

**GENERAL CONFERENCE OF THE  
BRETHREN IN CHRIST  
FINANCIAL STATEMENTS  
FOR THE YEARS ENDED  
DECEMBER 31, 2017 AND 2016  
AND  
INDEPENDENT AUDITOR'S REPORT**

**HAMILTON & MUSSER, P.C.**  
*Certified Public Accountants*

**GENERAL CONFERENCE OF THE BRETHREN IN CHRIST**

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For the Years Ended December 31, 2017 and 2016

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# HAMILTON & MUSSER, P.C.

*Certified Public Accountants • Consultants to Management*

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## INDEPENDENT AUDITOR'S REPORT

To the General Conference Board of the  
General Conference of the Brethren in Christ  
Mechanicsburg, Pennsylvania

### Report on the Financial Statements

We have audited the accompanying financial statements of the General Conference of the Brethren in Christ (a non-profit organization), which comprise the statements of financial position as of December 31, 2017 and 2016, and the related statements of activities and cash flows for the years then ended, and the related notes to 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.

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*Members of the American and Pennsylvania Institutes of CPAs*

**Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the General Conference of the Brethren in Christ as of December 31, 2017 and 2016, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

July 10, 2018

Mechanicsburg, Pennsylvania



*Certified Public Accountants*

**GENERAL CONFERENCE OF THE BRETHREN IN CHRIST**

Statements of Financial Position

December 31, 2017 and 2016

	<u>2017</u>	<u>2016</u>
Assets		
Cash and Cash Equivalents		
Undesignated	\$ 1,812,826	\$ 1,803,460
Designated (Note 8)	1,232,152	-
Investments (Note 2)		
Unrestricted	154,385	74,225
Temporarily Restricted	8,611,556	6,678,632
Permanently Restricted	2,730,863	2,730,634
Education Loans Receivable (Note 4)	9,744	9,744
ASEL Receivable (Note 5)	88,941	88,941
Other Receivables (Note 6)	237,506	241,923
Other Assets	210,686	202,978
Fixed Assets, Net (Note 7)	<u>133,299</u>	<u>242,650</u>
 Total Assets	 <u>\$ 15,221,958</u>	 <u>\$ 12,073,187</u>
Liabilities		
Accounts Payable	\$ 173,152	\$ 132,970
Accrued Wages and Vacation Payable	13,819	12,692
Deposit Agreements	5,000	5,000
Notes Payable (Note 11)	206,736	216,576
Liability for Pension Benefit (Note 13)	<u>2,747,704</u>	<u>2,994,798</u>
 Total Liabilities	 <u>3,146,411</u>	 <u>3,362,036</u>
Net Assets (Deficit)		
Unrestricted	733,128	(698,115)
Temporarily Restricted (Note 9)	8,611,556	6,678,632
Permanently Restricted (Note 10)	<u>2,730,863</u>	<u>2,730,634</u>
 Total Net Assets	 <u>12,075,547</u>	 <u>8,711,151</u>
 Total Liabilities and Net Assets	 <u>\$ 15,221,958</u>	 <u>\$ 12,073,187</u>

The Accompanying Notes are an Integral Part of the Financial Statements

**GENERAL CONFERENCE OF THE BRETHREN IN CHRIST**

Statement of Activities

For the Year Ended December 31, 2017

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Revenue				
Contributions	\$ 2,890,280	\$ 4,001,298	\$ 229	\$ 6,891,807
Investment Income (Note 2)	68,570	804,528	-	873,098
Other	60,351	-	-	60,351
Realized Gain on Sale of Fixed Assets	644,812	-	-	644,812
Net Assets Released From Restrictions	<u>2,872,902</u>	<u>(2,872,902)</u>	<u>-</u>	<u>-</u>
Total Revenue	<u>6,536,915</u>	<u>1,932,924</u>	<u>229</u>	<u>8,470,068</u>
Expenses				
Program Services	4,698,078	-	-	4,698,078
Management and General				
Operational	404,688	-	-	404,688
Ministers Pension Fund Benefit Program	<u>216,881</u>	<u>-</u>	<u>-</u>	<u>216,881</u>
Total Expenses	<u>5,319,647</u>	<u>-</u>	<u>-</u>	<u>5,319,647</u>
Increase in Net Assets	1,217,268	1,932,924	229	3,150,421
Net Assets (Deficit), Beginning of Year	(698,115)	6,678,632	2,730,634	8,711,151
Pension-Related Changes Other Than Net Periodic Pension Cost	<u>213,975</u>	<u>-</u>	<u>-</u>	<u>213,975</u>
Net Assets, End of Year	<u>\$ 733,128</u>	<u>\$ 8,611,556</u>	<u>\$ 2,730,863</u>	<u>\$ 12,075,547</u>

The Accompanying Notes are an Integral Part of the Financial Statements

**GENERAL CONFERENCE OF THE BRETHREN IN CHRIST**

Statement of Activities

For the Year Ended December 31, 2016

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Revenue				
Contributions	\$ 3,104,050	\$ 2,444,795	\$ 1,000	\$ 5,549,845
Investment Income (Note 2)	63,621	198,176	-	261,797
Other	216,196	-	-	216,196
Net Assets Released From Restrictions	<u>2,803,337</u>	<u>(2,803,337)</u>	<u>-</u>	<u>-</u>
Total Revenue	<u>6,187,204</u>	<u>(160,366)</u>	<u>1,000</u>	<u>6,027,838</u>
Expenses				
Program Services	4,971,453	-	-	4,971,453
Management and General				
Operational	287,743	-	-	287,743
Ministers Pension Fund Benefit Program	<u>222,819</u>	<u>-</u>	<u>-</u>	<u>222,819</u>
Total Expenses	<u>5,482,015</u>	<u>-</u>	<u>-</u>	<u>5,482,015</u>
Increase (Decrease) in Net Assets	705,189	(160,366)	1,000	545,823
Net Assets (Deficit), Beginning of Year	(1,500,408)	6,838,998	2,729,634	8,068,224
Pension-Related Changes Other Than Net Periodic Pension Cost	<u>97,104</u>	<u>-</u>	<u>-</u>	<u>97,104</u>
Net Assets (Deficit), End of Year	<u>\$ (698,115)</u>	<u>\$ 6,678,632</u>	<u>\$ 2,730,634</u>	<u>\$ 8,711,151</u>

The Accompanying Notes are an Integral Part of the Financial Statements

**GENERAL CONFERENCE OF THE BRETHREN IN CHRIST**

Statements of Cash Flows

For the Years Ended December 31, 2017 and 2016

	<u>2017</u>	<u>2016</u>
Cash Flows from Operating Activities:		
Increase in Net Assets	\$ 3,150,421	\$ 545,823
Adjustment to Reconcile Change in Net Assets to Net Cash and Cash Equivalents Provided by Operating Activities:		
Realized Gain on Sale of Investments	(237,494)	(95,002)
Unrealized Gain on Investments	(504,330)	(59,953)
Gain on Disposal of Fixed Assets	(644,812)	-
Depreciation	25,507	15,436
(Increase) Decrease in:		
Other Receivables	4,417	20,845
Other Assets	(7,708)	(32,085)
Increase (Decrease) in:		
Accounts Payable	40,182	(2,307)
Accrued Wages and Vacation Payable	1,127	(5,860)
Other Liabilities	-	(2,566)
Net Cash and Cash Equivalent Provided by Operating Activities	<u>1,827,310</u>	<u>384,331</u>
Cash Flows from Investing Activities:		
Purchase of Investments	(1,962,366)	(331,266)
Proceeds from Sale of Investments	690,877	278,676
Purchase of Fixed Assets	(35,076)	(32,499)
Proceeds from Sale of Fixed Assets	<u>763,732</u>	<u>-</u>
Net Cash and Cash Equivalents Used by Investing Activities	<u>(542,833)</u>	<u>(85,089)</u>
Cash Flows from Financing Activities:		
Principal Payments on Notes Payable	(9,840)	(9,006)
Change in Ministers Pension Fund Components	<u>(33,119)</u>	<u>(27,181)</u>
Net Cash and Cash Equivalents Used by Financing Activities	<u>(42,959)</u>	<u>(36,187)</u>
Net Increase in Cash and Cash Equivalents	1,241,518	263,055
Cash and Cash Equivalents, Beginning of the Year	<u>1,803,460</u>	<u>1,540,405</u>
Cash and Cash Equivalents, End of Year	<u>\$ 3,044,978</u>	<u>\$ 1,803,460</u>
<u>Supplemental Cash Flow Disclosures:</u>		
Cash Paid for Interest	\$ 9,353	\$ 9,574
Cash Paid for Income Taxes	-	-

The Accompanying Notes are an Integral Part of the Financial Statements



## GENERAL CONFERENCE OF THE BRETHERN IN CHRIST

Notes to Financial Statements

For the Years Ended December 31, 2017 and 2016

### NOTE 1 NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES

#### **Nature of Activities:**

The General Conference of the Brethren in Christ (the BIC US) was incorporated on June 18, 1940 in the Commonwealth of Pennsylvania as a charitable, non-profit religious organization. The BIC US is supported by contributions from Brethren in Christ congregations as well as direct contributions from individuals and other entities.

#### **Basis of Accounting:**

The financial statements of the BIC US have been prepared on the accrual basis of accounting and, accordingly, reflect all significant receivables, payables and other liabilities.

#### **Basis of Presentation:**

Financial statement presentation follows the *Not-for-Profit Entities* topic of the Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) which requires the BIC US to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets.

#### **Contributions:**

Contributions received are recorded as increases in unrestricted, temporarily restricted, or permanently restricted net assets, depending on the existence and/or nature of any donor restrictions.

All donor-restricted contributions are reported as increases in temporarily or permanently restricted net assets depending on the nature of the restriction. 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 Statements of Activities as net assets released from restrictions.

The BIC US recognizes receipts when given by the supporting congregations. As a result, approximately twenty business days are required after year-end to properly recognize these December receipts. Additionally, the BIC US allows the Common Ministry Program to make the appropriate allocations to other BIC US programs and external organizations before the year-end close.

#### **Ministry Activities:**

The BIC US is strongly committed to functioning as one organization, in support of various ministries, as we seek to accomplish the mission of the church to make and grow disciples. The following list is illustrative of the ministry activities supported by the BIC US in 2017 and 2016:

- Regional Conference Leadership
- Commission on Ministry and Doctrine
  - Equipping for Ministry
- General Assembly Meeting
- Denominational Communications
- World Missions
  - Missionary Support
  - International Leadership Development
  - Global Compassion Fund
- Ministers Pension Fund

# GENERAL CONFERENCE OF THE BRETHREN IN CHRIST

## Notes to Financial Statements

For the Years Ended December 31, 2017 and 2016

### NOTE 1 NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### **Fixed Assets:**

It is the policy of the BIC US to record purchased fixed assets at cost and donated assets at their fair value at the date of donation. Depreciation is provided on the straight-line method over the estimated useful lives of the assets.

New acquisitions of fixed assets having a low acquisition cost, or which are not expected to last for more than a year, are expensed in the year of acquisition. Repairs and maintenance charges are capitalized and depreciated when they materially extend the useful life of the related asset.

#### **Taxation:**

The BIC US is exempt from federal income tax as provided by Code Section 501(c)(3) of the Internal Revenue Code. Donors are entitled to deductions for federal income tax purposes for contributions made to the BIC US in accordance with the Internal Revenue Code. Accordingly, no income tax is incurred unless the BIC US earns income considered to be unrelated business income. The BIC US conducted no activities that were subject to income taxes.

Accounting principles generally accepted in the United States of America require management to evaluate tax positions taken by the BIC US, including whether the entity is exempt from income taxes. Management evaluated the tax positions taken and concluded that the BIC US had taken no uncertain tax positions that require recognition or disclosure in the financial statements. Therefore, no provision or liability for income taxes has been included in the financial statements. With few exceptions, the BIC US is no longer subject to income tax examinations by the U.S. federal, state or local tax authorities for years before December 31, 2014.

#### **Receivables:**

Receivables are stated at the amount management expects to collect from balances outstanding at year-end. Based on management's assessment of outstanding balances, it has concluded that losses on balances outstanding at year-end will be immaterial.

#### **Investments:**

Investments are valued at their fair market values on a recurring basis in the Statements of Financial Position.

Fair Value Reporting requires an establishment of a hierarchy that ranks the quality and reliability of inputs, or assumptions, used in the determination of fair value and requires financial assets and liabilities carried at fair value to be classified and disclosed in one of the following three categories:

- Level 1 – Quoted prices in active markets for identical assets and liabilities
- Level 2 – Directly or indirectly observable inputs other than Level 1 quoted prices
- Level 3 – Unobservable inputs not corroborated by market data

For investments that have quoted market prices in active markets, the BIC US uses the quoted market prices as fair values and includes those investments in Level 1 of the fair value hierarchy. When quoted market prices in active markets are not available, various pricing services are used to determine fair value of investments that are included in Level 2 of the fair value hierarchy. Level 3 represents financial assets whose fair value is determined based upon inputs that are unobservable and include the BIC US' own determinations of the assumptions that a market participant would use in pricing the asset.

**GENERAL CONFERENCE OF THE BRETHREN IN CHRIST**

Notes to Financial Statements

For the Years Ended December 31, 2017 and 2016

**NOTE 1 NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Investments (Continued):**

Investment income, including realized and unrealized gains restricted by donors, is reported as an increase in unrestricted net assets if the restrictions are met (either a stipulated time period or a purpose restriction is accomplished) in the reporting period in which the income and gains are recognized.

Investments are exposed to various risks, such as interest rate, market and credit. Due to the level of risk associated with certain investments and the level of uncertainty related to changes in the value of investments, it is at least reasonably possible changes in risks in the near term would materially affect investment assets reported in the Statements of Financial Position and Activities.

**Contributed Services:**

The BIC US receives a substantial amount of donated services in carrying out the various ministries of the BIC US. No amounts have been reflected in the financial statements for those services since they do not meet the criteria for recognition.

**Use of Estimates:**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

**Cash and Cash Equivalents:**

For the purpose of the Statements of Cash Flows, cash and cash equivalents include all highly liquid investments with an initial maturity of three months or less.

**NOTE 2 INVESTMENTS**

Investments are summarized as follows at December 31, 2017 and 2016:

	2017	
	<u>Cost</u>	<u>Market Value</u>
Certificates of Deposit	\$ 357,338	\$ 357,393
Stewardship Investment Certificates (SICs)	3,476,175	3,476,175
Trust Investments and Deposit Accounts (BICF)	<u>7,246,726</u>	<u>7,663,236</u>
Total	<u>\$ 11,080,239</u>	<u>\$ 11,496,804</u>
	2016	
	<u>Cost</u>	<u>Market Value</u>
Stewardship Investment Certificates (SICs)	\$ 3,777,021	\$ 3,777,021
Trust Investments and Deposit Accounts (BICF)	<u>5,436,590</u>	<u>5,706,470</u>
Total	<u>\$ 9,213,611</u>	<u>\$ 9,483,491</u>

**GENERAL CONFERENCE OF THE BRETHREN IN CHRIST**

Notes to Financial Statements

For the Years Ended December 31, 2017 and 2016

**NOTE 2 INVESTMENTS (CONTINUED)**

Investment income is summarized as follows for the years ended December 31, 2017 and 2016:

	<u>2017</u>	<u>2016</u>
Realized Gain on Sale of Investments	\$ 237,494	\$ 95,002
Unrealized Gain on Investments	504,330	59,953
Interest and Dividends	174,916	148,174
Custodial Fees	<u>(43,642)</u>	<u>(41,332)</u>
Total	<u>\$ 873,098</u>	<u>\$ 261,797</u>

**NOTE 3 FAIR VALUE MEASUREMENTS**

Fair values of investments are summarized as follows at December 31, 2017 and 2016:

	<u>December 31, 2017</u>			<u>Total</u>
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	
Cash & Cash Equivalents				
Money Market	<u>\$ -</u>	<u>\$ 984,232</u>	<u>\$ -</u>	<u>\$ 984,232</u>
Total Cash & Cash Equivalents	<u>-</u>	<u>984,232</u>	<u>-</u>	<u>984,232</u>
Investments				
Certificates of Deposit	357,393	-	-	357,393
Stewardship Investment Certificates (SICs)	-	3,476,175	-	3,476,175
Trust Investments and Deposit Accounts (BICF)	<u>-</u>	<u>7,663,236</u>	<u>-</u>	<u>7,663,236</u>
Total Investments	<u>357,393</u>	<u>11,139,411</u>	<u>-</u>	<u>11,496,804</u>
Total	<u>\$ 357,393</u>	<u>\$ 12,123,643</u>	<u>\$ -</u>	<u>\$ 12,481,036</u>
	<u>December 31, 2016</u>			
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Cash & Cash Equivalents				
Money Market	<u>\$ -</u>	<u>\$ 842,456</u>	<u>\$ -</u>	<u>\$ 842,456</u>
Total Cash & Cash Equivalents	<u>-</u>	<u>842,456</u>	<u>-</u>	<u>842,456</u>
Investments				
Stewardship Investment Certificates (SICs)	-	3,777,021	-	3,777,021
Trust Investments and Deposit Accounts (BICF)	<u>-</u>	<u>5,706,470</u>	<u>-</u>	<u>5,706,470</u>
Total Investments	<u>-</u>	<u>9,483,491</u>	<u>-</u>	<u>9,483,491</u>
Total	<u>\$ -</u>	<u>\$ 10,325,947</u>	<u>\$ -</u>	<u>\$ 10,325,947</u>

**GENERAL CONFERENCE OF THE BRETHREN IN CHRIST**

Notes to Financial Statements

For the Years Ended December 31, 2017 and 2016

**NOTE 3 FAIR VALUE MEASUREMENTS (CONTINUED)**

Level 2:

*Money Market Funds* – valued at the net asset value (NAV) of shares held by BIC US at year-end. NAV is used as a practical expedient to fair value and shares may be redeemed on a daily basis. Money Market Funds are held with the Brethren in Christ Foundation, Inc. (BIC Foundation) and are considered to be Level 2.

*BIC Foundation Stewardship Investment Certificates* – investment in Stewardship Investment Certificates (SICs) is held with the BIC Foundation and is considered to be a Level 2 Investment. These SICs are similar to a certificate of deposit and valued at cost.

The BIC US' trust investments and deposit accounts held with the BIC Foundation are considered Level 2. A description of the various investments is as follows:

*BIC Foundation Growth with Income Fund* – a non-quoted investment fund which only invests in financial assets quoted in active markets. The Growth with Income Fund's investment objective is asset growth and protection against inflation by investing primarily in stocks, combined with secondary components in bonds and short-term/money market investments. Any amount can be withdrawn from an account up to the total account balance.

*BIC Foundation Fixed Income Fund* – a non-quoted investment fund which only invests in financial assets quoted in active markets. The Fixed Income Fund's investment objective is to seek a higher and more sustainable level of interest income and not long-term growth in capital by investing in fixed income holdings of U.S. government or U.S. government agencies with a 60% target allocation to U.S. agency mortgage-backed securities and 40% to U.S. short-term treasury securities. Any amount can be withdrawn from an account up to the total account balance.

*Mutual Funds* – valued at the net asset value (NAV) of share held by the Plan at year-end. NAV is used as a practical expedient to fair value and shares may be redeemed on a daily basis.

**NOTE 4 EDUCATION LOANS RECEIVABLE**

Individuals who are accepted for service with Brethren in Christ U.S. World Missions (BICUSWM), who have educational debts, may apply in writing for educational debt assistance. Educational debts approved for reimbursement will be paid based on ten percent (10%) of the original amount of the loan (at the time of appointment) per year for ten (10) years. Payments made will range from a minimum of \$1,000 to a maximum of \$2,500. Maximum lifetime education debt assistance is limited to \$25,000. For individuals accepted for service with BICUSWM but needing further education, BICUSWM will pay for such education as a loan. A "credit" is given to the missionaries for each year of service, based on an approved credit schedule. If the credits for years of service are less than the loan payments made by BICUSWM when a missionary completes his or her service, the difference will be paid back to BICUSWM by the missionary. The receivable due back to BICUSWM was \$9,744 at December 31, 2017 and 2016.

**NOTE 5 ASEL RECEIVABLE**

From time to time, the BIC US makes Appreciation Sharing Equity Loans (ASEL) to BIC US executives for the purpose of purchasing their residence. These interest-free loans will be repaid upon the sale of the residence. Three loans were outstanding, totaling \$88,941, at December 31, 2017 and 2016. These notes are secured by a mortgage deed of trust or security deed.

**GENERAL CONFERENCE OF THE BRETHREN IN CHRIST**

Notes to Financial Statements

For the Years Ended December 31, 2017 and 2016

**NOTE 6 OTHER RECEIVABLES**

Other receivables consisted of the following at December 31, 2017 and 2016:

	<u>2017</u>	<u>2016</u>
Vehicle Loan Receivable	\$ 9,142	\$ 9,142
Shared Services Receivables	15,629	12,205
Administrative and Other Advances	6,000	4,000
Forest Gate Loan	14,160	19,511
Hoyo-Spain Church Receivable	<u>192,575</u>	<u>197,065</u>
Total	<u>\$ 237,506</u>	<u>\$ 241,923</u>

**NOTE 7 FIXED ASSETS**

Fixed assets are summarized as follows at December 31, 2017 and 2016:

	<u>2017</u>	<u>2016</u>
Real Estate	\$ 145,966	\$ 379,123
Furniture and Equipment	<u>104,299</u>	<u>109,973</u>
	250,265	489,096
Less: Accumulated Depreciation	<u>(116,966)</u>	<u>(246,446)</u>
Fixed Assets, Net	<u>\$ 133,299</u>	<u>\$ 242,650</u>

The estimated useful lives for purposes of computing depreciation are as follows:

Real Estate	40 years
Furniture and Equipment	3-10 years

Depreciation expense was \$25,507 and \$15,436 for the years ended December 31, 2017 and 2016, respectively.

**NOTE 8 BOARD-DESIGNATED CASH AND CASH EQUIVALENTS**

Board-designated cash and cash equivalents at December 31, 2017 and 2016 are available for the following purposes:

	<u>2017</u>	<u>2016</u>
Other – Global	\$ 687,358	\$ -
Honor the Past – Build the Future	<u>544,794</u>	<u>-</u>
Total	<u>\$ 1,232,152</u>	<u>\$ -</u>

**GENERAL CONFERENCE OF THE BRETHREN IN CHRIST**

Notes to Financial Statements

For the Years Ended December 31, 2017 and 2016

**NOTE 9                    TEMPORARILY RESTRICTED NET ASSETS**

Temporarily restricted net assets at December 31, 2017 and 2016 are available for the following purposes:

	<u>2017</u>	<u>2016</u>
Other – National	\$ 16,678	\$ 16,582
Shaping Leaders for Tomorrow	411,136	283,288
Honoring Leaders of Yesterday	70,803	71,958
CMD – Special Projects	9,214	15,715
Kipe Seminary Special Training	13,691	11,742
Smith Pastoral Training	4,766	1,199
Renewal/Refocus	15,603	13,656
Honor the Past – Build the Future	1,303,416	172,510
Other – Global	1,897,304	1,580,846
Global Special Projects	272,139	305,948
Spice Gift – Global	45,193	33,951
Leadership Training – Global	1,286,441	1,122,609
Personnel Training – Global	921,712	840,245
New Frontiers – Global	287,209	204,885
So. African Women’s Ed. Fund – Global	31,569	18,876
ECP – Global	350,467	320,614
Emergency Risk Mgt. – Global	522,885	514,624
Global Compassion – Global	67,602	46,089
Crisis Management – Global	45,083	46,307
Missionaries – Global	<u>1,038,645</u>	<u>1,056,988</u>
Total	<u>\$ 8,611,556</u>	<u>\$ 6,678,632</u>

**NOTE 10                    PERMANENTLY RESTRICTED NET ASSETS – ENDOWMENT FUNDS**

**Interpretation of Relevant Law**

In August 2008, The Financial Accounting Standards Board issued FASB ASC 958-204-45-28 through 45-31, “Endowments of Not-for-Profit Organizations: Net Asset Classification of Funds Subject to an Enacted Version of the Uniform Prudent Management of Institutional Funds Act and Enhanced Disclosures for all Endowment Funds.”

The staff position provides guidance on the net asset classification of donor-restricted endowment funds and requires additional disclosures about an organization’s endowment funds, both donor-restricted and board-designated.

The BIC US has interpreted the law that underlies the net asset classification of donor-restricted endowment funds as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit instructions. As a result of this interpretation, the BIC US classifies as permanently restricted net assets (1) the original value of gifts to the permanent endowment, (2) the original value of subsequent gifts to the permanent endowment, and (3) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument. Absent explicit instructions from the donor, investment income from permanently restricted funds is classified as temporarily restricted and expensed as permitted by established endowment fund spending policies.

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Notes to Financial Statements

For the Years Ended December 31, 2017 and 2016

**NOTE 10 PERMANENTLY RESTRICTED NET ASSETS – ENDOWMENT FUNDS (CONTINUED)**

The BIC US considers the following factors when receiving donor-restricted endowment funds:

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

**Investment Management Policy**

Permanent, donor-restricted gifts are generally given with the donors' expectations that the funds will stay intact and grow from or at a minimum provide earnings that can be used to fund the purposes specified in the corresponding trust instrument. Therefore, the funds should be invested in accordance with these general policies:

1. *Preservation of Capital* – Both with respect to the overall Fund and to the assets assigned to each investment manager, the Finance Committee and the investment managers should make conscious efforts to preserve capital, understanding that losses may occur in individual securities.
2. *Risk Aversion* – Understanding that risk is present in all types of securities and investment styles, the Finance Committee recognizes that some risk is necessary to produce long-term investment results sufficient to meet the Fund's objectives. However, investment managers are to make reasonable efforts to control risk, and they will be evaluated regularly to ensure that the risk assumed is commensurate with the given investment style and objectives.
3. *Adherence to Investment Discipline* – Investment managers are expected to adhere to the investment management styles for which they were hired. Managers will be evaluated regularly for adherence to investment discipline.

**Investment Objectives**

Specifically, the primary objective in the investment management of fund assets shall be:

- To preserve purchasing power after spending
- To achieve returns that are more than the rate of inflation plus spending over the investment horizon in order to preserve purchasing power of fund assets
- To control risk in the investment of fund assets

**Handling of Income from Endowment Fund Investments**

All income earned, whether interest income, dividend income, or gains realized and unrealized will be classified as temporarily restricted until appropriated for expenditure by the BIC US. There are no permanent restrictions on the use of the income other than any purpose restrictions established by the trust instrument or board-designation.

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

	<u>Permanent</u>
Contributions to Perpetual Endowment	\$ 229
Amounts Appropriated for Expenditure	<u>-</u>
Total Change in Endowment Funds	<u>\$ 229</u>



**GENERAL CONFERENCE OF THE BRETHREN IN CHRIST**

Notes to Financial Statements

For the Years Ended December 31, 2017 and 2016

**NOTE 10 PERMANENTLY RESTRICTED NET ASSETS – ENDOWMENT FUNDS (CONTINUED)**

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

	<u>Permanent</u>
Contributions to Perpetual Endowment	\$ 1,000
Amounts Appropriated for Expenditure	<u>-</u>
Total Change in Endowment Funds	<u>\$ 1,000</u>

Permanently restricted net assets at December 31, 2017 and 2016 are as follows:

	<u>2017</u>	<u>2016</u>
Leadership Training Endowment	\$ 641,375	\$ 641,261
New Frontiers Endowment	445,038	444,923
Shaping Leaders for Tomorrow (Formerly Seminary Students)	1,485,885	1,485,885
Spouses Training	13,745	13,745
Smith Pastoral Training	61,458	61,458
Renewal/Refocus Endowment	11,801	11,801
World Missions – S. Africa Women’s Ed. Fund	<u>71,561</u>	<u>71,561</u>
Total	<u>\$ 2,730,863</u>	<u>\$ 2,730,634</u>

**NOTE 11 NOTES PAYABLE**

**Note 1**

During 1999, the BIC US entered into a thirty-year note payable with the Brethren in Christ Foundation for \$110,000 (Note 1). Interest of 5.0% is charged on the remaining balance with a monthly principal and interest payment of \$483. Interest expense was \$899 and \$1,099 for the years ended December 31, 2017 and 2016, respectively. Minimum principal maturities for each of the final four years are as follows:

<u>Year</u>	<u>Amount</u>
2018	\$ 4,020
2019	5,416
2020	<u>4,725</u>
Total	<u>\$ 14,161</u>

**Note 2**

During 2013, the BIC US entered into a thirty-year note payable with the Brethren in Christ Foundation for \$216,480 (Note 2). The interest rate is variable at the sole discretion of the lender and was 4.25% at December 31, 2017 and 2016. Monthly installments of principal and interest are \$1,065. Interest expense was \$8,454 and \$8,475 for the years ended December 31, 2017 and 2016, respectively.

**GENERAL CONFERENCE OF THE BRETHREN IN CHRIST**

Notes to Financial Statements

For the Years Ended December 31, 2017 and 2016

**NOTE 11      NOTES PAYABLE (CONTINUED)**

Minimum principal maturities for each of the subsequent five years are as follows:

<u>Year</u>	<u>Amount</u>
2018	\$ 4,325
2019	4,513
2020	4,708
2021	4,912
2022	5,125
Thereafter	<u>168,992</u>
Total	<u>\$ 192,575</u>

Total notes payable at December 31, 2017 and 2016 are as follows:

	<u>2017</u>	<u>2016</u>
Note 1	\$ 14,161	\$ 19,511
Note 2	<u>192,575</u>	<u>197,065</u>
Total	<u>\$ 206,736</u>	<u>\$ 216,576</u>

**NOTE 12      RELATED ENTITY**

The BIC Foundation is a denominationally owned and sponsored corporation consisting of two divisions which holds investments for the BIC US. The Trust Division handles investments on behalf of church agencies. The Brotherhood Loan Fund Division serves the church in a manner similar to that of a credit union. This division accepts deposits from individuals and church agencies and loans funds to congregations and pastors for real estate transactions. Various investments of the BIC US are held by the BIC Foundation.

The BIC Foundation owns the building in Pennsylvania which serves as facilities for its principal office. The building is utilized by the BIC Foundation and the BIC US. No rental or lease payments are made to the BIC Foundation, but operating and maintenance costs of the building are shared by the BIC Foundation and the BIC US on a pro rata basis. Operating and maintenance costs paid to the BIC Foundation were \$51,621 and \$44,722 during the years ended December 31, 2017 and 2016, respectively.

The BIC Foundation provided services to the BIC US for personnel services including, but not limited to, accounting, planned giving, benefit placement, financial management, and operational management. Costs for these services paid to the BIC Foundation totaled \$72,086 and \$0 during the years ended December 31, 2017 and 2016, respectively.

**NOTE 13      RETIREMENT PLANS**

The BIC US has a 403(b)(9) Retirement Income Account plan. This plan covers all employees of the BIC US beginning at date of hire or at three years of service. Employees can contribute a percentage of their compensation each year up to specified limits. The BIC US made contributions to this plan on behalf of employees at a rate of 6.5% along with matching up to an additional 3.5% for 2017. The BIC US made contributions to this plan on behalf of employees at a rate of 7.5% along with matching up to an additional 2.5% for 2016. The BIC US contributed \$209,026 and \$230,126 to the plan during December 31, 2017 and 2016, respectively.

**GENERAL CONFERENCE OF THE BRETHREN IN CHRIST**

Notes to Financial Statements

For the Years Ended December 31, 2017 and 2016

**NOTE 13      RETIREMENT PLANS (CONTINUED)**

The BIC US maintains the Brethren in Christ Minister's Pension Fund (the Plan) which is a single-employer defined-benefit pension plan. The Plan covers all ordained or licensed senior pastors and pastors of single-pastor congregations; ordained or licensed full-time associate pastors, Christian education, or youth ministers; and ordained or licensed ministers of other denominational boards and agencies. Normal monthly retirement benefits are equal to \$9.00 multiplied by the years of benefit service up to a maximum of 40 years of benefit service. In addition, the Plan provides for death benefits for eligible participants. As of December 31, 2009, the Plan was "frozen," allowing no new participants to be added after that point.

The BIC US pays the full cost of the Plan, and employee contributions are not required. During 2017 and 2016, the BIC US requested that the congregation for each eligible participant contribute \$1,200 into the Plan to provide the necessary funding of the Plan's obligations. A \$250,000 contribution, in addition to the annual contribution for the ordained or licensed ministers of the BIC US, was provided by the BIC US during the years ended December 31, 2017 and 2016.

The annual measurement date is December 31 for the pension benefits. The following tables provide further information about the BIC US' pension plan.

The following sets forth the Plan's actuarially determined funded status at December 31, 2017:

Obligations and Funded Status for 2017:

Benefit Obligation at December 31, 2017	\$ <u>8,846,880</u>
Fair Value of Plan Assets at December 31, 2016	6,153,087
Adjustment to Fair Value of Plan Assets at January 1, 2017	(5,821)
Employer Contributions	298,220
Actual Return on Assets	363,586
Benefit Payments	(709,896)
Fair Value of Plan Assets at December 31, 2017	<u>6,099,176</u>
Net Unfunded Status of the Plan at December 31, 2017	\$ <u>2,747,704</u>

Net Periodic Pension Cost for 2017:

Service Cost	\$ -
Interest Cost	329,741
Expected Return on Plan Assets	(301,288)
Amortization of Net Transition (Asset) or Obligation	-
Amortization of Prior Service Cost	-
Amortization of Net (Gain) or Loss	<u>188,428</u>
Net Periodic Pension Cost for Period 1/1/2017 to 12/31/2017	\$ <u>216,881</u>

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Notes to Financial Statements

For the Years Ended December 31, 2017 and 2016

**NOTE 13 RETIREMENT PLANS (CONTINUED)**

Items Not Yet Recognized as a Component of Net Periodic Pension Cost for 2017:

Items Not Yet Recognized as a Component of	
Net Period Pension Cost at 12/31/2016	\$ 4,372,315
Adjustment to Asset (Gain) or Loss at January 1, 2017	5,821
Amortization of Net Transition Asset or (Obligation)	-
Amortization of Prior Service Cost	-
Amortization of Net Gain or (Loss)	(188,428)
Change Due to Change in Experience and Assumptions at 12/31/2017	(50,621)
Change Due to Plan Amendment	-
Experience (Gain) or Loss at 1/1/2017	129,771
Asset (Gain) or Loss	<u>(62,298)</u>
 Items Not Yet Recognized as a Component of	
Net Period Pension Cost at 12/31/2017	<u>\$ 4,206,560</u>

Assumptions:

Weighted-Average Assumptions Used to Determine Benefit Obligations at December 31, 2017:

Discount Rate	3.75 %
Rate of Compensation Increase	0.00 %

Weighted-Average Assumptions Used to Determine Net Periodic Benefit Cost for Year Ended December 31, 2017:

Discount Rate	3.75 %
Expected Return on Plan Assets	5.50 %
Rate of Compensation Increase	0.00 %

The BIC US' expected rate of return on plan assets is determined by the plan assets' historical long-term investment performance, current asset allocation, and estimates of future long-term returns by asset class.

Plan Assets:

The BIC US' pension plan weighted-average asset allocations at December 31, 2017, by asset category are as follows:

<u>Asset Category</u>	<u>Percentage</u>
Real Estate	4.13 %
Cash/Money Market Funds/CDARS	61.39 %
International Equities	7.91 %
Large Cap Equities	12.09 %
Fixed Income – US	10.48 %
Fixed Income – International	<u>4.00 %</u>
 Total	 <u>100.00 %</u>

All assets are considered Level 1 or 2.

*Mutual Funds* – Valued at the net asset value (NAV) of share held by the Plan at year-end. NAV is used as a practical expedient to fair value and shares may be redeemed on a daily basis.

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Notes to Financial Statements

For the Years Ended December 31, 2017 and 2016

**NOTE 13      RETIREMENT PLANS (CONTINUED)**

*BIC Foundation Stewardship Investment Certificates* – The Plan’s investment in Stewardship Investment Certificates (SICs) is held with the Foundation and is considered to be a Level 2 Investment. These SICs are similar to a certificate of deposit and valued at cost.

Cash Flows:

Contributions – The BIC US expects contributions of \$263,000 to its pension plan in 2018.

Estimated Future Benefit Payments – The following benefit payments, which reflect expected future service, as appropriate, are expected to be paid:

2018	\$ 797,138
2019	712,757
2020	705,695
2021	712,558
2022	658,744
Years 2023-2027	<u>2,980,376</u>
Total	<u>\$ 6,567,268</u>

The following sets forth the Plan’s actuarially determined funded status at December 31, 2016:

Obligations and Funded Status for 2016:

Benefit Obligation at December 31, 2016	<u>\$ 9,147,885</u>
Fair Value of Plan Assets at December 31, 2015	6,364,080
Employer Contributions	280,429
Actual Return on Assets	252,352
Benefit Payments	(743,774)
Fair Value of Plan Assets at December 31, 2016	<u>6,153,087</u>
Net Unfunded Status of the Plan at December 31, 2016	<u>\$ 2,994,798</u>

Net Periodic Pension Cost for 2016:

Service Cost	\$ 25,938
Interest Cost	345,837
Expected Return on Plan Assets	(332,404)
Amortization of Net Transition (Asset) or Obligation	-
Amortization of Prior Service Cost	-
Amortization of Net (Gain) or Loss	<u>183,448</u>
Net Periodic Pension Cost for Period 1/1/2016 to 12/31/2016	<u>\$ 222,819</u>

**GENERAL CONFERENCE OF THE BRETHERN IN CHRIST**

Notes to Financial Statements

For the Years Ended December 31, 2017 and 2016

**NOTE 13 RETIREMENT PLANS (CONTINUED)**

Items Not Yet Recognized as a Component of Net Periodic Pension Cost for 2016:

Items Not Yet Recognized as a Component of	
Net Period Pension Cost at 12/31/2015	\$ 4,438,990
Amortization of Net Transition Asset or (Obligation)	-
Amortization of Prior Service Cost	-
Amortization of Net Gain or (Loss)	(183,448)
Change Due to Change in Experience and Assumptions at 12/31/2016	(161,378)
Change Due to Plan Amendment	-
Experience (Gain) or Loss at 1/1/2016	198,099
Asset (Gain) or Loss	<u>80,052</u>

Items Not Yet Recognized as a Component of	
Net Period Pension Cost at 12/31/2016	<u>\$ 4,372,315</u>

Assumptions:

Weighted-Average Assumptions Used to Determine Benefit Obligations at December 31, 2016:

Discount Rate	3.75 %
Rate of Compensation Increase	0.00 %

Weighted-Average Assumptions Used to Determine Net Periodic Benefit Cost for Year Ended December 31, 2016:

Discount Rate	3.75 %
Expected Return on Plan Assets	5.50 %
Rate of Compensation Increase	0.00 %

The BIC US' expected rate of return on plan assets is determined by the plan assets' historical long-term investment performance, current asset allocation, and estimates of future long-term returns by asset class.

Plan Assets:

The BIC US' pension plan weighted-average asset allocations at December 31, 2016, by asset category are as follows:

<u>Asset Category</u>	<u>Percentage</u>
Real Estate	3.70 %
Cash/Money Market Funds/CDARS	61.10 %
International Equities	7.50 %
Large Cap Equities	11.40 %
Mid Cap Equities	3.00 %
Small Cap Equities	1.40 %
Fixed Income – US	9.60 %
Fixed Income – International	<u>2.30 %</u>
 Total	 <u>100.00 %</u>

All assets are considered Level 1 or 2.

**GENERAL CONFERENCE OF THE BRETHREN IN CHRIST**

Notes to Financial Statements

For the Years Ended December 31, 2017 and 2016

**NOTE 13 RETIREMENT PLANS (CONTINUED)**

*Mutual Funds* – Valued at the net asset value (NAV) of share held by the Plan at year-end. NAV is used as a practical expedient to fair value and shares may be redeemed on a daily basis.

*BIC Foundation Stewardship Investment Certificates* – The Plan’s investment in Stewardship Investment Certificates (SICs) is held with the BIC Foundation and is considered to be a Level 2 Investment. These SICs are similar to a certificate of deposit and valued at cost.

Cash Flows:

Contributions – The BIC US expects contributions of \$250,000 to its pension plan in 2017.

Estimated Future Benefit Payments – The following benefit payments, which reflect expected future service, as appropriate, are expected to be paid:

2017	\$ 779,218
2018	718,558
2019	699,710
2020	701,553
2021	702,840
Years 2022-2026	<u>3,050,279</u>
Total	<u>\$ 6,652,158</u>

**NOTE 14 CONCENTRATED CREDIT RISK**

The BIC Foundation is a denominationally owned and sponsored corporation consisting of two divisions which holds investments for the BIC US. The Trust Division handles investments on behalf of church agencies. The Brotherhood Loan Fund Division serves the church in a manner similar to that of a credit union. This division accepts deposits from individuals and church agencies and loans funds to congregations and pastors for real estate transactions. Most of the investments of the BIC US are held by the BIC Foundation, which are neither insured by any private or governmental agency, nor are the balances fully collateralized. Therefore, an off-balance-sheet and a concentrated credit risk exist.

Financial instruments that potentially subject the BIC US to concentrations of credit risk consist principally of cash and cash equivalents held with financial institutions. Accounts at financial institutions are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000 per institution. BIC US’ accounts at a financial institution exceeded the insurance obtained through the FDIC. Amounts in excess of the FDIC limit totaled \$1,390,783 and \$126,718 at December 31, 2017 and 2016, respectively.

**GENERAL CONFERENCE OF THE BRETHREN IN CHRIST**

Notes to Financial Statements

For the Years Ended December 31, 2017 and 2016

**NOTE 15      DEFICIT UNRESTRICTED NET ASSETS**

The BIC US had a deficit unrestricted net asset balance of (\$698,115) at December 31, 2016. The BIC US maintains an appropriate composition of assets in amounts needed to comply with all donor restrictions at December 31, 2017 and 2016.

**NOTE 16      SUBSEQUENT EVENTS**

Subsequent events have been evaluated through July 10, 2018, which is the date the financial statements were available to be issued.