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PACIFIC NORTHWEST ANNUAL CONFERENCE OF
THE UNITED METHODIST CHURCH

A NONPROFIT ORGANIZATION

FINANCIAL STATEMENTS - MODIFIED CASH BASIS



FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020
(WITH INDEPENDENT AUDITORS' REPORT THEREON)

PACIFIC NORTHWEST ANNUAL CONFERENCE
OF THE UNITED METHODIST CHURCH

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INDEPENDENT AUDITORS' REPORT

To the Board of Trustees
Of Pacific Northwest Annual Conference
Of the United Methodist Church

Qualified Opinion

We have audited the accompanying financial statements of Pacific Northwest Annual Conference of The United Methodist Church (a nonprofit organization) (the "Conference"), which comprise the statement of financial position – modified cash basis - as of December 31, 2021 and 2020, and the related statements of related Central Fund cash receipts and disbursements – modified cash basis and the statement of cash receipts, cash disbursements, and other cash changes in net assets – modified cash basis, for the year then ended, and the related notes to the financial statements.

In our opinion, except for the possible effects of the matter described in the Basis for Modified Opinion paragraph, the financial statements referred to above present fairly, in all material respects, the financial position of Pacific Northwest Annual Conference The United Methodist Church as of December 31, 2021 and 2020, 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.

Basis for Qualified Opinion

As explained in Note 2, the adoption of FASB ASU 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements for Not-for-Profit Entities*, requires all nonprofit entities to present their expenses by both function and natural classification. The organization has not presented this required statement.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Pacific Northwest Annual Conference The United Methodist Church and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Pacific Northwest Annual Conference The United Methodist Church's ability to continue as a going

concern within one year after the date that the financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements, including omissions, are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Pacific Northwest Annual Conference The United Methodist Church's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Pacific Northwest Annual Conference The United Methodist Church's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Report on Summarized Comparative Information

We have previously audited the Pacific Northwest Annual Conference of The United Methodist Church's 2020 financial statements, and we expressed an modified audit opinion on those audited financial statements in our report dated July 20, 2022. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2020, is consistent, in all material respects, with the audited financial statements from which it was derived.

Basis of Accounting

We draw attention to Note 2 of the financial statements, which describes the basis of accounting. The financial statements are prepared on the modified cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Report on Supplementary Information

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

A handwritten signature in cursive script that reads "Lindley & Associates LLC".

Lindley & Associates LLC
July 20, 2022

**PACIFIC NORTHWEST ANNUAL CONFERENCE
OF THE UNITED METHODIST CHURCH**
Statement Of Financial Position - Modified Cash Basis
December 31, 2021 (with summarized totals for 2020)

	General Fund	Central Fund	Board of Congregational Development	Board of Pensions	Board of Trustees	Camping Board of Stewards	Camp and Retreat Ministries	Office of Connectional Ministry	Ministry Fund	District Service Center	Innovation & Vitality Team	Eliminating Entries	2021 Total	2020 Total Summarized
Assets														
Cash and short-term investments	\$ 4,167,478	\$ -	\$ -	\$ 48,974	\$ -	\$ 123	\$ 282,022	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 4,498,597	\$ 4,617,979
Marketable securities	-	-	-	-	-	-	-	-	-	-	-	-	-	12,512
Due from other fund	-	1,330,843	(277,853)	263,769	813,073	(255,252)	-	189,806	284,725	391,628	44,190	(2,784,929)	\$ -	-
Notes receivable from local churches	-	-	580,185	-	-	-	-	-	-	-	-	-	580,185	631,797
Note and real estate contracts receivable	-	200,000	186,902	-	1,453,475	25,896	-	-	-	-	-	-	1,866,273	2,518,106
Deposits with General Board of Pensions	-	-	-	29,777,994	2,949,689	-	-	-	-	-	-	-	32,727,683	29,572,947
Deposits with the UM Development Fund	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Deposits with the NW United Methodist Foundation - unrestricted	1,158,628	712,067	-	-	11,428,629	628,561	315,891	-	-	56,015	-	-	14,299,791	11,691,067
Property and buildings	-	-	100	-	2,513,390	3,261,129	3,438,164	-	-	-	-	-	9,212,783	9,212,783
Total Assets	\$ 5,326,106	\$ 2,242,910	\$ 489,334	\$ 30,090,737	\$ 19,158,256	\$ 3,660,457	\$ 4,036,077	\$ 189,806	\$ 284,725	\$ 447,643	\$ 44,190	\$ (2,784,929)	\$ 63,185,312	\$ 58,257,191
Liabilities And Net Assets														
Liabilities:														
Due to other fund	\$ 2,784,929	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ (2,784,929)	\$ -	\$ -
Other liabilities	(341)	-	-	-	-	-	1,113	-	-	-	-	-	772	(340)
Notes payable NW United Methodist Foundation	-	-	-	-	-	-	768,744	-	-	-	-	-	768,744	784,086
Total Liabilities	2,784,588	-	-	-	-	-	769,857	-	-	-	-	(2,784,929)	769,516	783,746
Net Assets:														
Without donor restrictions														
Designated by Conference	1,456,529	2,201,290	489,234	312,633	16,636,073	661,226	5,494	1,466	285,314	224,595	44,190	-	22,318,044	20,308,700
Designated by agency	5,829	-	-	-	8,793	41,450	849,716	135,193	(589)	42,248	-	-	1,082,640	926,583
Designated for endowments	108,990	-	-	-	-	-	315,891	-	-	-	-	-	424,881	251,161
Set aside for pension funding	-	-	-	29,778,104	-	-	-	-	-	-	-	-	29,778,104	26,860,704
Property and buildings	-	-	100	-	2,513,390	3,261,129	3,438,164	-	-	-	-	-	9,212,783	8,446,631
Undesignated	970,170	-	-	-	-	(281,870)	(1,343,045)	53,147	-	180,800	-	-	(420,798)	661,864
Total without donor restrictions	2,541,518	2,201,290	489,334	30,090,737	19,158,256	3,681,935	3,266,220	189,806	284,725	447,643	44,190	-	62,395,654	57,455,643
With donor restrictions														
Designated by donor	-	41,620	-	-	-	(21,478)	-	-	-	-	-	-	20,142	17,802
Total Net Assets	2,541,518	2,242,910	489,334	30,090,737	19,158,256	3,660,457	3,266,220	189,806	284,725	447,643	44,190	(2,784,929)	62,415,796	57,473,445
Total Liabilities And Net Assets	\$ 5,326,106	\$ 2,242,910	\$ 489,334	\$ 30,090,737	\$ 19,158,256	\$ 3,660,457	\$ 4,036,077	\$ 189,806	\$ 284,725	\$ 447,643	\$ 44,190	\$ (2,784,929)	\$ 63,185,312	\$ 58,257,191

See accompanying notes to financial statements.

**PACIFIC NORTHWEST ANNUAL CONFERENCE
OF THE UNITED METHODIST CHURCH**

**Statement Of Central Fund Cash Receipts And Disbursements - Modified Cash Basis
Year Ended December 31, 2021
(With Summarized Totals for the Year Ended December 31, 2020)**

	<i>Balance 12/31/20</i>	<i>Receipts and Transfers</i>	<i>Disbursements and Transfers</i>	<i>Balance 12/31/21</i>
Pension and Benefit Fund	\$ -	\$ 402	\$ (402)	\$ -
Ministerial support and administration	357,340	2,234,974	(2,103,981)	488,333
World Service and Conference Benevolences	(29,037)	1,709,181	(1,435,611)	244,533
Ministerial Education and Black College Fund	783,376	202,516	(130,042)	855,850
Africa University & Mission Initiatives Fund	-	14,542	(14,542)	-
District funds	-	163,061	(163,061)	-
Other benevolences, gifts, and offerings	505,703	918,821	(770,330)	654,194
For year ended 2021	<u>\$ 1,617,382</u>	<u>\$ 5,243,497</u>	<u>\$ (4,617,969)</u>	<u>\$ 2,242,910</u>
For year ended 2020	<u>\$ 1,648,358</u>	<u>\$ 4,774,612</u>	<u>\$ (4,805,589)</u>	<u>\$ 1,617,381</u>

See accompanying notes to financial statements.

**PACIFIC NORTHWEST ANNUAL CONFERENCE
OF THE UNITED METHODIST CHURCH**
Statement Of Cash Receipts, Cash Disbursements, And Other Cash Changes In Net Assets - Modified Cash Basis
Year Ended December 31, 2021
(With summarized information for the year ended December 31, 2020)

	General Fund	Central Fund	Board of Congregational Development	Board of Pensions	Board of Trustees	Camping Board of Stewards	Camping and Retreat Ministries	Office of Connectional Ministry	Ministry Fund	District Service Center	Innovation & Vitality Team	2021 Total	2020 Total Summarized
Cash receipts	\$ 3,578,113	\$ 5,129,730	\$ 71,255	\$ 3,927,898	\$ 3,471,001	\$ 99,630	\$ 1,705,909	\$ 37,196	\$ -	\$ 14,991	\$ 254,575	\$ 18,290,298	\$ 18,562,003
Interfund transfers, net	154,042	(1,074,698)	-	434,867	(410,227)	(11,549)	-	511,247	-	135,484	260,834	18,290,298	178,465
	3,732,155	4,055,032	71,255	4,362,765	3,060,774	88,081	1,705,909	548,443		150,475	515,409	18,290,298	18,740,468
Cash disbursements	3,431,855	3,484,072	5,667	4,779,745	3,638,005	134,199	1,651,960	638,585	1,573	172,802	471,217	18,409,680	17,214,058
Increase (Decrease) in Cash	300,300	570,960	65,588	(416,980)	(577,231)	(46,118)	53,949	(90,142)	(1,573)	(22,327)	44,192	(119,382)	1,526,410
Other Changes in Net Assets:													
Increase (Decrease):													
Marketable securities	-	-	-	-	-	-	-	-	-	-	-	-	-
Due from other funds	(12,538)	-	-	-	-	-	-	-	-	-	-	(12,538)	761,166
Notes and contracts receivable	-	-	(51,612)	-	(651,833)	-	-	-	-	-	-	(703,445)	857,801
Deposits with General Board of Pensions	-	-	-	2,917,290	237,446	-	-	-	-	-	-	3,154,736	3,448,359
Deposits with UM Development Fund	-	-	-	-	-	-	-	-	-	-	-	-	(500,000)
Deposits with NW UM Foundation	80,822	54,569	-	-	2,418,846	22,501	31,624	-	-	364	-	2,608,726	283,403
Property and buildings	-	-	-	-	-	-	-	-	-	-	-	-	54,906
Other assets	-	-	-	-	-	-	-	-	-	-	-	-	-
Trust funds held for others	-	-	-	-	-	-	-	-	-	-	-	-	-
Due to other funds	-	-	-	-	-	-	-	-	-	-	-	-	(607,316)
Other liabilities	-	-	-	-	-	-	(1,086)	-	-	-	-	(1,086)	-
Notes payable	-	-	-	-	-	-	15,342	-	-	-	-	15,342	(70,671)
	68,284	54,569	(51,612)	2,917,290	2,004,459	22,501	45,880			364		5,061,735	4,227,648
Net Change in Net Assets	368,584	625,529	13,976	2,500,310	1,427,228	(23,617)	99,829	(90,142)	(1,573)	(21,963)	44,192	4,942,353	5,754,058
Net Assets:													
Beginning of year	2,172,934	1,617,381	475,358	27,590,427	17,731,028	3,684,074	3,166,391	279,948	286,298	469,606	-	57,473,445	51,719,387
End of Year	\$ 2,541,518	\$ 2,242,910	\$ 489,334	\$ 30,090,737	\$ 19,158,256	\$ 3,660,457	\$ 3,266,220	\$ 189,806	\$ 284,725	\$ 447,643	\$ 44,192	\$ 62,415,796	\$ 57,473,445

See accompanying notes to financial statements.

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PACIFIC NORTHWEST ANNUAL CONFERENCE
OF THE UNITED METHODIST CHURCH
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2021 AND 2020

Note 1 - Description of Organization

The Pacific Northwest Annual Conference of The United Methodist Church (the “Conference” or “Organization”) is a regional body of the United Methodist Church representing 250 member churches and Conference organizations located within its geographic bounds of the State of Washington and Northern Idaho. The Conference is divided into five geographic areas, called Districts. The Conference is a legislative body which meets annually with equal clergy and lay representation from its local churches. The Conference operates with a centralized treasury, with the exception of the Foundation, where separate records of accounts are maintained. In order to maintain proper accounting for the many organizations, a system of fund accounting is utilized. The Conference, a Washington nonprofit, religious corporation, provides programs and support services to, and on behalf of, member churches.

The primary business of the Conference is to carry out the mission of the Church in the above regions, which includes a wide range of activities such as credentialing clergy, camping, evangelism, church building development, investment management for local churches, and maintenance of clergy pension and benefit programs. The Conference also provides various services to its member churches including administration of retirement plans and health benefits available to member clergy and lay employees and the collection of funds for remittance to various regional, national and global benevolences.

The program areas of the Conference are as follows:

- Clergy support ministries, which include the credentialing, appointment, supervision, and other support for active and retired clergy within the Conference.
- Local church support ministries, which include grants given to local churches to help them fulfill their mission and ministry within a local congregation and assist them in connection with broader missions.
- Institutional support ministries, which include grants, provided to institutions that have a relationship with the Conference.

Note 2 - Significant Accounting Policies

Basis of Accounting

The Organization, including the Greater Northwest Area Episcopal Office, prepares its financial statements on the modified cash basis, a basis of accounting other than accounting principles generally accepted in the United States of America (US GAAP) for not-for-profit entities. The significant accounting and reporting policies used by the Organization are described subsequently to enhance the usefulness and understandability of the financial statements.

Basis of Presentation

The accompanying combined financial statements include the accounts of the Conference, the five Pacific Northwest Conference Districts and the Conference's four Camps and Retreats. The Districts and the Camps and Retreats are combined due to common control by the Conference. All significant inter-entity balances and transactions have been eliminated in the combined financial statements.

PACIFIC NORTHWEST ANNUAL CONFERENCE
OF THE UNITED METHODIST CHURCH
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2021 AND 2020

Prior Year Summarized Information

The financial statements include certain prior-year summarized comparative information in total but not by fund balance. Such information does not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the financial statements of the Conference for the year ended December 31, 2020, from which the summarized information was derived.

Fund Accounting

To ensure observance of limitations and restrictions placed on the use of resources available to the Conference, the accounts of the Conference are maintained in accordance to the principles of fund accounting. This is a procedure by which resources for various purposes are classified, for accounting and reporting purposes, into funds which have been established according to their nature and purpose. The following is a summary of the funds adopted by the Conference:

General Fund: The fund manages the Methodist Education Foundations, the Bishop's Office funds, the fire and accident insurance fund and contingency reserves.

Central Fund: The fund manages the remittance fund and benevolences.

Board of Congregational Development: The fund loans money to churches in need and maintains money to develop new churches.

Board of Pensions: The fund collects pension payments from churches in the Conference districts and remits to the pension administrator.

Board of Trustees: The fund maintains accumulated church properties, the Episcopal residence and the administration building and parsonages.

Camping Board of Stewards: The fund manages the three Conference camps in Washington (Indianola United Methodist Camp, Lazy F Methodist Camp and Ocean Park Methodist Camp) and one in Idaho (Twinlow Camp Assembly of the United Methodist Church, Inc.).

Camp and Retreat Ministries: The fund provides the administration of the four Conference camps.

Office of Connectional Ministries: The fund maintains the programs of the Conference: youth and ethnic ministries and the annual Conference.

Ministry Fund: The fund, established in 2012, funds outreach programs.

District Service Fund: The fund supports the administrative needs of the District Superintendents.

Innovation and Vitality Team: The fund provides support for local churches, innovation projects and boards and agencies to continue to embrace inclusion, innovation and multiplication as practices of Christian discipleship that are core to vital ministry in the region.

PACIFIC NORTHWEST ANNUAL CONFERENCE
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Cash Receipts and Disbursements

The Conference maintains its accounting records principally on the modified cash basis, recording income when received and expenses when paid. To reflect cash receipts and disbursements in the appropriate budget period, the financial statements include certain transactions which occurred during the first two weeks subsequent to year-end and exclude such transactions for the similar period at the beginning of the year. For the purposes of the Statement of Cash Receipts, Cash Disbursements and Other Cash Changes in Net Assets – Modified Cash Basis, cash receipts and cash disbursements includes those amounts collected on behalf of member churches to be remitted to third party providers as an agent.

Use of Estimates

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of revenues and expenses during the reporting period and the reported amounts of assets and liabilities at the date of the financial statements. On an ongoing basis, the Organization's management evaluates the estimates and assumptions based upon historical experience and various other factors and circumstances. The Organization's management believes that the estimates and assumptions are reasonable in the circumstances; however, actual results could differ from those estimates.

Net Assets

The financial statements are presented in accordance with Financial Accounting Standards Board (FASB) *Accounting Standards Codification (ASC) Topic 958 Not-for-Profit Entities*. The Conference is required to classify net assets and revenues, expenses, gains and losses into two categories, based on the existence or absence of donor-imposed restrictions. The categories are with and without donor restrictions, as defined below:

Net assets without donor restrictions: Net assets without donor restrictions are resources available to support operations, the only limits on the use of these net assets are the broad limits resulting for the nature of the organization, the environment in which it operates, the purposes specified in its corporate documents and its application for tax-exempt status, and any limits resulting from contractual agreements with creditors and others that are entered into in the course of its operations.

Net assets with donor restrictions: Net assets with donor restrictions are resources that are restricted by a donor for use for a particular purpose or in a particular future period. Some donor-imposed restrictions are temporary in nature, and the restriction will expire when the resources are used in accordance with the donor's instructions or when the stipulated time has passed. Other donor-imposed restrictions are perpetual in nature; the organization must continue to use resources in accordance with the donor's instructions.

Cash and Cash Equivalents

Cash equivalents are short term, interest bearing, highly liquid investments with original maturities of three months or less, unless the investments are held for meeting restrictions of a capital or endowment nature. The Organization maintains cash balances at several financial institutions locally. Deposit accounts at each bank are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000 per account. The balance occasionally may exceed those limits. Cash equivalents, other securities, and limited amounts of cash held at brokerage accounts are protected by the Securities Investor Protection Corporation (SIPC). In

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the event of broker-dealer failure, up to \$500,000 of protection is available for each brokerage account, with a limit of \$250,000 for claims of uninvested cash balances.

Investments

Investments are carried at fair value. The Conference participates in a pooled fund of investments held by Wespath Benefits and Investments and the Faith Foundation Northwest (formerly the Northwest United Methodist Foundation) which both own units, or equities, and are stated at fair value. The pooled investments include money market funds, mutual funds, fixed income securities, and equity securities. Fair value is determined from readily available quoted market sources where available. Realized gains and losses from the sale of investments are computed based on the difference between the proceeds received and the carrying value. Unrealized gains and losses are combined with realized gains and losses and reported as investment income.

Notes Receivable from Local Churches, Real Estate Contracts Receivable and Valuation Reserves

The Conference provides building and operating loans to congregations on a periodic basis. Loans receivable are stated at the amount of unpaid principal and interest. The Conference reviews loan activity on a periodic basis and considers current economic conditions, historical loss experience and review of specific program loans and other factors in determining the necessity of an allowance for loan losses. Notes receivables which are evidenced by secured instruments are included in the financial statements.

It is the policy of the Board of Congregational Development, in some instances, to make loans with terms providing for deferral of principal and/or interest payments. In certain instances, the Board has found it necessary to renegotiate loan terms or to convert loans to grants.

Notes receivable of the Board of Congregational Development bear interest at rates ranging from 1% to 9%.

Property and Buildings

The Conference generally does not record land and buildings as fixed assets on its statement of financial position – modified cash basis. Camp and Retreat Ministries land and buildings, owned by the Camping Board of Stewards, are included in the financial statements at historical cost. No depreciation is recorded for these assets.

Property and buildings of the Board of Congregational Development include land purchased for new church sites (which the Board may at some future date grant all or part to local churches) and the administration building in Des Moines WA.

The Conference holds approximately 315 acres of land related to its camps that were donated or otherwise acquired in prior years. In addition, the Conference has two properties held for sale at December 31, 2021 and 2020, respectively. These properties are not recorded in the financial statements.

Accounting for Contributions

Contributions, including unconditional promises to give, are recognized when received. All contributions are reported as increases in net assets without donor restrictions unless use of the contributed assets is specifically restricted by the donor. Amounts received that are

PACIFIC NORTHWEST ANNUAL CONFERENCE
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NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2021 AND 2020

restricted by the donor to use in future periods or for specific purposes are reported as net assets with donor restrictions consistent with the nature of the restriction. Unconditional promises with payments due in future years have an implied restriction to be used in the year the payment is due, and therefore are reported as net assets with donor restrictions until the payment is due, unless the contributions are clearly intended to support activities of the current fiscal year. Conditional promises are not recognized until they become unconditional, that is, until all conditions on which they depend are substantially met.

Abandoned and Closed Churches

Abandoned and closed churches become the property of the Conference. The Conference also assumes any liabilities that an abandoned or closed church congregation is unable to pay. Churches that become the property of the Conference are either sold, leased, or retained for future purposes. Upon the sale of a church, the funds are recorded as cash receipts. These churches are not recorded in the financial statements.

Apportionment Revenue

The principal source of revenue and support is apportionments received from the member churches of the Conference. Apportionments are the recommended levels of support assigned to the churches annually. Apportionments are determined by the Conference based on church expenditures. The churches are asked to remit, in full, the amount of apportionment budgeted by the Conference, and revenue is recognized by the Conference upon receipt. Because of uncertainties as to collection, the Conference does not record as revenue church apportionments remaining unpaid at year-end, other than those collected during early January of the subsequent year. As the apportionments rely substantially on donations, continued support of church apportionments is (in part) dependent upon the economic conditions surrounding the Pacific Northwest regions.

Camp Operations

The Conference operates four camps throughout its region. Camp sessions primarily occur in the summer. Revenue is recognized when payment is received, except revenue recognition for payments received for camp sessions in the following year are deferred.

Agency Accounts

The Conference Treasurer serves as a clearinghouse for numerous United Methodist organizations. This clearinghouse operation allows local churches to collect monies for such things as missionary support, disaster relief, campus ministries and other church supported organizations. The funds collected by local churches are remitted to the Conference Treasurer, which forwards these receipts to the beneficiary agency.

Endowment Funds – Board Designated

The Conference, the Camp and Retreat Ministries, and the United Methodist Educational Foundation (General Fund) are recipients of gifts under which the principal is to remain intact in perpetuity and income is to be expended for donor restricted purposes.

Paycheck Protection Plan

During 2020, the Organization received proceeds under the Paycheck Protection Program “PPP” administered by a Small Business Administration (SBA) approved partner. Established as part of the Coronavirus Aid, Relief and Economic Security Act (“CARES Act”), the PPP provides for forgivable loans to qualifying organizations as long as the organization maintains

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its payroll levels and uses the proceeds for eligible purposes, including payroll, benefits, rent, and utilities, over a “covered period” (eight or 24 weeks, not to extend beyond December 31, 2020). Up to 100% of a loan is forgivable. The forgiveness amount will be reduced if the organization terminates employees or reduces salaries during the covered period. Any unforgiven portion of a PPP loan is payable over two or five years at an interest rate of 1%, with a deferral of payments for 10 months after the end of the covered period. The Organization intends to use PPP loan proceeds for purposes consistent with the PPP and apply for forgiveness within 10 months of the end of the covered period.

The Organization met the PPP’s eligibility criteria, and concludes that the PPP loan represents, in substance, a grant that is expected to be forgiven. Accordingly, the Organization, on the modified cash basis, initially recorded the loan as revenue and recorded the forgiveness as an expense. The Conference received \$493,575 and the Camps received \$110,200. Both loans were forgiven in 2020.

Revenue Recognition

The Conference derives its revenue primarily from registration fees, insurance and pension payments, apportionments and contributions. Apportionments and contributions are accounted for under contribution guidance established by ASU 2018-08, Not-for-Profit Entities (Topic 958): *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. Registration fees relate primarily to the Annual Conference event and revenue is recognized at the time of the event. Insurance and pension payments along with rental income are recognized over time, as the customer simultaneously receives and consumes the benefits and in amounts that reflect the consideration the Conference expects to be entitled to and in exchange for the value provided from the insurance and pension benefits and rented space. Incidental items that are immaterial in the context of the contracts are recognized as expense. The Conference’s standard payment terms for clergy related events are typically due before the scheduled event. Payment terms can vary based upon the entity that is paying. The Conference does not have any significant financing components. There is no variable consideration related to services provided.

Tax Status and Positions

The Conference operates exclusively for religious and charitable purposes and is exempt from federal income taxes under IRC Section 501(c)(3). The Financial Accounting Standards Board (FASB) issued guidance that requires tax effects from uncertain tax positions to be recognized in the financial statements only if the position is more likely than not to be sustained if the position were to be challenged by a taxing authority. Management believes there are no material uncertain tax positions that require recognition in the accompanying financial statements. While exempt from income tax under IRC Section 501(c)(3), the Conference is subject to tax on income unrelated to its exempt purposes, unless that income is otherwise excluded by the IRC. The tax years ending 2018, 2019, 2020 and 2021 are still open to audit for both federal and state purposes. There were no material interest or penalties related to income taxes that have been accrued or recognized as of and for the years ended December 31, 2021 and 2020.

Conference-owned office equipment and camp facilities are exempt from property taxes. The Conference must file annually for continued exemption. The Conference pays property taxes on the parsonages of its district superintendents, the Episcopal Residence and vacant

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churches. Camp related food sales are subject to unrelated business income tax, and management has submitted tax returns to report such income tax liability. There were no taxes due for the years ended December 31, 2021 and 2020.

Recently Issued Accounting Standards

The following accounting pronouncement(s) were recently issued by the FASB:

In February 2016, the FASB issued ASU No. 2016-02, *Leases* (Topic 842). This ASU requires that a lease liability and related right-of-use-asset representing the lessee's right to use or control the asset be recorded on the consolidated statement of financial position upon the commencement of all leases except for short-term leases. Leases will be classified as either finance leases or operating leases, which are substantially similar to the classification criteria for distinguishing between capital leases and operating in existing lease accounting guidance. As a result, the effect of leases in the consolidated statement of activities and changes in net assets and the consolidated statement of cash flows will be substantially unchanged from the existing lease accounting guidance. In 2020, the FASB delayed the effective date for nonpublic entities to fiscal years beginning after December 15, 2021. Early adoption is permitted. Management has determined this pronouncement will not affect the financial statements.

Not-for-Profit Entities (Topic 958) Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets (ASU 2020-07) - Effective in 2022, the amendments in this Update apply to nonprofit organizations that receive contributed nonfinancial assets. Contribution revenue may be presented in the financial statements using different terms (for example, gifts, donations, grants, gifts-in-kind, donated services, or other terms). The amendments address presentation and disclosure of contributed nonfinancial assets. The term nonfinancial asset includes fixed assets (such as land, buildings, and equipment), use of fixed assets or utilities, materials and supplies, intangible assets, services, and unconditional promises of those assets.

Note 3 - Liquidity and Availability

The Conference has \$15.2M of financial assets available within one year of the statement of financial position date to meet cash needs for general expenditure consisting of cash of \$4.6M, contributions receivable of \$2.5M, and investments of \$13.8M. None of these financial assets are encumbered by donor or other contractual restrictions that make them unavailable for general operations. The contribution receivables are subject to implied time restrictions but are expected to be collected within one year. The Conference sets a goal of having 6 months of normal operating expenses in reserve, which are, on average, around \$2.2M. The Conference has a practice of managing its liquidity to ensure these assets are available should they be needed for general expenditures, liabilities and other obligations that should come due. The Conference invests its cash in excess of daily needs in short term investments.

Note 4 – Fair Value Financial Instruments

The Organization reports fair value measures of its assets and liabilities using a three-level hierarchy that prioritizes the inputs used to measure fair value. This hierarchy, established by GAAP, requires that entities maximize the use of observable inputs and minimize the use of

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unobservable inputs when measuring fair value. The assets or liabilities measurement within the fair value hierarchy is based on the lowest level of input that is significant to the measurement. The three levels of inputs used to measure fair value are as follows:

- Level 1: Quoted prices for identical assets or liabilities in active markets to which the organization has access at the measurement date.
- Level 2: Inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly. Level 2 inputs include:
 - Quoted prices for similar assets or liabilities in active markets;
 - Quoted prices for identical or similar assets in markets that are not active;
 - Observable inputs other than quoted prices for the asset or liability (for example, interest rates and yield curves); and
 - Inputs derived principally from, or corroborated by, observable market data by correlation or by other means.
- Level 3: Unobservable inputs for the asset or liability. Unobservable inputs should be used to measure the fair value if observable inputs are not available.

When available, the Organization measures fair value using Level 1 inputs because they generally provide the most reliable evidence of fair value. However, Level 1 inputs are not available for many of the assets and liabilities the Organization is required to measure at fair value (for example, unconditional promises to give and in-kind contributions).

The primary uses of fair value measures in the Organization's financial statements are:

- Initial measurement of noncash gifts, including investment assets and unconditional promises to give.
- Recurring measurement of short-term investments.
- Recurring measurement of endowment and long-term investments.

Note 5 – Investments

The Conference has agreements with Wespath Benefits and Investments (Wespath), the United Methodist Development Fund and the Faith Foundation Northwest (the Foundation) in which they act as agents and investment managers of the Conference's investments as well as other organizations related to the United Methodist churches. A significant portion of these investments are pooled into larger investment funds of Wespath and the Foundation. Investments are comprised primarily of approved equity securities, fixed income and money market instruments in accordance with investment objectives.

In determining the fair value of instruments, the Conference uses various valuation approaches. The following is a description of the valuation methodologies used:

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Investments in pools, Wespath – Pools with Wespath; Deposit, Healthflex, Conference Claimant’s, Conference Pension Endowment, CRSP Endowment, Pension Reserve, and NWDS Housing are valued using the NAV provided by the administrator of the funds. The NAV is based on the value of the underlying assets owned by the funds, less its liabilities and then divided by the number of shares or “units” outstanding. (Level 1 and 2 inputs). Wespath also invests in the Multiple Asset Fund (MAF). MAF is a “fund of funds”, managed by more than forty different investment managers. These managers provide the fund with a broad diversification of holdings in a variety of US and non-US securities. These include stocks, traditional bonds, inflation-linked bonds, real estate investment trusts, securities, commodities, and interest in private equity and private real estate partnerships (Level 3 inputs).

Investments with the United Methodist Development Fund – Under an arrangement with the UMDF, the Conference’s funds are handled like money market funds and have a carrying amount which is based on fair market value in active markets (Level 2 inputs).

Investments in pools, the Foundation – Pools within the Foundation’s portfolios are measured using the unitization method, with values differing according to the underlying securities in each pool. Security prices are based on quotes that are obtained from independent pricing services. Fair values of securities for which market prices are not readily available are determined based upon quoted market close prices for similar issues, dealer quotes, or pricing models utilizing market observable inputs from comparable securities. This total fair value is divided by the total number of the units in the pool to determine the per-share value that is assigned to the Conference and the accounts held in trust units (Level 3 inputs).

The following tables set forth by level, within the fair value hierarchy, the Conference’s investments and interests under the fair value hierarchy as of December 31:

	<i>Level 1</i>	<i>Level 2</i>	<i>Level 3</i>	<i>2021 Total</i>
Wespath Benefits and Investments - pooled funds	\$ -	\$ 29,725,351	\$ 3,002,332	\$ 32,727,683
Faith Foundation Northwest - pooled funds	-	-	14,299,791	14,299,791
Total investments	<u>\$ -</u>	<u>\$ 29,725,351</u>	<u>\$ 17,302,123</u>	<u>\$ 47,027,474</u>
	<i>Level 1</i>	<i>Level 2</i>	<i>Level 3</i>	<i>2020 Total</i>
Wespath Benefits and Investments - pooled funds	\$ 2,254,288	\$ 19,200,683	\$ 8,117,976	\$ 29,572,947
Faith Foundation Northwest - pooled funds	-	-	11,691,067	11,691,067
Total investments	<u>\$ 2,254,288</u>	<u>\$ 19,200,683</u>	<u>\$ 19,809,043</u>	<u>\$ 41,264,014</u>

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Wespath Investments

Conference investments held with Wespath directly are presented in the financial statements at fair value and are comprised of the following at December 31:

Wespath Benefits and Investments -
pooled funds

	2021	2020
Fixed income fund (a)	\$ -	\$ 2,254,288
Inflation protection fund (b)	2,958,942	486,315
International equity fund (c)	671,723	771,283
US equity fund (d)	1,240,052	1,223,383
Multiple asset fund (e)	3,002,332	8,117,976
Short term investment fund (f)	1,012,850	933,343
Social Values Choice Bond Fund (g)	3,203,073	3,836,117
Social Values Choice Equity Fund (h)	8,053,536	8,291,363
US Treasury Inflation Protection (i)	12,585,175	3,658,879
	\$ 32,727,683	\$ 29,572,947

The pooled funds consisted of the following types of investments:

- (a) The fixed income fund invests in a broadly diversified portfolio of fixed-income instruments to earn current income. A majority of the fund is invested in publicly traded US fixed-income securities, and invested in fixed-income instruments denominated in currencies other than the US dollar. The fund holds privately placed loans originated by the Positive Social Purpose Lending Program (for example, affordable housing and community development loans).
- (b) The inflation protection fund holds a combination of US and foreign fixed-income securities as well as investing in commodity futures contracts and senior secured loans.
- (c) The international equity fund seeks to maximize long-term capital appreciation from a broadly diversified portfolio of non-US stocks. Additionally, the fund holds securities of publicly traded non-US real estate investment trusts (REITs) and limited partnership interests in private real estate partnerships and private equity (for example, buyout funds and venture capital) with investments located in developed and developing countries. It also holds equity index futures of stock indexes in non-US markets.
- (d) The US equity fund seeks to earn long-term capital appreciation from a broadly diversified portfolio that includes stocks among the 3,000 largest US publicly owned companies, as well as stock index futures. Additionally, the fund holds interests in publicly traded real estate investment trusts (REITs), private real estate partnerships and private equity (for example, buyout funds and venture capital).
- (e) The multiple asset fund seeks to maximize long-term investment returns, including current income and capital appreciation, while reducing short-term risk by investing in a broad mix of investments. The fund holds a pre-specified allocation of units of the

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following Wespath funds: Fixed Income Fund (FIF), Inflation Protection Fund (IPF), International Equity Fund (IEF) and U.S. Equity Fund (USEF).

- (f) The short-term investment fund seeks to maximize current income consistent with preservation of capital. The fund holds cash and cash equivalents in the form of units of a daily cash sweep account. In periods of stable and falling interest rates, the short-term fund should outperform funds holding investments with shorter maturities.
- (g) The social values choice bond fund seeks to earn current income while preserving capital by primarily investing in a diversified mix of fixed-income instruments issued by entities that fulfill investor preferences for a heightened focus on corporate environmental and social performance. The fund invests primarily in fixed income securities such as US and non-US government bonds, agency bonds, corporate bonds and securitized products.
- (h) The social values choice equity fund seeks to attain long-term capital appreciation from a passively-managed portfolio of US and non-US domiciled publicly owned companies that fulfill investor preferences for a heightened focus on corporate environmental and social performance.
- (i) The US Treasury inflation protection seeks to provide investors with current income and to protect principal from long-term loss of purchasing power due to inflation by investing primarily in US Treasury Inflation Protected Securities (TIPS).

For all pooled investment funds, redemptions over \$1M may be subject to a 15-day processing period to ensure adequate cash is available for distribution.

Note 6 – Due to and Due from Other Funds

The General Fund manages the cash and short-term investments for the other funds. This allocation between funds is as follows at December 31:

	<i>2021</i>	<i>2020</i>
Central Fund	\$ 1,330,843	\$ 759,882
Board of Congregational Development	(277,853)	(343,441)
Board of Pension	263,769	709,226
Board of Trustees	813,073	1,390,302
Camping Board of Stewards	(255,252)	(209,135)
Office of Connectional Ministries	189,806	279,948
Ministry Fund	284,725	286,297
District Service Office	391,628	413,957
Innovation & Vitality Team	44,190	-
	\$ 2,784,929	\$ 3,287,036

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Note 7 - Pension Plans and Deposits with Wespath Benefits and Investments

The Conference and its local churches participate in various pension and disability benefit programs administered by Wespath Benefits and Investments of The United Methodist Church (Wespath), incorporated in Illinois. Annual contributions to the programs are funded through direct billing various member churches of the Conference, apportionments and from earnings on investments.

The pension plan (the "Plan") consists of three parts covering three different service periods:

- Supplement One to the Ministerial Pension Plan (MPP) (as of January 1, 2007 Supplement One to the Clergy Retirement Security Program (CRSP) for service prior to 1982 (Pre-1982 Pension Plan))
- MPP for service from January 1, 1982 through December 31, 2006
- CRSP for service beginning January 1, 2007

1) Supplement One to the MPP (as of January 1, 2007 Supplement One to the CRSP) for service prior to 1982 (Pre-1982 Pension Plan)

The Plan in effect through January 1, 1982, was a multi-employer defined benefit plan, with the required contribution being the responsibility of the Conference. A monthly pension benefit was provided at a pension rate based on the number of years of service times the annuity rate divided by twelve. The base pension rate is projected to increase 2% annually for financial cost planning purposes. Any increases in the rate must be approved by Annual Conference action each year.

Based on the 2022 annual pension rate of \$804.00 per year of service prior to 1982, unfunded past service costs at January 1, 2020 (for 2022) were underfunded by \$965,369. As of January 1, 2020, the preliminary unfunded past services cost for 2023 was overfunded by \$1,037,363, based on the 2023 annual pension rate of \$821.00 per year of services prior to 1982. The actuarial assumptions used are that fund assets will earn interest at the rate of 5.5% in 2020 (for 2022) and 5.5% for 2021 (for 2023) and that the past service pension rate will increase annually by 2%. Information regarding the accumulated present value of vested benefits and the unvested benefits and the net assets available, for benefits for service prior to January 1, 1982, is not available as the Conference has an undivided interest in the MPP of Wespath.

2) Ministerial Pension Plan (MPP) for service from January 1, 1982 through December 31, 2006

This plan is a hybrid defined contribution/benefit plan which provides pensions for all service rendered from January 1, 1982 to December 31, 2006, with the required contribution being the responsibility of the salary-paying unit and if not paid, was funded by the Annual Conference.

It was primarily a defined contribution retirement plan with the requirement that at retirement clergy must annuitize 65% of their total account balance. This annuity is a defined benefit feature. As of January 1, 2012, for 2014, the actuarial valuation combined both the ministerial

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pension plan annuities and clergy retirement security plan defined benefits under one corridor funding plan. The actuarial valuation by Wespeth as of January 1, 2020 (for 2022) shows the corridor funded ratio of the ministerial pension plan annuities and clergy retired security plan defined benefits for the overall plan at 110.14% compared to 107.37% funding ratio for 2019 (for 2021) and preliminary valuation funding ratio of 120.72% for 2021 (for 2023). No additional financial contributions were required in 2021, or will be required in 2022 or 2023.

3) Clergy Retirement Security Program (CRSP) for service beginning January 1, 2007

Effective January 1, 2007, eligible clergy are provided pension coverage under the CRSP. This plan has two components:

- A multi-employer defined benefit component: The defined benefit (DB) will be payable at retirement based on 1.25% of the Denomination Average Compensation (DAC) in effect at the time of retirement times years of credited service after January 1, 2007, until December 31, 2013. At the end of each year, each Conference will be required to pay the full cost of this program as estimated by Wespeth actuaries (see below).
- A defined benefit contribution component: The defined contribution (DC) benefit at retirement is based on an account balance comprised of an annual contribution equal to 2% base amount and 1% match of the clergyperson's plan compensation plus accumulated earnings. On the last business day of the month, Wespeth credits each active eligible clergyperson's account for 3% of plan compensation if they have contributed at least 1% of their plan compensation to receive the match.

Beginning January 1, 2007, the local church is required to make the payments for their pastor's defined benefit and defined contribution portion. The funding plan also specifies that the defined benefit portion of monthly payments will be added to a new clergy retirement security endowment fund invested through Wespeth.

At the 2012 General Conference, the clergy retirement security plan was changed with an effective date of January 1, 2014. Three major changes were approved to lower the funding liability to the Annual Conferences: (1) 65% of the MPP account balance is annuitized, (2) the defined benefit portion of the current plan changed to 1% of the DAC and (3) annual conferences are allowed to determine their own retirement plan for part-time appointed pastors.

At the 2013 Annual Conference, it was approved that $\frac{1}{4}$, $\frac{1}{2}$ and $\frac{3}{4}$ time appointments would only be eligible for a straight defined contribution program through United Methodist Personal Investment Plan. For $\frac{1}{2}$ and $\frac{3}{4}$ time appointments, the salary-paying unit pays 8% of the plan compensation with an additional 2% match into the pastor's account. For $\frac{1}{4}$ time appointments, the salary-paying unit pays 6% of the Plan compensation with an additional 2% match to the pastor's account.

Due to 2) and 3) above, the CRSP defined benefit cost dropped. Payments from local churches/salary paying units will be used to make the payments on December 31, 2022.

These retirement benefits are fully vested to the participant.

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Generally accepted accounting principles in the US require an employer to recognize the overfunded or underfunded status of a defined benefit post-retirement plan. The pension plan is a multi-employer plan, and as such, the Conference is not subject to this standard.

The Plan, a multi-employer plan, is a non-electing church plan under the Internal Revenue Code Sections 414(e) and 410(d). As such, it is exempt from minimum funding requirements of ERISA, the Pension Protection Act of 2006 (PPA) and the Internal Revenue Code Sections 412 and 430-436 (Ref Section 412(e) (2) (D)). Accordingly, no PPA funding improvement plan or “zoning” funding requirements apply. Further, the Plan is exempt from filing the Form 5500.

The latest preliminary actuarial valuations were performed on January 1, 2021, on the total plan liabilities per 2% Pre-82 funding plan and assets in the plan:

	<i>Total Plan Liability</i>	<i>Total Plan Assets</i>	<i>Total Plan Funded Status</i>	<i>Required Contribution</i>	<i>Number of Clergy</i>
Pre-1982	\$ (25,314,510)	\$ 26,351,873	104.00%	\$ -	279
MPP*	\$ (3,630,817,808)	\$4,439,554,422	123.04%	\$ -	55,829
CRSP*	\$ (2,134,736,431)	\$2,520,654,197	118.08%	\$ -	40,629
* Overall Plan for denomination					

Multi-employer Plans

The Plan described above is administered by Wespeth and is considered a multi-employer plan (EIN 56-6658844). There have been no significant changes that affect the comparability of the 2020 and 2021 contributions.

The Plan covers three service periods and is therefore managed as three sub-plans (Pre-1982, MPP and CRSP) since the benefit structure differs for each of the service periods, although the funding for any of the sub-plans can, under certain circumstances, cover any of the other sub-plans. This Plan is a multi-employer plan only under the FASB Accounting Standards Codification’s Master Glossary definition. It is not a multi-employer plan under the Internal Revenue Code Section 414(f) (i.e., a Taft-Hartley union management plan) because no unions or union contracts are involved. The Plan’s provisions are governed by the General Conference, a United Methodist Church-wide decision-making body composed of 50% clergy and 50% lay delegates, that meets once every four years. Changes to Plan provisions are not allowed between General Conferences except to the extent they are required to maintain compliance with secular law. The next meeting of the General Conference that would consider retirement plan changes is in 2024. The meeting was delayed due to COVID in 2020, 2021 and 2022.

The risks of participating in these multi-employer sub-plans are different from single-employer plans in the following respects:

- a) Assets contributed to the multi-employer plan by one Annual Conference may be used to provide benefits to clergy of other US United Methodist Church annual conferences.
- b) If an Annual Conference discontinues contributions to the plan, the unfunded obligations of the plan may be borne by the remaining participating annual conferences.

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United Methodist Personal Investment Plan (UMPIP)

The Conference participates in the UMPIP. The plan allows both the employer and the employee to make contributions to the plan. Participants direct the investment of all accounts, including employer contributions. The plan covers permanent and full-time or part-time employees of the Conference office provided that the part-time employee after three months is 21 years old or older and works at least 1,040 hours annually. Clergy and lay employees may choose to participate in this plan as either a before-tax, after-tax or Roth payroll deduction. Contributions are limited for both clergy and lay employees to the Internal Revenue Code requirements of Section 403(b) plans.

Employer contributions for Conference office lay employees to the plan are 8% of compensation and a 2% match by the employer and totaled \$110,049 and \$108,832 for the years ended December 31, 2021 and 2020, respectively.

All contributions are fully vested and are invested with Wespath.

Note 8 – Health Insurance, Group Disability and Death Benefit Plans

Health Insurance

The Conference participates in a multi-employer group health insurance program for active clergy and families, if applicable, of the Conference through Wespath. The cost for active clergy is paid by the salary paying unit, clergy with salary reduction and additional support from Conference Board of Pensions' budget.

In 2014, the retiree health plan for those covered by Medicare shifted to the Via Benefits marketplace. This allows participants to choose which Medicare compliment plan and Medicare part "D" pharmacy plans suits their needs. Most clergy/spouses/surviving spouse that qualify for subsidy were provided \$1,144 in 2022 to a health reimbursement account. Beginning in 2004, all future retirees, except those few that were grandfathered under prior health policies (last retiree that qualified for subsidy retired in 2011), will not receive a subsidy but are eligible to participate through this program. For the year ended December 31, 2021, deposits were \$95,868 and expenditures were \$88,458. In 2022, deposits of \$90,418 were made at the beginning of the year. These totals do not include active clergy that qualify for Medicare as primary and participate in the Via Benefits program.

Comprehensive Protection Plan (CPP)

The Conference also participates in the CPP for eligible active appointed full-time clergy and who also participate in the CRSP plus ordained/commissioned/associate/deacons who are appointed full time. The Plan provides for disability benefits for those clergy who meet Wespath definition of disability. The plan includes a death benefit for qualified active and retired clergy, spouses, and dependent children. The cost is paid by the salary paying units at 3% of active clergy plan compensation.

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Clergy working ½ and ¾ time will be covered by UMLife Option through a fully insured plan with UNUM. The cost to the salary paying unit is approximately 2% of plan compensation. This plan also provides disability and death benefits similar to CPP.

Lay Long-Term Disability and Life Insurance Plan

The Conference participates in the plan which provides disability and death benefits for Conference lay employees that meet eligibility requirements.

Note 9 - Benefits Funding

Amounts on deposit by the Conference with Wespath for benefits funding as of December 31 were as follows as the total assets of the Board of Pensions:

	2021	2020
Investments designated for pension/health benefits funding, principal and earnings held at Wespath (withdrawn for other purposes requires Conference action)	\$ 24,815,835	\$ 22,536,319
Deposits designated for future funding, including earnings held at Wespath	4,962,269	4,354,329
Other restricted deposits held at Conference	312,633	699,779
Total assets	\$ 30,090,737	\$ 27,590,427

These amounts are held in addition to any current funding required by any of the various plans in which the Conference participates.

Note 10 – Related Party Transactions

For efficiency of operations, all cash receipts and disbursements for the Office of the Resident Bishop (the “Office”) are processed through the Conference Treasurer’s checking account. Separate financial records are maintained for each organization. The Conference Treasurer held \$212,114 and \$192,454 for the Office at December 31, 2021 and 2020, respectively.

The Conference performs treasury functions for The Alaska Methodist Conference (AMU). All cash receipts and cash disbursements are processed by the Conference thru banking accounts maintained by AMU. The Conference perform the treasury functions of the district offices. All cash receipts and disbursements for the district are processed through the Conference Treasurer’s checking account. The district’s transactions are reflected in the consolidated financial statements of the Conference.

Note 11 - Commitments and Contingencies

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The Conference Board of Congregational Development is contingently liable as guarantor for loans ranging from 10 to 20 years, aggregating \$767,086 and \$818,699, at December 31, 2021 and 2020, respectively, made by the National Division of the General Board of Global Ministries to seven local churches. Under the terms of the guarantees, the Conference subordinates its initial lien on the local churches' properties to the lender. It is management's intent that at the time of a default, the required payments would be made by the Conference and a contingency plan would be developed to cover the remaining loan balance so as to not lose interest in the properties. No amounts for the guarantee liabilities have been included in the financial statements as of December 31, 2021 and 2020, because the financial statements are on a modified cash basis.

During 2006, the Conference entered into a 50-year capital lease agreement through 2056, for the lease of office space. The lease agreement calls for rental payments of \$1 per year with a bargain purchase option. No long-term in-kind contribution of rent for the land is recognized because the financial statements are on a modified cash basis. In conjunction with this lease agreement, the Conference entered into a development agreement with the lessor for the development and construction of the office building. The development agreement called for the lessor to pay for 25% of the cost of construction, up to \$300,000, with the Conference responsible for the balance. The lessor has full title to the land and building. In 2006, the Conference capitalized approximately \$1.4M of construction costs related to these agreements.

The Conference has adopted the accounting policy election of not recognizing right-of-use assets and lease liabilities arising from short-term leased for any class of underlying asset. This lease is not recognized in the statement of financial position as the dollar value of the lease is not significant to the statements. It is also not reasonably certain the Conference will exercise the option to extend the lease term.

Note 12 - Concentrations of Credit Risk

Financial instruments which potentially subject the Conference to concentrations of credit risk consist principally of cash and investments. The Conference investment policies provide for the investment of excess cash balances in deposits with major institutions and in other high quality short-term liquid money market instruments. Cash includes deposits at a financial institution totaling \$4,498,597 at December 31, 2021, which exceed federally insured limits. The exposure to concentrations of credit risk relative to the Conference's investments is limited due to the Conference's investment objectives and policies which require, among other things, that securities be diversified, meet certain quality criteria, and utilize only high credit quality institutions for investments. The investments are not insured for market risk.

The Organization's investments are subject to various risks, such as interest rate, credit, and overall market volatility risk. Further, because of the significance of the investments to the Organization's financial position and the level of risk inherent in most investments, it is reasonably possible that changes in the values of these investments could occur in the near term and such changes could materially affect the amounts report in the financial statements. Management is of the opinion that the diversification of the invested assets among the various asset classes should mitigate the impact of changes in any one class.

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Note 13 - Contingencies

Various lawsuits, claims, and other contingent liabilities arise in the course of religious and ministry activities. While the ultimate disposition of these contingencies is not determinable at this time, management believes that any resulting liability will not materially affect the consolidated financial position, changes in net assets, and cash flows of the Organization.

During 2020, an outbreak of a novel strain of coronavirus (“COVID-19”) emerged globally. As a result of the spread of COVID-19 economic uncertainties have arisen, that could negatively impact revenue and operations for an indeterminable time period. Other financial impacts could occur that are unknown at this time.

The Protocol of Reconciliation and Grace Through Separation and Restructuring was introduced as legislation in early 2020 for the upcoming General Conference. The Protocol was a mediated agreement for separation in the United Methodist Church that allows those who want to separate and form new denominations to do so, and those who remain to reform The United Methodist Church. This joins other legislative proposals that if adopted by the General Conference would provide an alternative way for churches to separate from The United Methodist Church. These proposals include a provision for new denominations to receive financial payments from The United Methodist Church and retain their real estate. The scheduled General Conference has been delayed until 2022, and the financial impact resulting from these potential separations on GCFA is unknown at this time.

The Boy Scouts of America lawsuit/settlement has been reviewed by the Board. The total United Methodist Church portion of the settlement is \$30 Million. The Conference portion totals \$390,189, made up of fifteen claims and is anticipated to be remitted within the year.

Note 14 – Subsequent Events

Management of the Conference has evaluated events and transactions occurring after December 31, 2021, through the date of this report, the date the financial statements were available for issuance, for recognition or disclosure in the financial statements. There were no events and transactions that require recognition and disclosures in the financial statements.

The future configuration of the United Methodist Church is uncertain. There are various proposals for church divisions up for consideration by the General Conference. General Conference was scheduled to meet in 2020 but was delayed until fall 2021, then again to fall 2022 and has recently been further delayed to 2024. It is unclear when General Conference will meet, and what options they will approve. It is unclear how many churches may decide to disaffiliate from The UMC. The uncertainty makes it difficult to determine what the staffing needs will be in the future. The Bishop and Personnel Committee have restructured Conference staff into a smaller group to facilitate needed ministry without long-term staff obligations. The future pension and apportionment amount due to the Conference are unknown at this time. As a result of the spread of COVID-19, economic uncertainties have arisen which could negatively impact the Conference’s change in net assets; the sharp rise in inflation has

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caused market instability. Other financial impacts could occur; however, such potential impact is unknown at this time.

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SUPPLEMENTARY INFORMATION

GREATER NORTHWEST EPISCOPAL OFFICE
 STATEMENTS OF CASH RECEIPTS AND DISBURSEMENTS
 DECEMBER 31, 2021
 (With summarized totals for the year ended December 31, 2020)

	Episcopal Office Funds	Greater Northwest Area Funds	2021 Total	2020 Summarized Totals
Revenue collected from:				
General Council on Finance and Administration	\$ 75,470	\$ -	\$ 75,470	\$ 75,471
Conference of the United Methodist Church	-	45,000	45,000	49,101
Transfer to/from reserves	10,780	(28,885)	(18,105)	(70,763)
Paycheck Protection allocation	-	-	-	14,701
Alaska Conference	-	4,700	4,700	4,700
Oregon-Idaho Conference	-	32,083	32,083	32,000
Total revenues collected	<u>86,250</u>	<u>52,898</u>	<u>139,148</u>	<u>105,210</u>
Expenses paid:				
Administrative assistant salaries	59,034	-	59,034	57,384
Special assistant	-	37,612	37,612	1,894
Administrative assistant pension benefits	6,166	-	6,166	6,159
Healthflex	9,936	-	9,936	9,348
Field expense	-	-	-	2,308
Social security/Medicare	4,523	-	4,523	4,362
Office rent	-	2,520	2,520	4,200
Office expense and equipment maintenance	80	6,151	6,231	6,496
Phone and fax	5,801	1,676	7,477	6,845
Professional entertainment	-	3,498	3,498	2,001
Meeting expense	-	50	50	1,195
Audit expense	-	-	-	1,000
Postage	-	74	74	147
Workers compensation	710	426	1,136	703
Travel	-	-	-	119
Continuing education	-	891	891	546
Insurance	-	-	-	-
Transfers from nonbudget funds	-	-	-	503
Total expenses paid	<u>86,250</u>	<u>52,898</u>	<u>139,148</u>	<u>105,210</u>
Total revenue less expenses	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

GREATER NORTHWEST EPISCOPAL OFFICE
STATEMENT OF FIXED ASSETS
DECEMBER 31, 2021

	Furniture & Fixtures	Office Equipment	Automobiles & Other	Total
Fixed Assets				
Beginning Balance	\$ -	\$ -	\$ -	\$ -
Additions	-	-	-	-
Disposals	-	-	-	-
Ending Balance	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Accumulated Depreciation				
Beginning Balance	\$ -	\$ -	\$ -	\$ -
Additions	-	-	-	-
Disposals	-	-	-	-
Ending Balance	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Net Fixed Assets	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>