ROCKY MOUNTAIN CONFERENCE OF THE UNITED METHODIST CHURCH

FINANCIAL STATEMENTS YEAR ENDED

DECEMBER 31, 2015

MARRS., SEVIER & COMPANY LLC
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Independent Auditor's Report

Rocky Mountain Conference of the United Methodist Church

Greenwood Village, Colorado

We have audited the accompanying financial statements of Rocky Mountain Conference of The United Methodist Church, which comprise cash receipts and disbursements by fund, the statement of cash and investment balances by institution and the related notes to the financial statements for the year ended December 31, 2015.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements **in** accordance with the cash basis of accounting as described in Note 1; this includes determining that the cash basis of accounting is an acceptable basis for the preparation of the financial statements in the circumstances. Management is also responsible 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.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the statement of cash receipts and disbursements by fund and the statement of cash and investment balances by institution of the Rocky Mountain Conference of The United Methodist Church for the year ended December 31, 2015 in accordance with the cash basis of accounting as described in Note 1.

Basis of Accounting

We draw attention to Note 1 of the financial statements, which describes the basis of accounting. The financial statements are prepared on the 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 that matter.

Marrs, Sevier & Company LLC

Marrs, Sevier & Company LLC

October 18, 2016

ROCKY MOUNTAIN CONFERENCE OF THE UNITED METHODIST CHURCH STATEMENT OF CASH RECEIPTS AND DISBURSEMENTS BY FUND
Year ended December 31, 2015

Fund	Cash and investment balances December 31, 2014	Cash receipts	Cash disbursements	Net transfers	Cash and investment balances December 31, 2015
Undesignated					
Tithe Plus Mission Giving		$ 5,550,675			
Other Receipts		199,276			
World Service and General Church Apportionment			$ (1,671,170)		
Benevolence and Program Ministries			(1,151,185)		
Spiritual Leadership Ministries			(1,191,853)		
Administrative Ministries			(609,222)		
Undesignated Net Transfers				$ (899,433)	
Total Undesignated	$ 678,769	5,749,951	(4,623,430)	(899,433)	$ 905,857
Total Designated and Restricted	6,156,623	1,025,630	(2,330,320)	(131,510)	4,720,423
Total Conference	6,835,392	6,775,581	(6,953,750)	(1,030,943)	5,626,280
Pension Plans	2,696,779	1,732,369	(1,876,945)	141,034	2,693,237
Health Plans	3,249,198	1,872,228	(2,518,595)	676,539	3,279,370
Property and Liability Insurance	422,058	2,415,896	(2,634,074)	90,856	294,736
Buckhorn Camp	12,382	222,782	(278,799)	122,514	78,879
Total	$ 13,215,809	$13,018,856	$ (14,262,163)	$ -	$ 11,972,502

See accompanying notes.

ROCKY MOUNTAIN CONFERENCE OF THE UNITED METHODIST CHURCH STATEMENT OF CASH AND INVESTMENT BALANCES BY INSTITUTION
December 31, 2015

	Cash and Equivalents	Investment at Cost	Investments, at Fair Value	Total *
Conference Funds:				
Wells Fargo Bank	$ 865,451	$ -	$ -	$ 865,451
United Methodist Foundation	-	311,576	4,310,833	4,622,409
Total	865,451	311,576	4,310,833	5,487,860
Pension Plans:				
Wells Fargo Bank	55,336	-	-	55,336
General Board of Pensions - Deposit Account	-	-	458,914	458,914
General Board of Pensions - Defined Benefit Account	-	-	1,490,035	1,490,035
General Board of Pensions - Clergy Pension Rejuvenation Account	-	-	732,341	732,341
Total	55,336	-	2,681,290	2,736,626
Health Plans:				
Wells Fargo Bank - Health Reimbursement Account	135,628	-	-	135,628
Well Fargo Bank - General Health Expense	86,755	-	-	86,755
General Board of Pensions - Active	-	-	288,520	288,520
General Board of Pensions - Retiree	-	-	2,826,757	2,826,757
Total	222,383	-	3,115,277	3,337,660
Property and Liability Insurance:				
Wells Fargo Bank	331,477	-	-	331,477
Buckhorn Camp:				
Wells Fargo Bank	78,879	-	-	78,879
Total	$ 1,474,647	$ 311,576	$10,107,400	$ 11,972,502

* See Note 5 in the Notes to Financial Statements for the reconciliation of cash and investment balances by fund to cash and investment balances by institution

See accompanying notes.

ROCKY MOUNTAIN CONFERENCE OF THE UNITED METHODIST CHURCH NOTES TO FINANCIAL STATEMENTS
December 31, 2015

1. Organization and Significant Accounting Policies

The Rocky Mountain Conference is the regional not-for-profit 501(c)(3) organization of The United Methodist Church. It is made up of over 260 member United Methodist churches that are located in Colorado, Utah and the southeastern two-thirds of Wyoming. The Conference administers funds collected from the member churches and provides oversight and various administrative functions in support of the churches' various benevolences, camping programs, educational services and other related ministries in carrying out the mission of the church.

The financial statements of the Rocky Mountain Conference are prepared on the cash basis of accounting. Under this basis of accounting, revenue is recorded when received and expenses are recorded when paid. The Conference operates with a centralized treasury, and uses a system of fund accounting in order to maintain proper accounting within the organization.

Preparation of the Conference's notes to the financial statements requires management to make assumptions at the date of the financial statements, including the assumptions affecting the Health Reimbursement Account as discussed in Note 8. Actual increases could differ from this assumption.

2. Cash and Cash Equivalents

At December 31, 2015 cash and cash equivalents consist of funds in various checking and savings accounts with one financial institution. At times, some of these balances may exceed federally insured limits.

3. Investments

The majorities of investments are stated at fair value and represent holdings of funds offered by Rocky Mountain United Methodist Foundation, Inc. ("UMF") and the General Board of Pension and Health Benefits of The United Methodist Church ("GBOPHB"). Certain UMF investments represent Certificates of Participation in the Methodists Helping Methodists Fund. These investments total $305,960 at December 31, 2015 and relate to time certificates with one year maturities and an interest rate of 1.25%. The Conference intends to hold the funds to maturity and has recorded them at cost plus accrued interest.

4. Designated and Restricted Funds

At December 31, 2015, the Conference has set up 136 Designated and Restricted Funds with a total balance of $4,720,423. These funds were restricted by external donor restrictions or internally designated by various Conference committees and boards for specific purposes. The Conference is taking steps to develop detailed documentation for each restricted fund's purpose and time restrictions.

5. Funds Due (To) or From Other Funds

At December 31, 2015, the Conference had funds that had not been transferred from various institutions and are recorded as due (to) or from other funds. The reconciliation of the institution balances to the fund balances are as follows:

Fund	Cash and investment balances by institution December 31, 2015	Due (to) or from other funds	Cash and investment balances by fund December 31, 2015
Undesignated	$ 865,451	$ 40,406	$ 905,857
Designated and Restricted	4,622,409	98,014	4,720,423
Pension Plans	2,736,626	(43,389)	2,693,237
Health Plans	3,337,660	(58,290)	3,279,370
Property and Liability Insurance	331,477	(36,741)	294,736
Buckhorn Camp	78,879	-	78,879
Total	$ 11,972,502	$ -	$ 11,972,502

6. Fair Value Measurements

Financial Accounting Standards Board ("FASB") ASC 820-10, *Fair Value Measurements* establishes a framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets (level l measurements) and the lowest priority to unobservable inputs (level 3 measurements). The three levels of the fair value hierarchy under ASC 820-10 are described as follows:

Level 1 — Inputs to the valuation methodology are unadjusted quoted prices for identical assets in active markets that the Conference has the ability to access.

Level 2 — Inputs to the valuation methodology include:

- Quoted prices for similar assets in active markets;
- Quoted prices for identical or similar assets in inactive markets;
- Inputs other than quoted prices that are observable for the assets;
- Inputs that are derived principally from or corroborated by observable market data by correlation or other means.

If the asset has a specific (contractual) term, the Level 2 input must be observable for substantially the full term of the asset.

Level 3 Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

Following is a description of the valuation methodologies used for assets measured at fair value.

Short term cash funds with UMF: The carrying values of short term investments approximate fair value due to the short term nature of the securities and are classified as Level 1.

Funds with UMF and GBOPHB: Measured at fair value based on information derived from and provided by UMF and the GBOPHB and are classified as Level 3.

The methods described above may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while the Conference believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair market value of certain financial instruments could result in a different fair value measurement at the reporting date.

The following table sets forth by level, within the fair value hierarchy, the Conference's assets at fair value at December 31, 2015:

	Level 1	Level 2	Level 3	Total
United Methodist Foundation:				
Short Term Cash Fund	$ 484,814			$ 484,814
Fixed Income Fund			$ 175,199	175,199
Equity Growth Fund			397,734	397,734
Balanced Fund			3,258,702	3,258,702
General Board of Pensions:				
Short Term Investment Fund			432,933	432,933
Multiple Asset Fund			5,363,634	5,363,634
Total	$ 484,814	$ -	$9,628,202	$10,113,016

6. Fair Value Measurements (continued)

The following table sets forth a summary of changes in the fair value of the Plan's level 3 assets for the year ended December 31, 2015:

	UMF Funds	GBOPHB Funds
Balance, beginning of year	$ 1,146,820	$ 5,615,210
Purchases	2,925,765	4,791,773
Sales	(72,207)	(4,433,693)
Realized and unrealized gains (losses)	(168,743)	(176,723)
Balance, end of year	$ 3,831,635	$ 5,796,567

As a socially responsible investor, all of the GBOPHB's investments are screened according to investment policies adopted by its board of directors in accordance with the Social Principles of The United Methodist Church. These policies exclude investments in companies earning significant revenues from gambling or from the manufacture, sale or distribution of alcoholic beverages, tobacco-related products, pornography, weapons or the management or operation of prison facilities.

The GBOPHB was one of the original signatories to the United Nations Principles for Responsible Investment (PRI), a multi-stakeholder initiative dedicated to promoting and incorporating environmental, social and governance factors into investment decision-making.

Level 3 fund descriptions are included below to provide further information on investment strategy and other pertinent details.

UMF Fixed Income Fund: The fund's investment objective is to invest in a broad mix of investment-grade fixed income securities, both U.S. and International, as well as some inflation-protected government fixed income securities. Additionally, the fund will hold privately placed loans through loans originated by the GBOPHB's Positive Social Purpose Lending Program (e.g., affordable housing and community development loans).

UMF Equity Growth Fund: The fund's investment objective is to earn long-term capital appreciation from a broadly diversified portfolio that includes domestic and international stocks as well as stock index futures. Additionally, the fund will hold interest in publicly traded real estate investment trusts, private real estate and private equity (e.g., buyout funds and venture capital).

UMF Balanced Fund: The fund's investment objective is 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 is a "fund of funds" and holds a pre-specified allocation of units of domestic and international stocks, bonds, commodities and cash.

GBOPHB Short Term Investment Fund: The fund's investment objective is to maximize current income consistent with preservation of capital. The fund invests primarily in short-term fixed income securities. The holdings include government and agency bonds, corporate bonds, international fixed income securities, commercial paper, certificates of deposit, and other similar types of investments.

GBOPHB Multiple Asset Fund: The fund's investment objective is 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 is a "fund of funds" and holds a pre-specified allocation of units of the GBOPHB U.S. Equity Fund, International Equity fund, Fixed Income Fund and Inflation Protection Fund.

7. Church Arrearages and Other Receivables

The following amounts were due from member churches at December 31, 2015 and will be recorded as cash receipts once payment is received:

Property insurance	$	96,602
Pensions		72,729
Health insurance		120,630
Total	$	289,961

The 2015 year-end total compares to $269,911 at December 31, 2014.

In 2010, the Conference Council on Finance and Administration, in conjunction with the Cabinet, established the "Jubilee" program. This program is intended to provide an opportunity for those churches that have accumulated large arrearage amounts to enter into an audit and monitoring program which requires meeting stringent standards of compliance in return for a percentage forgiveness of the accumulated debt.

These standards include: 1) an audit of the church's current financial position and projected budgets, 2) the ability to maintain payments on a current basis, and 3) the ability to "pay down" a portion of the accumulated arrearage over a determined number of years (the amount and terms vary based upon individual church audits). At the same time, it is expected that each "Jubilee" church will incrementally increase its Tithe Plus Mission Giving support to move towards the Annual Conference adopted level. If all of these criteria are met over the terms of the "Jubilee", a portion of the debt will be forgiven and written off.

The arrearage issue continues to be addressed by incorporating potential consequences for churches that consistently maintain unpaid obligations, and assisting churches to manage their resources to address these obligations. This is intended to ensure that arrearages do not continue to accumulate.

8. Health Plan

In 2015 and 2014 the Conference funded medical benefits for eligible active and retired clergy, spouses, and lay employees. The premium obligation for active clergy and lay employees was funded through direct billing to member churches and the Conference. Funding for retirees and their spouse's health care was subsidized by the Conference. In 2015 and 2014 the Conference subsidy for retiree healthcare was $445,000 and $447,859, respectively. This subsidy covers annual obligations and does not cover any unfunded obligation. The accumulated postretirement benefit obligation (APBO) as of December 31, 2015 and 2014 is as follows:

2015 APBO (net Conference cost)	$	9,405,044
2014 APBO (net Conference cost)		8,960,455
Increase (decrease) in APBO	$	444,589

This represents an increase of 5.0% from the 2014 APBO net Conference cost, and is reflective of changes in key actuarial assumptions. Significant key actuarial assumption changes are as follows:

- Increased the discount rate from 3.70% to 4.00%
- Mortality assumption was updated to reflect the most recent study performed by the GBOPHB
- Pre-65 medical plan option was changed

As of December 31, 2015, the obligation was unfunded. The Conference is continuing to develop a "funding plan" (similar to that established in previous years for the "Pre-82" pension obligation) to ensure that assets are available to support the health care liability as it is presently constituted under the now existing retiree health care plan. This "funding plan" will require the identification of new resource streams in order to meet the funding compliance requirements.

9. Pension Liabilities

The Conference, through the GBOPHB, contributes to various retirement programs covering U.S. United Methodist clergy, specifically:

1. Supplement One to the Clergy Retirement Security Program (informally known as the "Pre-1982 Plan"). The January 1, 2015 actuarial report determined a funded ratio of 145%.

2. Clergy Retirement Security Program ("CRSP"). This includes both a defined benefit plan and a defined contribution plan. Based upon the January 1, 2015 actuarial report, the funded ratio of the defined benefit plan portion was 111%.

3. Ministerial Pension Plan ("MPP"). The January 1, 2015 actuarial report for 2015 reflects actuarial asset values exceeding actuarial liability amounts, resulting in a funding ratio of 112%.

9. Pension Liabilities (continued)

At January 1, 2011 (for 2013 Conference contributions), the General Board adopted a Corridor Funding methodology for managing the CRSP-DB and the MPP Annuities. Under this approach the benefit programs' assets and liabilities are combined to determine a funding ratio which indicates the corridor that the combined plan is in. These various corridor levels ultimately determine the contribution obligation of the Conference. The five predefined ranges or zones into which the funded ratio of the combined plans may fall—based upon the actuarial value of assets and the market value of liabilities—are as follows:

Corridor Zone	Payment Obligation
Funded Ratio under 100%	Normal Cost plus Payment on Unfunded Liability
Funded Ratio 100-104.9%	Normal Cost
Funded Ratio 105-114.9%	Normal Cost
Funded Ratio 115-119.9%	Reduced
Funded Ratio 120%+	None

10. Defined Contribution and Benefit Plan Payments

The Conference has a defined contribution plan for the clergy staff. The Conference contributes 3% of the clergy's salary to the defined contribution plan. The Conference contributed $27,833 in 2015. The Conference also has a defined contribution plan for the lay employees. The Conference contributes 3% of the lay employee's salary to the defined contribution plan and an additional 8% if the employee contributes 3% of his/her salary. The Conference contributed $62,776 in 2015.

The Conference also makes payments for a defined benefit plan for the clergy staff. The amount is based on various actuarial assumptions of expected future payouts and current funded status of the plan. The Conference contributed $74,004 to the clergy's defined benefit plan in 2015.

11. Compensated Absences

Conference clergy staffs are not eligible for either vacation and/or sick leave accrual payments while an employee of the Conference. Upon termination, lay employees are paid for accrued unused vacation. Lay employees may earn up to a maximum of 20 days per year. One additional day is earned at each annual anniversary date. Vacation time does not carry over from one calendar year to the next although special requests to carry over some vacation time can be made.

Sick leave for lay employees is accumulated at the rate of one day per each month of service up to a maximum of ninety days. Upon termination/retirement a maximum of ten days of sick leave may be paid.

Based upon the daily rates in effect on December 31, 2015, the accrued vacation and sick leave amounts are as follows:

Accrued Vacation	$	---
Accrued Sick Leave		20,561
Total Accrued Compensated Absences	$	20,561

The Conference has established a Designated Fund to cover funding of this estimated obligation.

12. Risk Management

The Conference is exposed to various risks of loss related to torts; theft or damage to and destruction of assets; errors and omissions; injuries to employees and natural disasters. The Conference maintains commercial coverage in the areas of General Liability, Property, Blanket Building and Contents, Workers Compensation, Directors, Officers and Trustees Liability, Umbrella Liability, and Flood and Earthquake, all through Church Mutual Insurance Company.

13. Related Party Transactions

The Chancellor of the Conference is a member of a law firm which was engaged to provide legal services to the Conference in 2015. Payments to this law firm totaled $93,372 in 2015.

The Conference made a zero interest loan to a church inside the Conference on September 25, 2013 for repairs that were deemed necessary to be completed but could not currently be funded by the church. The loan was initially for $30,000 with payments of $7,500 annually beginning November 1, 2014, with a balance of $15,000 at December 31, 2015.

The Conference made two loans to one church inside the Conference on April 24, 2015 and May 12, 2015 for the purposes of paying property taxes, interest, penalties, and administrative costs for twelve parcels of land owned by the church. The original loan was for $66,905, with an amendment for an additional $43,587 for a total loan amount of $110,492. Payments are to be made on the note for the amount of any refunds related to the property taxes paid, which totaled $44,887 in 2015. Other payments are to be made from the church as circumstances permit and no fixed payment schedule is defined. Three payments totaling $10,092 were made in 2015 by the church to pay down this loan balance. The outstanding loan balance was $55,513 at December 31, 2015.

14. Contingencies

The Conference is a party to a lawsuit related to a local United Methodist church schism in Utah. The Conference has joined with the local United Methodist church to retain ownership and use of local church property against the claims of those who have disaffiliated from the local church. The Conference has assumed payment of legal fees and costs of the local United Methodist church and its governing board. The Conference is also party to a lawsuit related to insurance coverage for legal fees associated with the aforementioned lawsuit. The outcome of this lawsuit is uncertain. No monetary claims are asserted against the Conference in either lawsuit.

15. Subsequent Events

The Conference evaluated events occurring between December 31, 2015 and October 18, 2016, the date financial statements were available to be issued. No significant subsequent events were identified that would require disclosure.