Accumulated income	211,475

Total board designated	69,183,342
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Investment in land, building, improvements and equipment	8,899,470
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Undesignated	12,826,803
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<i>Total net assets without donor restrictions</i>	<i>90,909,615</i>
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Net assets with donor restrictions:

Subject to expenditure for specified purpose:

Church legacy initiative	394,515
Church without walls	119,467
Residency in ordained ministry	78,778
Emerging leaders	60,798
Dismantling racism	40,000
Retired ministers	33,861
All other, no fund greater than \$25,000	129,862

Subtotal	857,281
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Permanently endowment funds restricted in perpetuity:

Endowment funds	836,768
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<i>Total net assets with donor restrictions</i>	<i>1,694,049</i>
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<i>TOTAL NET ASSETS</i>	<i>\$ 92,603,664</i>
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During the year ended December 31, 2019, net assets were released from donor restrictions by incurring expenses satisfying the restricted purposes or by occurrence of other events specified by donors.

Western North Carolina Conference of the United Methodist Church and Subsidiary
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December 31, 2019

The Conference recognizes support under split-interest agreements when the agreements become irrevocable or when the assets are distributed to the Conference for charitable causes, whichever occurs first. The assets held in trust are recorded at their estimated fair value when received, with the obligation to the donor or their beneficiary recorded at the estimated fair value of the future annuities payable. The fair value of the estimated future payments is calculated using applicable distribution rates, a discount rate adjusted to reflect the lower market risk of obligations that are largely limited to segregated trust assets, and applicable mortality tables. The amount of the contribution is the difference between these amounts and is classified as either temporarily or permanently restricted support. Adjustments to the liability to reflect amortization of the discount, remeasurement of the fair value of the obligation, and changes in actuarial assumptions, as well as the close-out of the liability upon the death of the donor (or beneficiary), are recognized as changes in the value of split-interest agreements in either the temporarily or permanently restricted net asset class. The fair value of the obligations as of December 31, 2019 was calculated using a discount rate of 2.51%.

Net assets without donor restrictions include amounts that have been designated by the Board of Trustees, Conference Board of Pension and Health Benefits, and the General Council on Finance and Administration of the United Methodist Church for specific purposes and other amounts that are unavailable for operational use by the Conference. As of December 31, 2019, the Board of Trustees, Board of Pension and Health Benefits, and the General Council on Finance and Administration of the United Methodist Church have designated \$50,621,273 as board designated endowment funds.

NOTE 10 – ENDOWMENT

The Conference's endowment consists of seven individual funds established for a variety of purposes. Its endowment includes both donor-restricted endowment funds and funds designated by the Conference to function as endowments. As required by GAAP, net assets associated with endowment funds, including funds designated by the Conference to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

Interpretation of relevant law

The Conference has interpreted the North Carolina enacted version of the Uniform Prudent Management of Institutional Funds Act (NC UPMIFA) as requiring the preservation of the corpus of the original gift. As a result of this interpretation, the Conference classifies as permanently restricted net assets: (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulations are added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the Conference in a manner consistent with the standards of prudence prescribed by NC UPMIFA. In accordance with NC UPMIFA, the Conference considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

1. The duration and preservation of the fund.
2. The purposes of the Conference and the donor-restricted endowment fund.

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3. General economic conditions.
4. The possible effects of inflation and 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.

Endowment net composition by type of fund as of December 31, 2019 is as follows:

Board-designated	\$ 50,621,273
Donor-restricted	836,768
<i>TOTAL</i>	<i>\$ 51,458,041</i>

Return objectives and risk parameters

The Conference has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets. Endowment assets include those assets of donor-restricted funds that the Conference must hold in perpetuity or for a donor-specified period(s) as well as board designated funds. Under this policy, as approved by the Conference, the endowment assets are invested in a manner that is identified to produce results that exceed the price yield results of the S&P 500 index while assuming a moderate level of investment risk. The Conference expects its endowment funds, over time, to provide an average rate of return of approximately 5% annually. Actual returns in any given year may vary from this amount.

Spending policy and how the investment objectives relate to spending policy

The Conference has a policy of appropriating for distribution each year 4% of its endowment fund's average fair value over the prior 12 quarters through the calendar year end preceding the fiscal year in which the distribution is planned. In establishing this policy, the Conference considered the long-term expected return on its endowment. Accordingly, over the long term, the Conference expects the current spending policy to allow its endowment to grow at an average of 1% annually. This is consistent with the Conference's objectives to maintain the purchasing power of the endowment assets held in perpetuity or for a specific term as well as to provide additional real growth through new gifts and investment return.

Strategies employed for achieving objectives

To satisfy its long-term rate-of-return objectives, the Conference relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The Conference targets long-term return objectives with prudent risk constraints.

Western North Carolina Conference of the United Methodist Church and Subsidiary
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December 31, 2019

NOTE 11 – LEASE COMMITMENTS

The Conference leases equipment and office space under noncancelable operating leases, which expire through November 2022. Minimum annual rentals range from approximately \$900 to \$55,000. Total rent expense was \$59,017 for the year ended December 31, 2019. Future minimum rental commitments for all noncancelable leases at December 31, 2019, are as follow:

Years ending December 31:		
2020	\$	113,897
2021		113,897
2022		90,293
2023		1,116
<i>TOTAL</i>	\$	<i>319,203</i>

NOTE 12 – ABANDONED OR DISCONTINUED PROPERTY

When a member church is abandoned or discontinued, the deed is transferred from the church's Board of Trustees to the Conference's Board of Trustees. The properties are recorded by the Conference at the lower of the carrying amount or fair value. As there is generally no carrying value and the fair market value of the properties is not easily estimated when abandoned, the properties are recorded by the Conference at no value. When sold, the Conference will normally utilize 75% of the net proceeds for church vitality and utilize the remaining amount for church vitality in the applicable district in the area where the church was sold.

NOTE 13 – UNCONSOLIDATED CONSTITUENT MINISTRY

GAAP requires 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. Because the Conference has an economic interest in and control of a constituent through means other than majority ownership or voting interests, consolidation is permitted, but not required. Therefore, the Conference has elected not to consolidate the constituent as described below.

The non-consolidated constituent is the Foundation, a not-for-profit organization providing various investment management services for its clients, which consist of the Conference and United Methodist churches, institutions and agencies in Western North Carolina. The primary purpose of the Foundation is to act as an agent to provide professional investment management services to its clients. According to the statement of relationship between the Conference and the Foundation, the organizations have similar purposes and interests but are separate, self-governing associations.

The Foundation has assets of approximately \$240,492,145 as of December 31, 2019. Of those assets, approximately \$213,131,736 are investments. See Note 2 for the Conference's portions of those investments.

Western North Carolina Conference of the United Methodist Church and Subsidiary
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December 31, 2019

The summary financial information does not eliminate the transactions between the Conference and the constituent, such as investment activity with the Foundation and contributions from the Conference to the Foundation, if any.

The Conference is also affiliated with a significant number of related ministries through its connection with the United Methodist Church. The Conference has signed a statement of relationship with other entities that defines this connectional relationship and states that neither entity may require the other entity to assume any contractual, financial or other obligation. The Conference does not have control or a financial interest in these affiliated entities. Grants and operating support provided to these entities totaled approximately \$635,000 for the year ended December 31, 2019. These entities provided contributions to the Conference totaling approximately \$186,000 for the year ended December 31, 2019.

NOTE 14 – LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS

The Conference has \$96,064,418 of financial assets available within one year of the balance sheet date to meet cash needs for general expenditure consisting of cash of \$5,632,914, investments of \$86,999,394, receivables of \$3,416,830 and the current portion of notes receivable of \$15,280. Of that amount, \$1,694,049 of the financial assets are subject to donor or other contractual restrictions that make them unavailable for general expenditure within one year of the balance sheet date and \$69,183,342 are board-designated for specific purposes. The receivables and the current portion of the notes receivable are expected to be collected in the following year. The Conference has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due. In addition, as part of its liquidity management the Conference invests cash in excess of daily requirements in money market funds.

NOTE 15 – SUBSEQUENT EVENTS

The Conference has evaluated subsequent events from the date of the statement of financial position through the date of the audit report, which is the date the financial statements were available to be issued. During this period, no material recognizable subsequent events were identified, except for the COVID-19 pandemic. At this point, the full impact of this pandemic on the Conference is unknown, but management believes that it will negatively impact its support and revenue in 2020, as well as investment values. The Conference obtained a forgivable loan of \$1,025,800 to mitigate the effects of this impact.

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INDEPENDENT AUDITORS' REPORT ON THE SUPPLEMENTARY INFORMATION

To the Council on Finance and Administration of
Western North Carolina Conference of the United Methodist Church and Subsidiary
Huntersville, North Carolina

We have audited the consolidated financial statements of Western North Carolina Conference of the United Methodist Church and Subsidiary (the "Conference"), as of and for the year ended December 31, 2019, and have issued our report thereon, which contains an unmodified opinion on those consolidated financial statements.

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The supplementary information is presented for purposes of additional analysis and is not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audits of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying account and other records used to prepare the consolidated financial statement or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America.

In our opinion, the information is fairly stated in all material respects in relation to the consolidated financial statements as a whole.

C. Dewitt Foard & Company, P.A.
May 20, 2020

*Charlotte Area Episcopal Fund of the
Western North Carolina Conference of the United Methodist Church and Subsidiary*
Schedule of Cash Receipts and Disbursements
Year Ended December 31, 2019

CASH RECEIPTS

Episcopal Fund allocation	\$ 86,252
<i>TOTAL</i>	<i>86,252</i>

CASH DISBURSEMENTS

Staff salary	57,960
Travel	8,450
Telephone	2,000
Postage	564
Office supplies	673
Equipment purchases and maintenance	218
Printing and copying	335
Rent	6,000
Employee benefits	13,917
Professional entertainment	627
All other disbursements	4,552
<i>TOTAL CASH DISBURSEMENTS</i>	<i>95,296</i>

<i>DECREASE IN CASH DURING YEAR</i>	<i>(9,044)</i>
<i>AMOUNT ALLOCATED FROM GENERAL FUND</i>	<i>9,044</i>
<i>FUND BALANCE, BEGINNING</i>	<i>-</i>
<i>FUND BALANCE, ENDING</i>	<i>\$ -</i>

B. 2021 COMPREHENSIVE BENEFIT FUNDING PLAN SUMMARY

INTRODUCTION

The 2012 Book of Discipline ¶1506.6 requires that each annual conference develop, adopt, and implement a formal comprehensive funding plan for funding all its benefit obligations. The funding plan shall be submitted annually to Wespath Benefits and Investments (Wespath) for review and be approved annually by the annual conference, following the receipt and inclusion of a favorable written opinion from Wespath. This document is only a summary of the information contained in the actual signed funding plan and does not contain all the information required for a comprehensive view of the conference's benefit obligations. You may request the full contents of the 2021 comprehensive benefit funding plan from your conference benefit office.

CLERGY RETIREMENT SECURITY PROGRAM (CRSP)

Defined Benefit (DB) and Defined Contribution (DC)

Program overview:

The Clergy Retirement Security Program (CRSP) is an Internal Revenue Code section 403(b) retirement program providing lifetime income and account flexibility designed for those who serve as clergy of The United Methodist Church. The program is designed to provide participants with one portion of their overall retirement benefits. CRSP replaced the Ministerial Pension Plan (MPP) effective January 1, 2007, which had previously replaced the Pre 82 Plan for service rendered prior to January 1, 1982.

CRSP consists of both a defined benefit (DB) plan, which provides a monthly benefit at retirement based upon years of credited service to The United Methodist Church, and a defined contribution (DC) plan, which provides a retirement account balance established and funded by the annual conferences.

Current funding plan information:

The Clergy Retirement Security Program (CRSP DB) annuities total liability as of January 1, 2019, is \$1,913,258,514, while total plan assets are \$2,049,273,913, resulting in a current plan funded ratio of 107%. The Western North Carolina Conference portion of the liability is 4.0076% and the 2021 contribution is \$3,958,245. The conference anticipates that the amount will be funded by CRSP DB Fund. Additionally, General Conference 2012 approved a change to CRSP that provides each annual conference the discretion to determine whether to cover three quarter and/or half time clergy. The Western North Carolina Conference has elected to cover clergy serving 50%+ under CRSP effective January 1, 2021.

Effective January 1, 2014, the CRSP DC plan was reduced from a 3% to a 2% of plan compensation non matching contribution. Clergy can earn up to an additional 1% CRSP DC contribution by contributing at least 1% of their plan compensation to UMPIP; therefore, if a participant contributes at least 1% of plan compensation to UMPIP, the individual will receive a contribution of 3% to CRSP DC. The 2021 CRSP DC contribution is anticipated to be \$1,532,400 and will be funded by Direct Billing.

MINISTERIAL PENSION PLAN (MPP)

Plan overview:

Supplement Three to the Clergy Retirement Security Program (CRSP), also known as the Ministerial Pension Plan (MPP), provides clergy with a pension benefit for their years of ministry with The United Methodist Church from 1982 through 2006. MPP is an Internal Revenue Code section 403(b) retirement plan. MPP requires that exactly 65% of the account balance must be annuitized when the funds are to be distributed. The remainder may be rolled over to UMPIP, another qualified plan or an IRA, or it may be paid in a lump sum.

Current funding plan information:

The Ministerial Pension Plan (MPP) annuities' total liability as of January 1, 2019 is \$3,718,398,163, while total plan assets are \$3,997,635,453, resulting in a current plan funded ratio of 108%. The required contribution for 2021 is zero dollars. The Western North Carolina Conference's percentage of the total liability is 3.0608%. Future MPP annuitants have a total account balance of \$3,231,280,101 and the Western North Carolina Conference's portion of that balance is \$125,949,204 or 3.90% of the total.

PRE 82 PLAN

Plan overview:

Supplement One to the Clergy Retirement Security Program (CRSP), also known as the Pre-82 Plan, provides clergy with a pension benefit for their years of ministry with The United Methodist Church prior to 1982. The Pre-82 Plan was replaced by MPP effective January 1, 1982. If a clergyperson retires within the Conference (and does not terminate), the minimum benefit payable is based on two factors:

- 1) Years of service with pension credit approved by each conference on the recommendation of the Conference Board of Pensions (CBOP) in accordance with plan provisions and *The Book of Discipline*.
- 2) The conference pension rate (past service rate) the dollar amount chosen by the conference as the amount payable for each approved year of service with pension credit (may change from year to year).

The number of years of service with pension credit is multiplied by the pension rate, and the product is the minimum annual benefit payable to those clergy eligible for Pre-82 Plan benefits. In certain situations, the benefit received from the Pre-82 plan may vary based on the applicability of what is referred to as Defined Benefit Service Money (DBSM), which is the defined contribution feature of the Pre-82 Plan. At the time that a participant retires, the DBSM account is converted to a life-based benefit and, at that point, the clergy's benefit is the greater of the PSR or DBSM benefit. If the conference increases the PSR, the clergy's benefit is recalculated; but the DBSM-based benefit does not change.

Current funding plan information:

The 2021 PSR recommended to the Western North Carolina Conference will be \$823, representing a 2% increase from the 2020 rate. The conference expects future annual increases to be approximately 2.00%.

The contingent annuitant percentage is recommended to remain at the 70% level.

ACTIVE HEALTH BENEFIT PROGRAM

Program Overview

The Western North Carolina Conference offers the following active health benefit to its active eligible participants: Self-Funded - Non-HealthFlex.

Current funding plan information:

The total cost of the program for 2021 is anticipated to be \$15,906,930 and will be funded by Direct Billing. It is anticipated that increases for future years will average 5.00%.

The rationale for these changes is rising health care costs and health status of clergy.

Claims Incurred But Not Reported (if applicable)

The Western North Carolina Conference provides the following health plan to its eligible participants: Self Funded - Non-HealthFlex. As of 12/31/2021, the estimated IBNR claims total is \$1,113,485. It is anticipated that increases for future years will average 5.00%. It is anticipated that the IBNR claims, if applicable, will be funded by billed premiums and premium reserves, if applicable.

Additional Conference-Sponsored Coverage (if applicable)

The Western North Carolina Conference has elected to provide health benefits coverage to the following groups during periods where—without plan sponsor-funded premiums—the participants would not be provided coverage or benefits (all figures as of 12/31/2019):

1. Clergy or lay on disability (including pending disability): 19 participants at an estimated cost of \$262,200.

The projected annual cost as of 12/31/2021 for additional plan sponsor funded coverage is \$289,076.

POST RETIREMENT MEDICAL (PRM)

Program Overview:

The Western North Carolina Conference currently offers Self-Funded for Post-Retirement Medical coverage.

Current funding plan information:

The plan sponsor's intention for 2021 is to Retain current plan benefit. PRM benefits provided are as follows: The PRM for WNCC is a Medicare Supplemental plan that is self-funded with premiums charged to retired clergy and spouses based on a range of years of service. (After the CBFP was submitted to Wespath, the CBOPHB voted to change the retiree health plan to a fully insured Medicare Advantage Plan effective January 1, 2021.)

Based on the most recent PRM valuation dated 01/01/2018, the following is the funded position of the PRM benefits:

1. Expected Post Retirement Obligation (EPBO) net plan sponsor cost.....	\$ 11,475,222
2. Accumulated Post Retirement Obligation (APBO) net plan sponsor cost	\$ 11,475,222
3. Net PRM Assets	\$ 9,009,750
4. Funding plan service cost (\$0 if Net PRM Assets ≥ EPBO).....	\$ 284,700
5. Funded status, [3. - 2.]	\$ (2,465,472)
6. Number of annual payments	20
7. Portion of funded status payable, [5. / 6.].....	\$ 123,274
8. Ongoing funding contribution, [4. + 7.].....	\$ 407,974

Future increases/decreases to the assets or APBO will be funded over the duration of the program as calculated in the PRM valuation report, or five years if not available.

These values are based on a 3.50% long term discount rate, a 1.50% long term expected rate of return on assets, and a valuation year medical trend (inflation rate) of 9.00% with an ultimate medical trend (inflation rate) of 5.00%, beginning in 2028.

In addition to the PRM funding contribution listed above, the projected annual plan benefit cost for 2021 (subsidies, HRAs, claims or premiums) is \$216,432.

COMPREHENSIVE PROTECTION PLAN (CPP)**Plan Overview:**

The Comprehensive Protection Plan (CPP) provides death, long-term disability and other welfare benefits for eligible clergy of The United Methodist Church and their families. It is an Internal Revenue Code 414(e) "church plan" funded by plan sponsor insurance premiums. Generally, clergy are eligible to participate in CPP if they satisfy the eligibility requirements, including full-time appointment with plan compensation of at least 25% of the Denominational Average Compensation (DAC). Plan sponsors may elect to cover participants with three-quarter time appointments and/or to continue to cover clergy who, due to certain leaves or appointments, are not otherwise eligible to continue coverage.

The CPP adoption agreement executed by the Western North Carolina Conference contains its elections to cover or not to cover categories mentioned above.

Current funding plan information:

For 2021, the Western North Carolina Conference has an expected required contribution to the Comprehensive Protection Plan of \$1,503,200, which is anticipated to be funded by Direct Billing. The anticipated average increase in future years is expected to be 1.00% per year based on current invoicing and 1% growth.

UNITED METHODIST PERSONAL INVESTMENT PLAN (UMPIP) FOR LAY AND CLERGY**Plan Overview:**

The United Methodist Personal Investment Plan (UMPIP) is an Internal Revenue Code section 403(b) defined contribution retirement savings plan for clergy and lay employees of The United Methodist Church and affiliated organizations. Participants may make before-tax, Roth and/or after-tax contributions through payroll deductions. Participant contributions, various optional plan sponsor contributions and investment earnings comprise the individual's retirement account balance.

Current funding plan information:

Conference office lay employees working an average of 20 hours per week or more are eligible after 12 months for a plan sponsor-funded pension contribution of 9% of salary. Lay employees are encouraged to make contributions toward their retirement through payroll deductions to the UMPIP. The conference's estimated contribution for 2021 is \$215,164 and will be funded via conference apportionments.

OTHER DEFINED CONTRIBUTION (DC) OBLIGATIONS**Plan Overview:**

The Western North Carolina currently offers the following DC benefit(s): *Supplemental Life Insurance for Clergy and Conference*. The estimated contribution for 2021 is \$45,800 with the funding sources to be direct billing. The anticipated average increase in future years is expected to be 0.00% per year due to the number of active clergy is declining.

Plan Overview:

The Western North Carolina currently offers the following DC benefit(s): *Ministers Moving Allowance (provides moving expense)*. The estimated contribution for 2021 is \$120,000 with the funding sources to be conference apportionments. The anticipated average increase in future years is expected to be 0.00% per year due to Less Clergy anticipate moving and historical actual costs indicate lowering.

CONCLUSION

The 2021 Comprehensive Benefit Funding Plan and this summary document incorporates, to the best of our understanding, the Western North Carolina's obligations and funding requirements of the benefits provided to the clergy and laity of the Western North Carolina Conference.

