

**WISCONSIN ANNUAL CONFERENCE
THE UNITED METHODIST CHURCH**
Sun Prairie, Wisconsin
FINANCIAL STATEMENTS
and
**REPORT OF INDEPENDENT
CERTIFIED PUBLIC ACCOUNTANTS**

For the Years Ended December 31, 2008 and 2007

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[Editor's Note: The Audit Report was provided to the Conference Secretary as a Microsoft Word document and a Microsoft Excel spreadsheet. The report has been formatted to fit the size of the Journal page. In all other respects it is identical to the printed report provided by the Independent Auditors.]

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REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

Wisconsin Annual Conference
The United Methodist Church
Sun Prairie, Wisconsin

We have audited the accompanying statements of financial position of the Wisconsin Annual Conference of The United Methodist Church as of December 31, 2008 and 2007, and the related statements of activities and changes in net assets, and cash flows for the years then ended. These financial statements are the responsibility of the Conference's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Wisconsin Annual Conference of The United Methodist Church as of December 31, 2008 and 2007, and the results of its operations and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Madison, Wisconsin
July 8, 2009

SMITH & GESTELAND, LLP

WISCONSIN ANNUAL CONFERENCE, THE UNITED METHODIST CHURCH

Sun Prairie, Wisconsin

STATEMENTS OF FINANCIAL POSITION

December 31

	Undesignated			Pension & Benefits Fund	Designated Fund	Eliminations	Total All Funds	
	Fund	Group Health Benefit Fund					2008	2007
ASSETS								
Current assets								
Cash and cash equivalents held by Conference	\$ 505,767	\$ 867,270	\$ 110,636	\$ 176,951	\$	\$ 1,660,624	\$ 2,674,190	
Due from local churches	906,565		11,153			917,718	875,209	
Current portion of loans, notes, and mortgages receivable	87,341	601,086		67,036	(795,262)	67,036	42,473	
Interfund receivables	231,558	86,635		11,715		329,908	401,211	
Other current assets	1,731,231	1,554,991	121,789	362,537	(795,262)	2,975,286	3,993,083	
Total current assets								
Investments, long-term receivables, and other assets								
Investments with Foundation				8,640,852		8,640,852	10,872,504	
Deposits held by General Board of Pension and Health Benefits		1,566,982	5,088,448			6,655,430	4,952,478	
Loans, notes, and mortgages receivable, net of current portion	9,613			871,102		880,715	627,328	
Other assets	900					900	900	
Total investments, long-term receivables, and other assets	10,513	1,566,982	5,088,448	9,511,954		16,177,897	16,453,210	
Property and equipment								
Fixed assets held for sale or church development	541,150			100,000		641,150	641,150	
Property and equipment	3,923,697			2,981,230		6,904,927	6,794,067	
Less accumulated depreciation	(1,687,946)			(470,572)		(2,158,518)	(2,000,800)	
Total property and equipment	2,776,901			2,610,658		5,387,559	5,434,417	
Total assets	\$ 4,518,645	\$ 3,121,973	\$ 5,210,237	\$ 12,485,149	\$ (795,262)	\$ 24,540,742	\$ 25,880,710	

	Undesignated Fund	Group Health Benefit Fund	Pension & Benefits Fund	Designated Fund	Eliminations	Total All Funds
						2008
						2007
LIABILITIES						
Current liabilities						
Trade payables	\$ 311,202	\$ 7,869	\$	\$ 1,372	\$	\$ 320,443
Unearned premiums		356,093				356,093
Interfund payables	707,921		2,157	85,184	(795,262)	
Other current liabilities	72,055					72,055
Current portion of long-term debt	36,924					36,924
Current portion of Group Health Benefit Plan obligations		904,553				904,553
Total current liabilities	1,128,102	1,268,515	2,157	86,556	(795,262)	1,690,068
Long-term liabilities						
Note payable, net of current portion	156,449					156,449
Group Health Benefit Plan obligations, net of current portion		13,524,660				13,524,660
Total long-term liabilities	156,449	13,524,660				13,681,109
Total liabilities	1,284,551	14,793,175	2,157	86,556	(795,262)	15,371,177
NET ASSETS (DEFICIT)						
Permanently restricted				2,137,529		2,137,529
Temporarily restricted	24,768			4,322,312		4,347,080
Unrestricted - designated	2,784,635	(11,671,202)	5,208,080	5,899,118		2,220,631
Unrestricted - undesignated	424,691			39,634		464,325
Total net assets (deficit)	3,234,094	(11,671,202)	5,208,080	12,398,593		9,169,565
Total liabilities and net assets	\$ 4,518,645	\$ 3,121,973	\$ 5,210,237	\$ 12,485,149	\$ (795,262)	\$ 24,540,742
						\$ 25,880,710

The accompanying notes are an integral part of the financial statements.

WISCONSIN ANNUAL CONFERENCE, THE UNITED METHODIST CHURCH, SUN PRAIRIE, WISCONSIN
STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS FOR THE YEARS ENDED DECEMBER 31

	Unrestricted net assets		Group Health		Pension & Designated		Eliminations		Total All Funds	
	Fund	Benefit Fund	Benefit Fund	Fund	Benefit Fund	Fund		2008	2007	
Support and revenue	\$ 6,914,165	\$ 687,000	\$	\$	\$	\$ 88,804	\$ (687,000)	\$ 6,914,165	\$ 7,017,784	
Apportionments	11,334							100,138	135,007	
Other support								151,029	151,029	
Medicare Part D Subsidy								600,099	600,099	
Healthflex performance dividend								924,581	932,609	
Camping fees	924,581							93,155	156,893	
Youth event fees	93,155							8,285,950	8,273,076	
Service fees	245,933		5,251,514	2,788,103	400			272,466	242,466	
Interest and dividends	9,939		40,718	3,522	218,777			(3,081,110)	447,547	
Net gains (losses) on investments			66,982	(1,511,067)	(1,637,025)			4,440	(89,164)	
Net gain (loss) on sale of fixed assets	4,440							21,317	15,697	
Sundry	10,483		10,001	833				1,209,374	1,097,865	
Advances and gifts designated by donors for specific organizations	1,209,374							(1,209,374)	(1,097,865)	
Less advances and gifts remitted to those organizations	(1,209,374)							537,973	571,882	
Net assets released from restriction	369,015				168,958					
Total support and revenue	8,583,045	6,056,215	1,281,391	(1,160,086)	(687,000)			14,073,565	18,454,925	
Expenses										
Circuit and Local Congregational Development										
Board of Congregation and Circuit Development	864,564			26,792				891,356	1,077,047	
Circuit Ministries	49,380							49,380	39,801	
Ethnic Local Church Concerns	34,861			44				35,019	35,019	
District Superintendents	804,636							804,636	811,128	
Other Circuit and Local Congregational Development	5,240			1,396				6,636	13,461	
Total Circuit and Local Congregational Development	1,758,681			28,232				1,786,913	1,976,456	
Local Congregation Direct Support										
Communications and Technology	203,184							203,184	248,330	
Moving Director	220,365							220,365	215,613	
Other Local Congregation Direct Support	19,336							19,336	2,356	
Total Local Congregation Direct Support	442,885							442,885	466,299	
Clergy and Lay Leadership										
Africa University General Church Fund	29,535							29,535	30,599	
Black College General Church Fund	133,743							133,743	138,566	
Board of Higher Education & Student Ministry	96,554			600				97,154	107,372	
Board of Ordained Ministry	115,045			56,622				171,667	221,127	
Ministerial Education General Church Fund	335,874							335,874	347,984	
Joint Board of Pensions, Insurance & Equitable Compensation	805,516						(687,000)	118,516	127,882	

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	Undesignated Fund	Group Health Benefit Fund	Pension & Benefits Fund	Designated Fund	Eliminations	Total All Funds
						2008
						2007
Benefit Plans						
Change in Unfunded Liability		5,722,270	1,124,458	50,161		6,896,889
Council on Youth Ministries	102,075	(9,774,432)				(9,774,432)
Other Clergy and Lay Leadership	45,523			15,700		117,775
Total Clergy and Lay Leadership	1,663,865	(4,052,162)	1,124,458	3,034	(687,000)	48,557
						7,885,076
Connectional Ministries						
Board of Camps and Retreat Ministries	1,226,433			93,984		1,320,417
Board of Global Ministries	258,332			109,602		367,934
Commission on Christian Unity and Interreligious Concerns	63,288					63,288
Episcopal General Church Fund	270,268					270,268
Interdenominational Cooperation General Church Fund	26,528					26,528
Jurisdictional Conference Fund	13,097					13,097
Personnel Committee	1,053,164					1,053,164
Program and Arrangements	98,471					98,471
World Service General Church Fund	1,033,448					1,033,448
Other Connectional Ministries	53,287					74,496
Total Connectional Ministries	4,096,316			21,209		4,321,111
Conference Support Ministries						
Board of Trustees	215,582					215,582
Conference Office	168,995					168,995
Council on Finance & Administration	56,341			528		56,869
Episcopal Office	120,673			14,714		135,387
General Administration General Church Fund	90,975					90,975
Other Conference Support Ministries	48,129			3,434		51,563
Total Conference Support Ministries	700,695			18,676		719,371
Total expenses	8,662,442	(4,052,162)	1,124,458	397,820	(687,000)	5,445,558
Transfers of unrestricted-designated funds	48,208			(48,208)		
Change in unrestricted net assets	(31,189)	10,108,377	156,933	(1,606,114)		8,628,007
Temporarily restricted net assets						
Contributions and investment earnings	146,287			195,375		341,662
Net assets released from restriction	(369,015)			(168,958)		(537,973)
Transfers of temporarily restricted funds	232,825			(232,825)		
Change in temporarily restricted net assets	10,097			(206,408)		(196,311)
Permanently restricted net assets						
Contributions and investment earnings				897		897
Change in permanently restricted net assets				897		897
Change in net assets	(21,092)	10,108,377	156,933	(1,811,625)		8,432,593
Net assets (deficit) - beginning of year	3,255,186	(21,779,579)	5,051,147	14,210,218		736,972
Net assets (deficit) - end of year	\$ 3,234,094	\$ (11,671,202)	\$ 5,208,080	\$ 12,398,593	\$	\$ 9,169,565
						\$ 736,972

WISCONSIN ANNUAL CONFERENCE, THE UNITED METHODIST CHURCH

Sun Prairie, Wisconsin

STATEMENTS OF CASH FLOWS

For the Years Ended December 31

	Undesignated Fund	Group Health Benefit Fund	Pension & Benefits Fund	Designated Fund	Total All Funds
	2008	2007	2008	2007	2008
CASH FLOWS FROM OPERATING ACTIVITIES:					
Change in net assets	\$ (21,092)	\$ 10,108,377	\$ 156,933	\$ (1,811,625)	\$ 8,432,593
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:					
Depreciation	118,659			78,831	195,253
Donated property					118,000
Forgiveness of debt					79,854
Net (gains) losses on investments		(66,982)	1,511,067	1,794,386	3,238,471
Investment earnings reinvested				(227,519)	(227,519)
Net (gain) loss on disposal of fixed assets	(4,440)				(4,440)
Changes in assets and liabilities:					
Due from local churches	(40,079)		(2,430)		(42,509)
Interfund receivables	110,644	49,059		(79,456)	80,247
Other assets	(73,250)	128,455	2,572	13,526	71,303
Trade payables	10,878	3,561		(5,387)	9,052
Group Health Benefit Plan obligations		(9,774,432)			(9,774,432)
Unearned premiums	30,623	20,527		(99,094)	20,527
Interfund payables	7,350		(11,776)		(80,247)
Other current liabilities					7,350
Net cash provided by (used in) operating activities	139,293	468,565	1,656,366	(336,338)	1,927,886
					2,742,304

	Undesignated Fund	Group Health Benefit Fund	Pension & Benefits Fund	Designated Fund	Total All Funds
	2008	2007	2008	2007	2008
CASH FLOWS FROM INVESTING ACTIVITIES:					
Proceeds from sales and maturities of investment securities			1,116,032	1,164,761	2,280,793
Purchase of investment securities		(1,500,000)	(2,763,069)	(499,976)	(4,763,045)
Payments received on notes and mortgage receivables	3,250			198,726	201,976
Notes and mortgage issued				(479,926)	(479,926)
Proceeds from sales of property and equipment	7,625				7,625
Purchase/receipt of property and equipment	(138,363)			(15,454)	(153,817)
Net cash provided by (used in) investing activities	(127,488)	(1,500,000)	(1,647,037)	368,131	(2,906,394)
	<u>(35,058)</u>				<u>(35,058)</u>
	<u>(35,058)</u>				<u>(35,058)</u>
	(23,253)	(1,031,435)	9,329	31,793	(1,013,566)
Cash and cash equivalents - beginning of year	529,020	1,898,705	101,307	145,158	2,674,190
Cash and cash equivalents - end of year	<u>\$ 505,767</u>	<u>\$ 867,270</u>	<u>\$ 110,636</u>	<u>\$ 176,951</u>	<u>\$ 1,660,624</u>
					<u>\$ 2,674,190</u>

CASH FLOWS FROM FINANCING ACTIVITIES:

Net payments on long-term debt					
Net cash used in financing activities					
Net change in cash and cash equivalents					
Cash and cash equivalents - beginning of year					
Cash and cash equivalents - end of year					

SUPPLEMENTAL INFORMATION:

Cash paid for interest	\$ 10,924	\$	\$	\$ 10,924	\$ 12,606
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The accompanying notes are an integral part of the financial statements.

**WISCONSIN ANNUAL CONFERENCE
THE UNITED METHODIST CHURCH**
Sun Prairie, Wisconsin

NOTES TO FINANCIAL STATEMENTS

**NOTE 1: INFORMATION ABOUT THE ORGANIZATION AND SUMMARY OF
SIGNIFICANT ACCOUNTING POLICIES**

A. NATURE OF ACTIVITIES

The Wisconsin Annual Conference of The United Methodist Church accepts apportionments from United Methodist churches in Wisconsin and distributes monies to General Conference agencies for national and international programs, Wisconsin Annual Conference agencies for local programs, and to other charitable organizations.

To ensure observance of limitations and restrictions placed on the use of resources available to the Conference, its accounts are maintained in accordance with the principles of fund accounting. Resources of various purposes are classified for accounting and reporting purposes into funds established according to their nature and purposes. Separate accounts are maintained for each fund.

The Undesignated Fund represents amounts received primarily from apportionments and pass-through donations and is expended for purposes set forth in the annual budget adopted by the Conference or by the donor.

The Designated Fund includes amounts to be used for specified purposes as determined by donors or conference agencies.

The Group Health Benefit Fund records the receipt from local churches and individuals and the Wisconsin Annual Conference payment to the General Board of Pension and Health Benefits (for the active plan) and a third-party administrator (for the retiree plan) of premiums for the Wisconsin Annual Conference Group Health Plan. This plan provides health insurance benefits to eligible active lay employees and clergy of the Wisconsin Annual Conference, participating local churches, certain agencies or institutions of the United Methodist Church, and to eligible retired individuals and surviving spouses of the participating individuals.

The Pension and Benefits Fund records the receipt from local churches and the Wisconsin Annual Conference payment to the General Board of Pension and Health Benefits of contributions to the Clergy Retirement Security Program (CRSP) and the Comprehensive Protection Plan (CPP), the denominational pension plan and death and disability plan for clergy.

B. INTERFUND ACTIVITY

For financial reporting purposes, interfund receivables and payables, as well as interfund revenues and expenses, have been eliminated.

C. CASH AND CASH EQUIVALENTS

For the statements of cash flows, the Conference considers cash accounts which are not subject to withdrawal restrictions or penalties and highly liquid debt instruments purchased with an initial maturity of three months or less to be cash equivalents.

D. DUE FROM LOCAL CHURCHES

Apportionments received between year-end and a specified cut-off date in mid January of the following year that are specifically designated by churches for the previous year are treated as prior year apportionments and as receivables at year-end.

E. INVESTMENTS

Securities are carried at fair market value. Gains or losses on the sale of debt and equity securities are computed using the specific identification method.

F. PROPERTY AND EQUIPMENT

Equipment is stated at cost. Real estate, except camps, is carried at cost if purchased, and at market value at date of receipt if donated. Conference camps are carried at appraised value as of February 26, 1976, the earliest date for which information is available, plus additions since that date at cost. Buildings and improvements are being depreciated over seven to fifty-year periods using the straight-line depreciation method. Equipment is being depreciated over its estimated useful life using the straight-line depreciation method.

G. UNEARNED PREMIUMS

Unearned premiums represent premiums collected prior to year end that relate to coverage periods subsequent to year end. Health insurance premiums are billed to participants one month in advance of the coverage month. Clergy Retirement Security Program contributions and Comprehensive Protection Plan premiums are billed to participants during the month earned/covered.

H. CLASSIFICATIONS OF NET ASSETS

Statement of Financial Accounting Standard No. 117 requires the Conference to report its net assets and changes therein in the following categories:

Unrestricted Net Assets - Unrestricted net assets represent resources that are generally available for support of the Conference's activities. Amounts that have been earmarked for a specific purpose by one of the Conference's boards are reported as unrestricted-designated.

Temporarily Restricted Net Assets - The Conference reports gifts of cash and other assets as temporarily restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restriction.

Permanently Restricted Net Assets - The Conference reports gifts of cash and other assets as permanently restricted support if they are received with donor stipulations that limit usage to earnings only.

I. INCOME TAXES

Wisconsin Annual Conference is exempt from federal and state income taxation under Internal Revenue Code Section 501(c)(3).

J. USE OF ESTIMATES

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the

date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

K. RECLASSIFICATIONS

For comparability purposes, certain 2007 amounts have been reclassified to be consistent with 2008.

L. ACCOUNTING FOR UNCERTAINTY IN INCOME TAXES

In December 2008, the Financial Accounting Standards Board issued FASB Staff Position (FSP) FIN 48-3, "Effective Date of FASB Interpretation No. 48 for Certain Nonpublic Enterprises." FSP FIN 48-3 permits an entity within its scope to defer the effective date of FASB Interpretation 48 (Interpretation 48), Accounting for Uncertainty in Income Taxes, to its annual financial statements for fiscal years beginning after December 15, 2008. The Conference has elected to defer the application of Interpretation 48 for the year ending December 31, 2008. The Conference evaluates its uncertain tax positions using the provisions of FASB Statement 5, Accounting for Contingencies. Accordingly, a loss contingency is recognized when it is probable that a liability has been incurred as of the date of the financial statements and the amount of the loss can be reasonably estimated. The amount recognized is subject to estimate and management judgment with respect to the likely outcome of each uncertain tax position. The amount that is ultimately sustained for an individual uncertain tax position or for all uncertain tax positions in the aggregate could differ from the amount recognized.

M. FAIR VALUE MEASUREMENT

Effective January 1, 2008, the Conference adopted Statement of Financial Accounting Standards No. 157, Fair Value Measurements (SFAS No. 157). In February 2008, the Financial Accounting Standards Board (FASB) issued FASB Staff Position No. FAS 157 2, Effective Date of FASB Statement No. 157, which provides a one-year deferral of the effective date of SFAS 157 for non-financial assets and non-financial liabilities, except those that are recognized or disclosed in the financial statements at fair value at least annually. Therefore, the Conference has adopted the provisions of SFAS No. 157 with respect to its financial assets and liabilities only. SFAS No. 157 defines fair value, establishes a framework for measuring fair value under generally accepted accounting principles and enhances disclosures about fair value measurements. Fair value is defined under SFAS No. 157 as the price that would be received to sell an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. Valuation techniques used to measure fair value under SFAS No. 157 must maximize the use of observable inputs and minimize the use of unobservable inputs. The standard describes a fair value hierarchy based on three levels of inputs, of which the first two are considered observable and the last unobservable, that may be used to measure fair value which are the following:

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- Level One - Quoted prices in active markets for identical assets or liabilities.
- Level Two - Inputs other than Level One that are observable, either directly or indirectly, such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities.
- Level Three - Unobservable inputs that are supported by little or no market activity and are significant to the fair value of the assets or liabilities.

The following table summarizes financial assets, by SFAS No. 157 levels, as of December 31, 2008:

	Level 3	Total Investments
Investments with foundation	\$8,640,852	\$8,640,852
Deposits held by General Board of Pension and Health Benefits (GBPFB)	6,655,430	6,655,430
	\$15,296,282	\$15,296,282

Fair value for investments were determined by the Wisconsin United Methodist Foundation and the General Board of Pension and Health Benefits. These fair values were supported by the audited financial statements, which are considered Level 3 inputs. The audited financial statements of the Wisconsin United Methodist Foundation classify all of the investments held as Level 1 inputs. The audited financial statements of the General Board of Pension and Health Benefits have 48.3% of their investments classified as Level 1 inputs, 34.2% classified as Level 2 inputs, and 17.5% classified as Level 3 inputs.

The following table summarizes the changes in fair values associated with SFAS 157 Level 3 financial assets:

	Investments With Foundation	Deposits With the GBPFB	Total
Balance as of December 31, 2007	\$10,872,504	\$4,952,478	\$15,824,982
Purchases and (sales) - net	(664,785)	3,147,037	2,482,252
Income earned	227,519		227,519
Net losses on investments	(1,794,386)	(1,444,085)	(3,238,471)
Balance as of December 31, 2008	\$8,640,852	\$6,655,430	\$15,296,282

NOTE 2: INVESTMENTS

The Wisconsin United Methodist Foundation, Inc. and the Conference are affiliated with The United Methodist Church. The Foundation maintains the investments it manages for various United Methodist groups on a pooled basis similar to a mutual fund. Details of the investments underlying the units owned are not available.

NOTE 3: PROPERTY AND EQUIPMENT

The following is a summary of property and equipment at carrying value at December 31:

	2008	2007
United Methodist Center, Sun Prairie	\$1,639,101	\$1,571,365
Camps (four)	4,694,594	4,661,096
Bishop's residence	212,191	212,191
Property held for sale	100,000	100,000
Sites held for church developments	541,150	541,150
Vehicles	96,576	92,019
Furniture and equipment	255,733	239,929
Computer software	6,732	17,467
	7,546,077	7,435,217
Less accumulated depreciation	(2,158,518)	(2,000,800)
Net	\$5,387,559	\$5,434,417

NOTE 4: CONTINGENCIES AND CREDIT RISK

Most loans receivable are due from local churches within the Conference. The ability to repay the loans is contingent upon member contributions.

The Conference maintains its cash in bank deposit accounts which, at times, may exceed federally insured limits. The Conference has not experienced any losses in such accounts, and believes it is not exposed to any significant credit risk on cash and cash equivalents.

The Conference invests in various investment securities. Investment securities are exposed to various risks such as interest rate, market, and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such changes could materially affect the amounts reported in the Statements of Financial Position.

NOTE 5: LINE OF CREDIT

The Conference has a \$500,000 line of credit available at the prime rate of interest (3.25% at December 31, 2008) with First Business Bank. There were no amounts drawn on the line of credit during 2008 and as of December 31, 2008 and 2007.

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NOTE 6: NOTE PAYABLE

Note payable consisted of the following at December 31:

	2008	2007
Note payable to the Wisconsin United Methodist Foundation with 5.125% interest rate. Monthly principal and interest payments of \$3,832 are payable through September 2013, with a final payment due on October 10, 2013. Beginning on October 1, 2008, the interest rate is adjusted annually based on the note agreement. The note is secured by all property and equipment of the Wisconsin Annual Conference.	\$193,373	\$228,431
Less current portion	36,924	35,053
Long-term portion of note payable	<u>\$156,449</u>	<u>\$193,378</u>

Interest expense was \$10,924 and \$12,606 for the years ended December 31, 2008 and 2007, respectively.

Future maturities of long-term debt as of December 31, 2008, are as follows:

Year ending December 31	
2009	\$36,924
2010	38,862
2011	40,901
2012	43,037
2013	33,649
	<u>\$193,373</u>

NOTE 7: BENEFITS

The Conference provides health insurance coverage for eligible clergy and lay employees who have retired from the Conference or its local churches and their surviving spouses. The cost to the Conference for its share of the current coverage was \$587,000 and \$630,000 for the years ended December 31, 2008 and 2007, respectively. Generally accepted accounting principles require that expense related to the retirement benefit be recorded over the period of employment of the employee and that a liability be recorded for future coverage related to past service by current and retired employees. The Conference has recorded the liability for future coverage related to past service at \$14,429,213 and \$24,203,645 as of December 31, 2008 and 2007, respectively, based on the actuarial opinion received. The current portion of the liability is \$904,553 and \$1,120,189 for the years ended December 31, 2008 and 2007, respectively.

The significant decrease in the liability resulted from decreases to the benefits provided by the retiree health insurance plan that were approved at the 2008 session of the Wisconsin Annual Conference. These benefit changes include eliminating supplemental funding for individuals who are not eligible as of December 31, 2009, reducing the maximum share of the cost paid by the Conference from 65 percent to 50 percent, and limiting the cost paid by the Conference to \$3,000 per year per participant.

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The following weighted-average assumptions were used in accounting for the benefit obligation at December 31, 2008 and 2007:

	2008	2007
Discount rate	6.00%	6.00%
Valuation year medical trend	9.00%	12.00%
Ultimate medical trend	5.00%	5.00%
Ultimate medical trend reached in	2017	2014

The following benefits are expected to be paid:

2009	\$904,553
2010	905,649
2011	913,485
2012	949,806
2013	986,231
Years 2014-2018	5,856,569

NOTE 8: CLERGY RETIREMENT SECURITY PROGRAM

The Conference participates in the Clergy Retirement Security Program, a multi-employer, hybrid defined contribution/defined benefit pension plan that is administered by the General Board of Pension and Health Benefits. This plan covers substantially all United Methodist clergy for service with the Conference on or after January 1, 2007.

The Clergy Retirement Security Program has two components: the defined contribution portion and the defined benefit portion.

Defined Contribution Component

Contributions to the defined contribution portion of the Clergy Retirement Security Program are based upon a percentage of participants' compensation. Retirement benefits provided will be in the form of annuity contracts, which will be based upon past contributions plus accumulated earnings. There are no unfunded prior service costs for the defined contribution portion of the plan.

Defined Benefit Component

The legal status of the defined benefit component of the Clergy Retirement Security Program is such that all assets are available to pay all defined benefits, regardless of the annual conference from which benefits came or under which benefits were accrued. The Wisconsin Annual Conference does not control any of the benefit provisions of the plan; these are determined by the General Conference of the United Methodist Church. Retirement benefits provided will be in the form of annuity contracts, which will be based upon years of service.

The required contributions for December 31, 2008 and 2007, respectively, of \$1,910,589 and \$1,818,355 were paid through a redirection of surplus from Supplement One to the Clergy Retirement Security Program ("Pre 1982 Plan").

NOTE 9: SUPPLEMENT ONE TO THE CLERGY RETIREMENT SECURITY PROGRAM

The Conference participates in Supplement One to the Clergy Retirement Security Program, which is administered by the General Board of Pension and Health Benefits. This plan covers substantially all United Methodist clergy for service with the Conference or its predecessors before January 1, 1982. The legal status of the plan is such that all assets of the plan are available to pay all benefits of the plan, regardless of the annual conference from which benefits came or under which benefits were accrued. The Wisconsin Annual Conference controls certain benefit provisions of the plan, including the applicable past service rate and the contingent annuitant percentage. The past service rate was \$628 and \$614 as of January 1, 2009 and 2008, respectively. The contingent annuitant percentage has been 100% since January 1, 1999, and cannot be changed.

The Conference assets, Conference liability, Conference funded status, and required contribution are disclosed below. In order to determine the required contribution for each Conference, the total available assets are allocated amongst all the Conferences. The difference between the Conference liability and Conference assets provides the funded status for the Conference. If a negative funded status exists, a contribution is required. Due to investment market performance in 2008, management believes that it is reasonably possible that the funded status will be negative in the near future and contributions may be required to be paid beginning December 31, 2011. However, the amount of the negative funded status and possible required contributions are not determinable at this time.

Below is a summary of the applicable plan information as of January 1:

	2009	2008
Conference assets	\$72,036,516	\$68,156,484
Conference liability	(55,913,180)	(56,005,298)
Funded status	16,123,336	12,151,186

The Conference liability for 2009 and 2008 was determined based on a 7.0% interest rate, a 3% past service rate increase, and the RP-2000 Mortality Table.

NOTE 10: RESTRICTED/DESIGNATED NET ASSETS

Permanently restricted net assets at December 31, 2008, were restricted by donors for the following purposes:

	Designated Fund
Camp & Retreat Ministries	\$487,041
Congregation & Circuit Development	1,241,964
Other Global Ministries	113,799
Higher Education & Student Ministries	294,725
	<u>\$2,137,529</u>

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Permanently restricted net assets at December 31, 2007, were restricted by donors for the following purposes:

	Designated Fund
Camp & Retreat Ministries	\$486,485
Congregation & Circuit Development	1,241,710
Other Global Ministries	113,798
Higher Education & Student Ministries	294,639
	\$2,136,632

Due to investment market performance during 2008, the fair value of certain investments held by the Conference decreased to an amount less than the amount that had been permanently restricted by donors. The aggregate amount of these deficiencies at December 31, 2008, was \$231,956.

Temporarily restricted net assets at December 31, 2008, were restricted by donors for the following purposes:

	Undesignated Fund	Designated Fund
Camp & Retreat Ministries	\$	\$82,965
Congregation & Circuit Development		6,973
Disaster Recovery		212,138
Other Global Ministries		41,042
Higher Education & Student Ministries		1,562
Pensions & Health Insurance		3,613,239
Other ministries	24,768	364,393
	\$24,768	\$4,322,312

Temporarily restricted net assets at December 31, 2007, were restricted by donors for the following purposes:

	Undesignated Fund	Designated Fund
Camp & Retreat Ministries	\$	\$131,948
Congregation & Circuit Development		76,117
Disaster Recovery	3,110	128,245
Other Global Ministries		41,262
Pensions & Health Insurance		3,794,627
Other ministries	11,561	356,520
	\$14,671	\$4,528,719

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Designated net assets at December 31, 2008, were designated by the Conference for the following purposes:

	Undesignated Fund	Group Health Benefit Fund	Pension & Benefits Fund	Designated Fund
Fixed assets	\$2,776,901	\$	\$	\$2,610,658
Camp & Retreat Ministries				270,602
Congregation & Circuit Development				2,022,910
Other Global Ministries				106,340
Pre-82 Pension Plan			3,254,353	
Other Pensions & Health Insurance		(11,671,202)	1,953,727	(194,524)
Ordained Ministry				228,356
Trustees				589,458
Other ministries	7,734			265,318
	\$2,784,635	\$(11,671,202)	\$5,208,080	\$5,899,118

Designated net assets at December 31, 2007, were designated by the Conference for the following purposes:

	Undesignated Fund	Group Health Benefit Fund	Pension & Benefits Fund	Designated Fund
Fixed assets	\$2,760,381	\$	\$	\$2,674,036
Camp & Retreat Ministries				397,365
Congregation & Circuit Development				2,342,267
Other Global Ministries				154,599
Pre-82 Pension Plan			1,551,355	
Other Pensions & Health Insurance		(21,779,579)	3,499,792	495,645
Ordained Ministry				277,106
Trustees	60,858			791,921
Other ministries	(765)			374,004
	\$2,820,474	\$(21,779,579)	\$5,051,147	\$7,506,943

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Temporarily restricted net assets were released from donor restrictions for the following purposes during 2008:

	Undesignated Fund	Designated Fund
Camp & Retreat Ministries	\$12,580	\$15,684
Congregation & Circuit Development	31,503	1,000
Disaster Recovery	1,109	106,410
Other Global Ministries	809	2,902
Higher Education & Student Ministries		600
Pensions & Health Insurance	284,000	
Other ministries	39,014	42,362
	<u>\$369,015</u>	<u>\$168,958</u>

Temporarily restricted net assets were released from donor restrictions for the following purposes during 2007:

	Undesignated Fund	Designated Fund
Camp & Retreat Ministries	\$35,526	\$67,133
Congregation & Circuit Development	71,652	24,979
Disaster Recovery	92,275	11,098
Other Global Ministries	1,083	1,604
Higher Education & Student Ministries		1,400
Pensions & Health Insurance	179,000	
Other ministries	42,533	43,599
	<u>\$422,069</u>	<u>\$149,813</u>

NOTE 11: ENDOWMENT AND OTHER RESTRICTIONS ON NET ASSETS

The Conference's endowments consist of 27 individual funds, valued at \$6,427,639 and established for a variety of purposes. Its endowments include both donor-restricted endowment funds and funds designated by the Wisconsin Annual Conference or individual Conference Boards to function as endowments. As required by generally accepted accounting principles, net assets associated with endowment funds, including funds designated by the Wisconsin Annual Conference or one of its Boards to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

The Conference follows the Uniform Management of Institutional Funds Act of 1972 (UMIFA) and its own governing documents. UMIFA requires the historical dollar amount of a donor-restricted endowment fund to be preserved. In the absence of donor restrictions, the net appreciation on a donor-restricted endowment fund is spendable under UMIFA.

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The Conference's endowment spending policies vary by individual fund. For \$4,113,428 of these funds, the Conference appropriates for distribution each year 5% of the fair market value of the fund as of December 31 one year prior to the year in which the distribution is planned. For these funds, the Conference expects that, over the long term, this will allow these funds to maintain their purchasing power.

For \$1,294,469 of these funds, only the income earnings are spent each year. Over the long term, this is expected to allow these funds to build their purchasing power.

For \$1,019,572 of these funds, funds are appropriated only as needed and believed to be prudent by the Conference Board that oversees that fund. This spending policy allows the Conference Board more flexibility in the timing of expenditures and ensures that necessary expenditures can be made in accordance with Conference policy.

For donor-restricted funds, total expenditures are limited to the total earnings and investment gains of the funds (i.e., principal is not spent). For board-designated funds, principal may be spent.

To achieve the above objectives, the Conference invests all its endowment funds with the Wisconsin United Methodist Foundation in funds that target a diversified asset allocation, including equity and debt securities, to achieve long-term return objectives within prudent risk constraints. The Conference relies on a total return strategy in which investment returns are achieved through both capital appreciation and current earnings (interest and dividends).

Endowment net asset composition by type of fund as of December 31, 2008, is as follows:

	Permanently Restricted	Temporarily Restricted	Unrestricted, Designated	Total
Donor-restricted endowment funds	\$2,124,012	\$10,946	\$(148,943)	\$1,986,015
Unrestricted board-designated endowment funds		3,683,710	757,744	4,441,454
Total Funds	\$2,124,012	\$3,694,656	\$608,801	\$6,427,469

Changes in endowment net assets for the year ended December 31, 2008, are as follows:

	Permanently Restricted	Temporarily Restricted	Unrestricted, Designated	Total
Beginning balance	\$2,132,480	\$3,993,012	\$1,745,418	\$7,870,910
Contributions	3,032	10,372		13,404
Investment income		42,028	125,606	167,634
Net appreciation (depreciation)		(157,361)	(1,192,263)	(1,349,624)
Amounts appropriated for expenditure		(193,395)	(69,960)	(263,355)
Other changes	(11,500)			(11,500)
Ending balance	\$2,124,012	\$3,694,656	\$608,801	\$6,427,469