

**GENERAL CONFERENCE OF THE
BRETHREN IN CHRIST
FINANCIAL STATEMENTS
FOR THE YEARS ENDED
DECEMBER 31, 2018 AND 2017
AND
INDEPENDENT AUDITOR'S REPORT**

HAMILTON & MUSSER, P.C.
Certified Public Accountants

GENERAL CONFERENCE OF THE BRETHREN IN CHRIST

Table of Contents

For the Years Ended December 31, 2018 and 2017

CONTENTS

PAGE

| | |
|-----------------------------------|------|
| Independent Auditor's Report | 1-2 |
| Financial Statements: | |
| Statements of Financial Position | 3 |
| Statements of Activities | 4-5 |
| Statements of Functional Expenses | 6-7 |
| Statements of Cash Flows | 8 |
| Notes to Financial Statements | 9-24 |



HAMILTON & MUSSER, P.C.

Certified Public Accountants • Consultants to Management

DAVID A. HAMILTON, CPA • BARRY E. MUSSER, CPA, CFP®
JAMES A. KRIMMEL, MBA, CPA, CFE, CFF • ROBERT D. MAST, CPA • WILLIAM P. ASHMAN, CPA

INDEPENDENT AUDITOR'S REPORT

To the 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, 2018 and 2017, and the related statements of activities, functional expenses, 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.

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, 2018 and 2017, 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.

Change in Accounting Principle

As described in Note 2 to the financial statements, the General Conference of the Brethren in Christ has implemented ASU No. 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*. Our opinion is not modified with respect to that matter.

June 25, 2019

Mechanicsburg, Pennsylvania



Certified Public Accountants

GENERAL CONFERENCE OF THE BRETHREN IN CHRIST

Statements of Financial Position

December 31, 2018 and 2017

| | <u>2018</u> | <u>2017</u> |
|---|--------------------------|--------------------------|
| Assets | | |
| Cash and Cash Equivalents | | |
| Without Donor Restrictions | \$ 1,052,433 | \$ 1,812,826 |
| Designated (Note 11) | 1,412,133 | 1,232,152 |
| Investments (Note 5) | | |
| Without Donor Restrictions | 876,356 | 154,385 |
| With Donor Restrictions | 11,528,187 | 11,342,419 |
| Education Loans Receivable (Note 7) | 3,618 | 9,744 |
| ASEL Receivable (Note 8) | 88,941 | 88,941 |
| Other Receivables (Note 9) | 231,038 | 237,506 |
| Other Assets | 224,483 | 210,686 |
| Fixed Assets, Net (Note 10) | <u>112,327</u> | <u>133,299</u> |
| Total Assets | <u>\$ 15,529,516</u> | <u>\$ 15,221,958</u> |
| Liabilities | | |
| Accounts Payable | \$ 119,588 | \$ 173,152 |
| Accrued Wages and Vacation Payable | 14,867 | 13,819 |
| Deposit Agreements | 5,000 | 5,000 |
| Notes Payable (Note 14) | 196,621 | 206,736 |
| Liability for Pension Benefit (Note 16) | <u>3,029,763</u> | <u>2,747,704</u> |
| Total Liabilities | <u>3,365,839</u> | <u>3,146,411</u> |
| Net Assets | | |
| Without Donor Restrictions | 635,490 | 733,128 |
| With Donor Restrictions | <u>11,528,187</u> | <u>11,342,419</u> |
| Total Net Assets | <u>12,163,677</u> | <u>12,075,547</u> |
| Total Liabilities and Net Assets | <u>\$ 15,529,516</u> | <u>\$ 15,221,958</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, 2018

| | <u>Without Donor Restrictions</u> | <u>With Donor Restrictions</u> | <u>Total</u> |
|---|---------------------------------------|------------------------------------|----------------------|
| Revenue | | | |
| Contributions | \$ 2,572,216 | \$ 3,130,208 | \$ 5,702,424 |
| Investment Income (Loss) (Note 5) | 87,333 | (428,119) | (340,786) |
| Other | 129,845 | - | 129,845 |
| Net Assets Released From Restrictions | <u>2,516,321</u> | <u>(2,516,321)</u> | <u>-</u> |
| Total Revenue | <u>5,305,715</u> | <u>185,768</u> | <u>5,491,483</u> |
| Expenses | | | |
| Program Services | 4,608,302 | - | 4,608,302 |
| Management and General | 632,878 | - | 632,878 |
| Fundraising | <u>15,297</u> | <u>-</u> | <u>15,297</u> |
| Total Expenses | <u>5,256,477</u> | <u>-</u> | <u>5,256,477</u> |
| Increase in Net Assets | 49,238 | 185,768 | 235,006 |
| Net Assets, Beginning of Year | 733,128 | 11,342,419 | 12,075,547 |
| Pension-Related Changes Other Than Net Periodic Pension Cost | <u>(146,876)</u> | <u>-</u> | <u>(146,876)</u> |
| Net Assets, End of Year | <u>\$ 635,490</u> | <u>\$ 11,528,187</u> | <u>\$ 12,163,677</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>Without Donor Restrictions</u> | <u>With Donor Restrictions</u> | <u>Total</u> |
|---|---------------------------------------|------------------------------------|----------------------|
| Revenue | | | |
| Contributions | \$ 2,890,280 | \$ 4,001,527 | \$ 6,891,807 |
| Investment Income (Note 5) | 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> |
| Total Revenue | <u>6,536,915</u> | <u>1,933,153</u> | <u>8,470,068</u> |
| Expenses | | | |
| Program Services | 4,697,647 | - | 4,697,647 |
| Management and General | 621,569 | - | 621,569 |
| Fundraising | <u>431</u> | <u>-</u> | <u>431</u> |
| Total Expenses | <u>5,319,647</u> | <u>-</u> | <u>5,319,647</u> |
| Increase in Net Assets | 1,217,268 | 1,933,153 | 3,150,421 |
| Net Assets (Deficit), Beginning of Year | (698,115) | 9,409,266 | 8,711,151 |
| Pension-Related Changes Other Than Net Periodic Pension Cost | <u>213,975</u> | <u>-</u> | <u>213,975</u> |
| Net Assets, End of Year | <u>\$ 733,128</u> | <u>\$ 11,342,419</u> | <u>\$ 12,075,547</u> |

The Accompanying Notes are an Integral Part of the Financial Statements

GENERAL CONFERENCE OF THE BRETHREN IN CHRISTStatement of Functional Expenses
For the Year Ended December 31, 2018

| | <u>Program</u> | <u>Management & General</u> | <u>Fundraising</u> | <u>Total</u> |
|------------------------------------|---------------------|-------------------------------------|--------------------|---------------------|
| Business Meals | \$ 32,273 | \$ 93 | \$ - | \$ 32,366 |
| Church Planting Grants – Domestic | 174,000 | - | - | 174,000 |
| Church Planting Grants – Global | 36,155 | - | - | 36,155 |
| Conferences & Events | 94,888 | - | - | 94,888 |
| Contracted Services | 131,439 | 19,416 | - | 150,855 |
| Depreciation Expense | 25,800 | 1,945 | - | 27,745 |
| Disability Insurance | 26,489 | 628 | - | 27,117 |
| Global Compassion Aid | 12,390 | - | - | 12,390 |
| Leadership Training Scholarships | 63,283 | - | - | 63,283 |
| Maintenance | 24,887 | - | - | 24,887 |
| Memberships | 17,379 | 1,304 | - | 18,683 |
| Ministry Project Grants | 268,692 | - | - | 268,692 |
| Office Expenses | 85,399 | 23,884 | - | 109,283 |
| Other | 40,968 | - | - | 40,968 |
| Periodic Pension Costs | - | 197,683 | - | 197,683 |
| Printing & Promotion | 48,009 | 51 | 759 | 48,819 |
| Regional Conference Ministry Grant | 167,468 | - | - | 167,468 |
| Rent Expense | 53,899 | 11,210 | - | 65,109 |
| Salary & Benefits | 2,613,305 | 371,037 | 14,538 | 2,998,880 |
| Seminary Grants | 27,200 | - | - | 27,200 |
| Shaping Leaders for Tomorrow Grant | 27,756 | - | - | 27,756 |
| SPICE Sponsorship Grants | 154,071 | - | - | 154,071 |
| Support of Related Organizations | 127,539 | - | - | 127,539 |
| Training & Development | 58,712 | 2,896 | - | 61,608 |
| Travel Expenses | <u>296,301</u> | <u>2,731</u> | <u>-</u> | <u>299,032</u> |
| Total Expenses | <u>\$ 4,608,302</u> | <u>\$ 632,878</u> | <u>\$ 15,297</u> | <u>\$ 5,256,477</u> |

The Accompanying Notes are an Integral Part of the Financial Statements

GENERAL CONFERENCE OF THE BRETHREN IN CHRISTStatement of Functional Expenses
For the Year Ended December 31, 2017

| | <u>Program</u> | <u>Management & General</u> | <u>Fundraising</u> | <u>Total</u> |
|------------------------------------|---------------------|-------------------------------------|--------------------|---------------------|
| Business Meals | \$ 35,852 | \$ - | \$ - | \$ 35,852 |
| Church Planting Grants – Domestic | 171,400 | - | - | 171,400 |
| Church Planting Grants – Global | 45,712 | - | - | 45,712 |
| Conferences & Events | 16,158 | - | - | 16,158 |
| Contracted Services | 126,623 | 16,300 | - | 142,923 |
| Depreciation Expense | 25,507 | - | - | 25,507 |
| Disability Insurance | 26,344 | 435 | - | 26,779 |
| Global Compassion Aid | 19,999 | - | - | 19,999 |
| Leadership Training Scholarships | 67,673 | - | - | 67,673 |
| Maintenance | 25,266 | - | - | 25,266 |
| Memberships | 16,326 | - | - | 16,326 |
| Ministry Project Grants | 497,144 | - | - | 497,144 |
| Office Expenses | 90,001 | 14,443 | - | 104,444 |
| Other | 46,242 | - | - | 46,242 |
| Periodic Pension Costs | - | 216,881 | - | 216,881 |
| Printing & Promotion | 25,218 | - | 431 | 25,649 |
| Regional Conference Ministry Grant | 167,468 | - | - | 167,468 |
| Rent Expense | 66,517 | - | - | 66,517 |
| Salary & Benefits | 2,544,031 | 373,510 | - | 2,917,541 |
| Seminary Grants | 16,534 | - | - | 16,534 |
| Shaping Leaders for Tomorrow Grant | 16,064 | - | - | 16,064 |
| SPICE Sponsorship Grants | 143,364 | - | - | 143,364 |
| Support of Related Organizations | 159,771 | - | - | 159,771 |
| Training & Development | 65,802 | - | - | 65,802 |
| Travel Expenses | <u>282,631</u> | <u>-</u> | <u>-</u> | <u>282,631</u> |
| Total Expenses | <u>\$ 4,697,647</u> | <u>\$ 621,569</u> | <u>\$ 431</u> | <u>\$ 5,319,647</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, 2018 and 2017

| | <u>2018</u> | <u>2017</u> |
|---|---------------------|---------------------|
| Cash Flows from Operating Activities: | | |
| Increase in Net Assets | \$ 235,006 | \$ 3,150,421 |
| Adjustment to Reconcile Change in Net Assets to | | |
| Net Cash and Cash Equivalents Provided by Operating Activities: | | |
| Realized Gain on Sale of Investments | (436,536) | (237,494) |
| Unrealized (Gain) Loss on Investments | 986,956 | (504,330) |
| Contributions Received Restricted for Perpetual Endowment | (2,000) | (229) |
| Realized Gain on Sale of Fixed Assets | - | (644,812) |
| Depreciation | 27,745 | 25,507 |
| (Increase) Decrease in: | | |
| Education Loans Receivable | 6,126 | - |
| Other Receivables | 6,468 | 4,417 |
| Other Assets | (13,797) | (7,708) |
| Increase (Decrease) in: | | |
| Accounts Payable | (53,564) | 40,182 |
| Accrued Wages and Vacation Payable | <u>1,048</u> | <u>1,127</u> |
| Net Cash and Cash Equivalent Provided by Operating Activities | <u>757,452</u> | <u>1,827,081</u> |
| Cash Flows from Investing Activities: | | |
| Purchase of Investments | (2,005,573) | (1,962,366) |
| Proceeds from Sale of Investments | 547,414 | 690,877 |
| Purchase of Fixed Assets | (6,773) | (35,076) |
| Proceeds from Sale of Fixed Assets | <u>-</u> | <u>763,732</u> |
| Net Cash and Cash Equivalents Used by Investing Activities | <u>(1,464,932)</u> | <u>(542,833)</u> |
| Cash Flows from Financing Activities: | | |
| Principal Payments on Notes Payable | (10,115) | (9,840) |
| Contributions Received Restricted for Perpetual Endowment | 2,000 | 229 |
| Change in Ministers Pension Fund Components | <u>135,183</u> | <u>(33,119)</u> |
| Net Cash and Cash Equivalents Provided (Used) by Financing Activities | <u>127,068</u> | <u>(42,730)</u> |
| Net Increase (Decrease) in Cash and Cash Equivalents | (580,412) | 1,241,518 |
| Cash and Cash Equivalents, Beginning of the Year | <u>3,044,978</u> | <u>1,803,460</u> |
| Cash and Cash Equivalents, End of Year | <u>\$ 2,464,566</u> | <u>\$ 3,044,978</u> |
| <u>Supplemental Cash Flow Disclosures:</u> | | |
| Cash Paid for Interest | \$ 8,664 | \$ 9,137 |
| Cash Paid for Income Taxes | - | - |

The Accompanying Notes are an Integral Part of the Financial Statements

GENERAL CONFERENCE OF THE BRETHREN IN CHRIST

Notes to Financial Statements

For the Years Ended December 31, 2018 and 2017

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 two classes of net assets: net assets without donor restrictions and net assets with donor restrictions.

Contributions:

Contributions received are recorded as increases in net assets with or without donor restrictions, depending on the existence and/or nature of any donor restrictions.

All donor-restricted contributions are reported as increases in net assets with donor restrictions, depending on the nature of the restriction. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), net assets with donor restrictions are reclassified to net assets without donor restrictions 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 2018 and 2017:

- 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, 2018 and 2017

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, 2015.

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's 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, 2018 and 2017

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 net assets without donor restrictions 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 ADOPTION OF NEW ACCOUNTING PRONOUNCEMENT

During August 2016, FASB issued ASU No. 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*. The new guidance is intended to improve and simplify the current net asset classification requirements and information presented in financial statements and notes in order to be useful in assessing a not-for-profit's liquidity, financial performance, and cash flows. This includes changing the presentation of functional expenses and net assets. ASU No. 2016-14 is effective for fiscal years beginning after December 15, 2017, with early adoption permitted. ASU No. 2016-14 is to be applied retroactively with transition provisions. The BIC US is implementing this standard for the year ended December 31, 2018.

NOTE 3 PENDING NEW ACCOUNTING PRONOUNCEMENT

In February 2016, FASB issued ASU No. 2016-02, *Leases*. The ASU introduces a lessee's model that brings most leases onto the Statement of Financial Position and aligns many of the underlying principles of the new lessor model with those in the new revenue recognition standard (ASU No. 2014-09). ASU No. 2016-02 is effective for annual periods beginning after December 15, 2019. The BIC US is currently assessing the impact this standard will have on its financial statements.

GENERAL CONFERENCE OF THE BRETHREN IN CHRIST

Notes to Financial Statements

For the Years Ended December 31, 2018 and 2017

NOTE 4 AVAILABILITY AND LIQUIDITY

The following represents the BIC US's financial assets at December 31:

| | <u>2018</u> | <u>2017</u> |
|---|---------------------|---------------------|
| Financial Assets: | | |
| Cash and Cash Equivalents | \$ 2,464,566 | \$ 3,044,978 |
| Investments | 12,404,543 | 11,496,804 |
| Other Receivables | <u>231,038</u> | <u>237,506</u> |
| Total Financial Assets | <u>15,100,147</u> | <u>14,779,288</u> |
| Less Amounts Not Available to be Used Within One Year | | |
| Net Assets with Donor Restrictions | 11,528,187 | 11,342,419 |
| Board Designated Cash and Cash Equivalents | <u>1,412,133</u> | <u>1,232,152</u> |
| | <u>12,940,320</u> | <u>12,574,571</u> |
| Financial Assets Available to Meet Expenses Over the Next Year | <u>\$ 2,159,827</u> | <u>\$ 2,204,717</u> |

The BIC US's plan is generally to maintain financial assets to meet 90 days of operating expenses.

NOTE 5 INVESTMENTS

Investments are summarized as follows at December 31, 2018 and 2017:

| | <u>2018</u> | |
|---|----------------------|----------------------|
| | <u>Cost</u> | <u>Market Value</u> |
| Stewardship Investment Certificates (SICs) | \$ 3,915,461 | \$ 3,915,461 |
| Trust Investments and Deposit Accounts (BICF) | <u>8,702,134</u> | <u>8,489,082</u> |
| Total | <u>\$ 12,617,595</u> | <u>\$ 12,404,543</u> |
| | | |
| | <u>2017</u> | |
| | <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> |

GENERAL CONFERENCE OF THE BRETHREN IN CHRIST

Notes to Financial Statements

For the Years Ended December 31, 2018 and 2017

NOTE 5 INVESTMENTS (CONTINUED)

Investment income (loss) is summarized as follows for the years ended December 31, 2018 and 2017:

| | <u>2018</u> | <u>2017</u> |
|---------------------------------------|---------------------|-------------------|
| Realized Gain on Sale of Investments | \$ 436,536 | \$ 237,494 |
| Unrealized Gain (Loss) on Investments | (986,956) | 504,330 |
| Interest and Dividends | 254,859 | 174,916 |
| Custodial Fees | <u>(45,225)</u> | <u>(43,642)</u> |
| Total | <u>\$ (340,786)</u> | <u>\$ 873,098</u> |

NOTE 6 FAIR VALUE MEASUREMENTS

Fair values of investments are summarized as follows at December 31, 2018 and 2017:

| | <u>December 31, 2018</u> | | | <u>Total</u> |
|---|--------------------------|----------------------|----------------|----------------------|
| | <u>Level 1</u> | <u>Level 2</u> | <u>Level 3</u> | |
| Cash & Cash Equivalents | | | | |
| Money Market | \$ - | \$ 1,242,686 | \$ - | \$ 1,242,686 |
| Total Cash & Cash Equivalents | <u>-</u> | <u>1,242,686</u> | <u>-</u> | <u>1,242,686</u> |
| Investments | | | | |
| Stewardship Investment Certificates (SICs) | - | 3,915,461 | - | 3,915,461 |
| Trust Investments and Deposit Accounts (BICF) | <u>-</u> | <u>8,489,082</u> | <u>-</u> | <u>8,489,082</u> |
| Total Investments | <u>-</u> | <u>12,404,543</u> | <u>-</u> | <u>12,404,543</u> |
| Total | <u>\$ -</u> | <u>\$ 13,647,229</u> | <u>\$ -</u> | <u>\$ 13,647,229</u> |
| | | | | |
| | <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 | \$ - | \$ 984,232 | \$ - | \$ 984,232 |
| 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> |

GENERAL CONFERENCE OF THE BRETHERN IN CHRIST

Notes to Financial Statements

For the Years Ended December 31, 2018 and 2017

NOTE 6 FAIR VALUE MEASUREMENTS (CONTINUED)

Level 2:

Money Market Funds – valued at the net asset value (NAV) of shares held by the 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's 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 7 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 \$3,618 and \$9,744 at December 31, 2018 and 2017, respectively.

NOTE 8 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, 2018 and 2017. 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, 2018 and 2017

NOTE 9 OTHER RECEIVABLES

Other receivables consisted of the following at December 31, 2018 and 2017:

| | <u>2018</u> | <u>2017</u> |
|-----------------------------------|-------------------|-------------------|
| Vehicle Loan Receivable | \$ - | \$ 9,142 |
| Shared Services Receivables | 28,417 | 15,629 |
| Administrative and Other Advances | 6,000 | 6,000 |
| Forest Gate Loan | 8,746 | 14,160 |
| Hoyo-Spain Church Receivable | <u>187,875</u> | <u>192,575</u> |
| Total | <u>\$ 231,038</u> | <u>\$ 237,506</u> |

NOTE 10 FIXED ASSETS

Fixed assets are summarized as follows at December 31, 2018 and 2017:

| | <u>2018</u> | <u>2017</u> |
|--------------------------------|-------------------|-------------------|
| Real Estate | \$ 145,966 | \$ 145,966 |
| Furniture and Equipment | <u>111,072</u> | <u>104,299</u> |
| | 257,038 | 250,265 |
| Less: Accumulated Depreciation | <u>(144,711)</u> | <u>(116,966)</u> |
| Fixed Assets, Net | <u>\$ 112,327</u> | <u>\$ 133,299</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 \$27,745 and \$25,507 for the years ended December 31, 2018 and 2017, respectively.

NOTE 11 BOARD DESIGNATED CASH AND CASH EQUIVALENTS

Board designated cash and cash equivalents at December 31, 2018 and 2017 are available for the following purposes:

| | <u>2018</u> | <u>2017</u> |
|-----------------------------------|---------------------|---------------------|
| Other – Global | \$ 687,358 | \$ 687,358 |
| Honor the Past – Build the Future | <u>724,775</u> | <u>544,794</u> |
| Total | <u>\$ 1,412,133</u> | <u>\$ 1,232,152</u> |

GENERAL CONFERENCE OF THE BRETHERN IN CHRIST

Notes to Financial Statements

For the Years Ended December 31, 2018 and 2017

NOTE 12 PURPOSE RESTRICTED NET ASSETS

Purpose restricted net assets at December 31, 2018 and 2017 are available for the following purposes:

| | <u>2018</u> | <u>2017</u> |
|---------------------------------------|-------------------------|-------------------------|
| Other – National | \$ 18,599 | \$ 16,678 |
| Shaping Leaders for Tomorrow | 253,570 | 411,136 |
| Honoring Leaders of Yesterday | 69,982 | 70,803 |
| CMD – Special Projects | 9,089 | 9,214 |
| Kipe Seminary Special Training | 12,938 | 13,691 |
| Smith Pastoral Training | 1,723 | 4,766 |
| Renewal/Refocus | 14,851 | 15,603 |
| Honor the Past – Build the Future | 2,274,312 | 1,303,416 |
| Other – Global | 1,337,370 | 1,897,304 |
| Thrive – Global | 2,403 | - |
| Global Special Projects | 364,371 | 272,139 |
| Spice Gift – Global | 48,754 | 45,193 |
| Leadership Training – Global | 1,139,681 | 1,286,441 |
| Personnel Training – Global | 861,713 | 921,712 |
| New Frontiers – Global | 243,017 | 287,209 |
| So. African Women’s Ed. Fund – Global | 31,482 | 31,569 |
| ECP – Global | 328,149 | 350,467 |
| Emergency Risk Mgt. – Global | 535,343 | 522,885 |
| Global Compassion – Global | 92,483 | 67,602 |
| Crisis Management – Global | 44,258 | 45,083 |
| Missionaries – Global | <u>1,111,236</u> | <u>1,038,645</u> |
| Total | <u>\$ 8,795,324</u> | <u>\$ 8,611,556</u> |

NOTE 13 PERPETUALLY 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 perpetually 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 perpetually restricted funds is classified as purpose restricted and expensed as permitted by established endowment fund spending policies.

GENERAL CONFERENCE OF THE BRETHREN IN CHRIST

Notes to Financial Statements

For the Years Ended December 31, 2018 and 2017

NOTE 13 PERPETUALLY 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

Perpetually 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 purpose restricted until appropriated for expenditure by the BIC US. There are no perpetual 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, 2018 are as follows:

| | <u>Perpetual</u> |
|--------------------------------------|------------------|
| Contributions to Perpetual Endowment | \$ 2,000 |
| Amounts Appropriated for Expenditure | <u>-</u> |
| Total Change in Endowment Funds | <u>\$ 2,000</u> |

GENERAL CONFERENCE OF THE BRETHREN IN CHRIST

Notes to Financial Statements

For the Years Ended December 31, 2018 and 2017

NOTE 13 PERPETUALLY RESTRICTED NET ASSETS – ENDOWMENT FUNDS (CONTINUED)

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

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

Perpetually restricted net assets at December 31, 2018 and 2017 are as follows:

| | <u>2018</u> | <u>2017</u> |
|--|---------------------|---------------------|
| Leadership Training Endowment | \$ 641,375 | \$ 641,375 |
| New Frontiers Endowment | 445,038 | 445,038 |
| Shaping Leaders for Tomorrow (Formerly Seminary Students) | 1,485,885 | 1,485,885 |
| Spouses Training | 13,745 | 13,745 |
| Smith Pastoral Training | 63,458 | 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>\$ 2,732,863</u> | <u>\$ 2,730,863</u> |

NOTE 14 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 \$585 and \$849 for the years ended December 31, 2018 and 2017, respectively. Minimum principal maturities for each of the final four years are as follows:

| <u>Year</u> | <u>Amount</u> |
|-------------|-----------------|
| 2019 | \$ 5,660 |
| 2020 | <u>3,086</u> |
| Total | <u>\$ 8,746</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, 2018 and 2017. Monthly installments of principal and interest are \$1,065. Interest expense was \$8,079 and \$8,288 for the years ended December 31, 2018 and 2017, respectively.

GENERAL CONFERENCE OF THE BRETHERN IN CHRIST

Notes to Financial Statements

For the Years Ended December 31, 2018 and 2017

NOTE 14 NOTES PAYABLE (CONTINUED)

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

| <u>Year</u> | <u>Amount</u> |
|-------------|-------------------|
| 2019 | \$ 4,419 |
| 2020 | 4,633 |
| 2021 | 4,858 |
| 2022 | 5,094 |
| 2023 | 5,601 |
| Thereafter | <u>163,270</u> |
| Total | <u>\$ 187,875</u> |

Total notes payable at December 31, 2018 and 2017 are as follows:

| | <u>2018</u> | <u>2017</u> |
|--------|-------------------|-------------------|
| Note 1 | \$ 8,746 | \$ 14,161 |
| Note 2 | <u>187,875</u> | <u>192,575</u> |
| Total | <u>\$ 196,621</u> | <u>\$ 206,736</u> |

NOTE 15 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 \$39,249 and \$34,844 during the years ended December 31, 2018 and 2017, respectively.

The BIC Foundation provided services to the BIC US for personnel services including, but not limited to, accounting, benefit placement, financial management, and operational management. Costs for these services paid to the BIC Foundation totaled \$0 and \$72,086 during the years ended December 31, 2018 and 2017, respectively.

The BIC US provided services to the BIC Foundation for personnel services including, but not limited to, accounting, communications, human resources, benefit placement, and operational management. Costs for these services paid to the BIC US totaled \$28,043 and \$0 during the years ended December 31, 2018 and 2017, respectively.

The BIC US owed the BIC Foundation \$14,439 and \$22,583 at December 31, 2018 and 2017, respectively.

GENERAL CONFERENCE OF THE BRETHREN IN CHRIST

Notes to Financial Statements

For the Years Ended December 31, 2018 and 2017

NOTE 16 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. 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 5.5% along with matching up to an additional 4.5% for 2018. 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 contributed \$208,707 and \$204,228 to the plan during December 31, 2018 and 2017, respectively.

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 2018 and 2017, 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 \$62,500 and \$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, 2018 and 2017.

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

The following sets forth the Plan's actuarially determined funded status at December 31, 2018:

Obligations and Funded Status for 2018:

| | |
|--|---------------------|
| Benefit Obligation at December 31, 2018 | \$ <u>8,489,775</u> |
| Fair Value of Plan Assets at December 31, 2017 | 6,099,176 |
| Employer Contributions | 76,663 |
| Actual Return on Assets | (5,028) |
| Benefit Payments | (710,799) |
| Fair Value of Plan Assets at December 31, 2018 | <u>5,460,012</u> |
| Net Unfunded Status of the Plan at December 31, 2018 | <u>\$ 3,029,763</u> |

Net Periodic Pension Cost for 2018:

| | |
|---|-------------------|
| Service Cost | \$ - |
| Interest Cost | 316,091 |
| Expected Return on Plan Assets | (295,990) |
| Amortization of Net Transition (Asset) or Obligation | - |
| Amortization of Prior Service Cost | - |
| Amortization of Net (Gain) or Loss | <u>177,582</u> |
| Net Periodic Pension Cost for Period 1/1/2018 to 12/31/2018 | <u>\$ 197,683</u> |

GENERAL CONFERENCE OF THE BRETHERN IN CHRIST

Notes to Financial Statements

For the Years Ended December 31, 2018 and 2017

NOTE 16 RETIREMENT PLANS (CONTINUED)

Items Not Yet Recognized as a Component of Net Periodic Pension Cost for 2018:

| | |
|---|----------------|
| Items Not Yet Recognized as a Component of Net Period Pension Cost at 12/31/2017 | \$ 4,206,560 |
| Amortization of Net Transition Asset or (Obligation) | - |
| Amortization of Prior Service Cost | - |
| Amortization of Net Gain or (Loss) | (177,582) |
| Change Due to Change in Experience and Assumptions at 12/31/2018 | (20,385) |
| Change Due to Plan Amendment | - |
| Experience (Gain) or Loss at 1/1/2018 | 57,988 |
| Asset (Gain) or Loss | <u>301,018</u> |

| | |
|---|---------------------|
| Items Not Yet Recognized as a Component of Net Period Pension Cost at 12/31/2018 | <u>\$ 4,367,599</u> |
|---|---------------------|

Assumptions:

Weighted-Average Assumptions Used to Determine Benefit Obligations at December 31, 2018:

| | |
|-------------------------------|--------|
| 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, 2018:

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

The BIC US's 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's pension plan weighted-average asset allocations at December 31, 2018, by asset category are as follows:

| <u>Asset Category</u> | <u>Percentage</u> |
|------------------------------|-------------------|
| Real Estate | 4.57 % |
| Cash/Money Market Funds/SICs | 62.62 % |
| International Equities | 6.76 % |
| Large Cap Equities | 11.46 % |
| Fixed Income – US | 10.47 % |
| Fixed Income – International | <u>4.12 %</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.

GENERAL CONFERENCE OF THE BRETHERN IN CHRIST

Notes to Financial Statements

For the Years Ended December 31, 2018 and 2017

NOTE 16 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 \$10,104 to its pension plan in 2019.

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

| | |
|-----------------|-------------------------|
| 2019 | \$ 717,843 |
| 2020 | 706,641 |
| 2021 | 716,115 |
| 2022 | 662,132 |
| 2023 | 649,135 |
| Years 2024-2028 | <u>2,874,961</u> |
| Total | <u>\$ 6,326,827</u> |

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> |

GENERAL CONFERENCE OF THE BRETHREN IN CHRIST

Notes to Financial Statements

For the Years Ended December 31, 2018 and 2017

NOTE 16 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's 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's 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.

GENERAL CONFERENCE OF THE BRETHREN IN CHRIST

Notes to Financial Statements

For the Years Ended December 31, 2018 and 2017

NOTE 16 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> |

NOTE 17 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’s accounts at a financial institution exceeded the insurance obtained through the FDIC. Amounts in excess of the FDIC limit totaled \$562,265 and \$1,390,783 at December 31, 2018 and 2017, respectively.

NOTE 18 RECLASSIFICATIONS

Certain accounts in the prior-year financial statements have been reclassified for comparative purposes to conform with the presentation in the current-year financial statements.

NOTE 19 SUBSEQUENT EVENTS

Subsequent events have been evaluated through June 25, 2019, which is the date the financial statements were available to be issued.