

## **Council on Finance and Administration**

### **Report No. 1 - ORGANIZATIONAL STRUCTURE**

Purpose: To develop, maintain, and administer a comprehensive and coordinated plan of fiscal and administrative policies, procedures, and management services for the Alabama-West Florida Conference.

1. The Council on Finance and Administration (CFA) shall be organized in accordance with paragraph 610 and 611 of the *2016 Book of Discipline of the United Methodist Church* and Standing Rule No. 35 in the *2016 Journal of the Alabama-West Florida Conference*.
2. The Council on Finance and Administration (CFA) shall meet prior to Annual Conference and during session as needed. A fall and winter/spring meeting of CFA shall be held. The president of the Council may call other meetings.
3. All persons interested in presenting a request to CFA are invited to do so or to attend any of the Council meetings. All Council meetings shall be open to all interested persons, except when, by majority vote, the council elects to meet in executive session.
4. The Committee on Investments within CFA shall be responsible for reviewing, approving, and supervising all banking relationships of CFA with special attention given to investments including those of conference agencies.
5. The Committee on Audit and Review within CFA shall have responsibility for reviewing audits of all agencies receiving funds from the Annual Conference.
6. The Regions Bank shall be designated to serve as the conference depository to receive funds and keep specified records.

### **Report No. 2 - CONFERENCE OFFICERS**

The Council on Finance and Administration shall be responsible for budgeting and for the work of the conference officers as listed in Standing Rule No.2.

#### **A. Conference Secretary**

The conference secretary fulfills the responsibilities prescribed by the *2016 Book of Discipline of the United Methodist Church* and the Standing Rules of the Alabama-West Florida Conference.

#### **B. Conference Fiscal Officer and the Fiscal Office**

1. The responsibilities of the Fiscal Office shall include: Conference Treasurer/ Director of Administrative Services; Statistician; Conference Benefits Officer and Executive Secretary of the Conference Board of Pension and Health Benefits; and

other responsibilities assigned by the Council on Finance and Administration.

2. The Fiscal Officer shall keep records, make reports, and handle all financial transactions of all conference agencies.
3. The Fiscal Office shall prepare reports as required by the Council on Finance and Administration (CFA), and mail copies to persons who may need such reports.
4. All apportioned district and conference funds shall be channeled through Regions Bank and records kept by the Fiscal Office of the Conference.
5. The Fiscal Office shall disburse all checks pertaining to every fund and keep proper files of the copies of the check orders from the secretaries authorizing the issue of such checks. Copies of the checks issued shall be filed after having been charged against the account upon which they have been drawn.
6. The Fiscal Office shall tabulate, church by church, fund by fund, the information given on the remittance blanks for the conference depository.

#### C. Journal Editor - Conference Journal and Brochure of Reports

1. The Journal Editor shall chair the Editorial Committee (Standing Rule No. 15), and be responsible for the publication and distribution of the Annual Conference *Journal* and the *Book of Reports* for the Annual Conference.
2. All boards, commissions, committees and other agencies submitting reports to be included in the Book of Reports must have the reports in the hands of the editor no later than the last Monday in February.
3. The Journal Editor shall have authority to edit reports but not to change the meaning of any part of any report.
4. Standing Rule No. 15 shall be followed in distributing the *Book of Reports*. It shall be the responsibility of the district superintendents to supply the names and addresses of lay members no later than the last Monday of February. Additional copies shall be made available to the conference registrar.
5. All memoirs (including photographs) must be in the hands of the editor by the closing of the last business session of the annual conference. Responsibility for this material shall reside with the Commission on Archives and History.
6. All material to be included in the *Journal* (other than those in 5 above) must be in hands of the editor not later than ten (10) working days after the close of the Annual Conference.

7. The Annual Conference *Journal* shall be distributed according to Standing Rule No. 15. Instructions for ordering the *Journal* will be provided in the *Book of Reports*.

#### D. Conference Registrar and Registration Policies

1. The Conference Registrar shall have full responsibility for interpreting the eligibility of those covered under Standing Rule No. 8 for entertainment at the Annual Conference Session. This may be appealed to the Council on Finance and Administration.
2. The Conference Registrar shall supervise registration of and assignment of rooms to Annual Conference delegates and handle calls for persons attending sessions.
3. Chairpersons of boards and agencies who are not elected delegates and attend the Annual Conference in order to give reports shall have their expenses paid by their own board or agency.
4. All physical preparation for Annual Conference shall be under the Registrar's supervision in cooperation with the Dais Committee, Worship Committee, and host facility staff.
5. No materials will be allowed on the registration table other than that necessary for registration. Other arrangements should be made to distribute materials through the site manager.
6. Use of dining halls, rooms, or areas shall be determined by the site manager. Fees for dining rooms shall be paid by the group using such rooms.
7. Space and/or rooms to be used for displays shall be assigned by the site manager and no other. Space shall be assigned on a first come basis.
8. Commercial displays will be allowed only in a room assigned and publicized for this purpose, with the exception of Cokesbury, which will continue to have a room assigned only to it.
9. Special needs, such as hymnals, altar furnishings, projectors, etc., shall be arranged through the site manager at least two weeks before conference. Needs arising during Annual Conference, which could not be anticipated, will also be arranged through the site manager.

### **Report No. 3 - BONDING REQUIREMENTS**

Paragraph 618.1 of the *2016 Book of Discipline of the United Methodist Church* gives CFA responsibility for the fidelity bonding of the conference treasurer. CFA recommends that the present policy of bonding be continued through the United Methodist Insurance. Paragraph 618.2 of the *2016 Book of Discipline of the United Methodist Church* gives CFA the responsibility of requiring all agencies and boards for which the conference treasurer does not serve as treasurer to have fidelity bonding in such amounts as it deems adequate.

In order to avoid the depositing of conference funds in any one bank in excess of the insured limits, CFA shall serve as the clearing house for all agencies in the Annual Conference making deposits in any bank, either savings or checking accounts. Bank accounts shall not be opened by any agency without approval by CFA. No agency shall permit the total amount deposited in anyone bank to exceed insured limits without CFA approval.

### **Report No. 4 - BUDGETING, FUNDING, and AUDITING PROCEDURES**

1. All boards and agencies are required to cooperate with the conference treasurer in the development of detailed financial reports of the income, expenditures, remaining balances, and audits.
2. Program budget requests shall follow the prescribed procedures established by the CORE Team.
3. Agencies may request, or be asked, to meet with CFA to clarify their budget request or report.
4. The Conference Resource Center and all boards and agencies receiving funds from conference benevolences with budget amounts approved by the Annual Conference shall be allowed to draw funds or make expenditures on a monthly basis as needed. Funds available monthly for the program boards will be those approved by the CORE Team from the available pool. Funds available for the Conference Resource Center will be based on the benevolence receipts of the current year. Agencies of the Annual Conference that require monthly support will receive 1/12 of the approved allocation each month. Any expenditure more than the amount approved by the CORE Team in any Conference program board account shall be cleared with the President of CFA and the Director of Connectional Ministries.
5. All expenditures from the Interest on Investments Account shall be approved by a majority vote of CFA.
6. Each Agency, whose records are not kept by the Fiscal Office, is required to bond its treasurer and provide a certificate of insurance to CFA. Such agency

shall provide a copy of its audit and other reports to CFA as deemed necessary by CFA. (Paragraphs 618.2 of the *2016 Book of Discipline of the United Methodist Church*) Reports to CFA shall be in such detail, and provided at such times, as the Council shall direct.

7. CFA may withhold conference funds from any agency or board that fails or refuses to present proper bonds or audits. Such withholding shall continue until proper requests are met.

8. An audit of the complete financial status of the Annual Conference shall be published in the *Conference Journal*.

### **Report No. 5 - ZERO-BASED BUDGETING**

The following proposal for “zero-based” budgeting is presented by the Council on Finance and Administration (the original proposal was adopted by the Conference on June 1, 1988):

1. All program area budgets of Annual Conference boards and agencies will begin the year with a zero balance.
2. The annual budgets for program boards and agencies shall be prepared on a “zero-base.” It is intended that all programs, projects and functions, old and new, be analyzed and reevaluated regularly and systematically by the CORE Team. Groups requesting budgeted funds shall be required to justify those requests in detail to explain why money is needed, specifically what it will be used for, the resulting benefits, and what would result if the request were denied.
3. At the end of the fiscal year, the unused balances for each board and agency shall be transferred to a reserve account, which shall be designated the “Mission and Ministry Fund.”
4. The Mission and Ministry Fund shall consist of the following:
  - a. Funds remaining in the CORE Team Missional Giving Fund at the end of the year;
  - b. Funds which may be budgeted for the Mission and Ministry Fund
  - c. Funds received from terminated activities which remain unused for those activities when transferred by the CORE Team
  - d. Interest earned from sources as may be provided by the Council on Finance and Administration
  - e. Funds from other sources that may be deposited by any board or agency or group within the Annual Conference.
5. Additional use of Mission and Ministry funds by program boards and agencies or for other program purposes of the Annual Conference shall be approved by a

majority vote of the CORE Team.

### **Report No. 6 - FUND RAISING and COLLECTION POLICIES**

CFA makes the following recommendations for those causes for which no funds are allocated:

1. That each local church observe World Communion Sunday, Human Relations Day, One Great Hour of Sharing, United Methodist Student Day, Peace with Justice Sunday, Native American Awareness Sunday, and Golden Cross Sunday and that special offerings be received or budgeted for these special days.
  
2. That our conference continue to give its hearty support to the Advance Special program at both the General and Conference levels. (See complete listing of approved Conference Advance Special programs in the Journal Report of the Board of Global Ministries or the General Conference data log of Mission Handbook.)
  
3. That the Alabama-West Florida Conference fully support the following programs and give sponsoring agencies permission to raise and receive funds, provided that there be no goals or quotas placed on local churches:
  - A. Blue Lake
    - 1) Camps for the underprivileged and special youth (Blue Lake Assembly Ground Trustees)
    - 2) United Methodist Women's Blue Lake Support
    - 3) Blue Lake Partner Program (Assembly Ground Trustees)
    - 4) "Camping Sunday" for Blue Lake improvement and volunteer recognition (Assembly Ground Trustees)
    - 5) 20in12 Blue Lake Campaign
    - 6) "Blue Lake Sunday" to help reduce debt at Blue Lake (Assembly Ground Trustees)
    - 7) "Each One Reach One" small group/Sunday School scholarship campaign for summer camp
  - B. Homes for the Aging
    - 1) "Fountain of Love Offering," for Homes for the Aging (primarily in February) (The Board of Global Ministries)
    - 2) Support for New Homes sponsored by Methodist Homes for the Aging
  - C. The White Christmas and fifth Sunday church school offerings for the Children's Home
  - D. Golden Cross Ministries (primarily on Mother's Day) (The Committee on Health and Welfare Ministries)
  - E. Youth Service Fund (United Methodist Youth)
  - F. Huntingdon College (Board of Higher Education)
  - G. Mobile Inner City Mission (Board of Global Ministries)

- H. United Methodist Men’s Kingdom Builders Project (Board of Laity)
- I. New Church Development Fund (Commission on New Congregational Development)
- J. Wesley Foundation
- K. Central Conference Pension Initiative (Board of Pension and Health Benefits)
- L. The Ark
- M. Mary Ellen’s Hearth (under United Methodist Children’s Home)
- N. Dumas Wesley
- O. Milk & Honey
- P. Bright Bridge Ministries

<b>Report No. 7 - APPORTIONMENTS</b>			
	<u>2020</u>	<u>2021</u>	<u>+/-</u>
<b>GENERAL CHURCH FUNDS</b>			
World Service	1,840,494	1,483,119	-19.42%
Ministerial Education Fund	621,633	464,516	-25.27%
Black College Fund	247,964	214,667	-13.43%
Africa University Fund	55,493	48,261	-13.03%
Episcopal Fund	545,045	595,528	9.26%
General Administration Fund	218,544	182,645	-16.43%
Interdenominational Coop. Fund	48,616	6,421	-86.79%
<b>SOUTHEASTERN JURISDICTIONAL FUND</b>			
SEJ Administration Fund	27,636	27,636	0.00%
<b>ANNUAL CONFERENCE FUNDS</b>			
Blue Lake Operation	192,960	150,000	-22.26%
Blue Lake Capital Improvement and Debt Retirement	135,425	0	-100.00%
Capital and Operating Fund (Trustees)	0	0	#DIV/0!
(1) Conference Administration Fund	566,000	553,000	-2.30%
(2) Conference Ministries	1,353,086	602,000	-55.51%
(3) Congregational Development	408,879	254,296	-37.81%
District Superintendents Fund	954,000	684,000	-28.30%
Equitable Compensation Fund	50,000	0	-100.00%
Homes for the Aging	64,450	40,000	-37.94%
Academy for Congregational Excellence	0	0	0.00%
<b>Higher Education</b>			
Huntingdon/Birmingham Southern College	558,765	279,383	-50.00%
Student Aid, Huntingdon College	221,805	110,903	-50.00%
Wesley Foundation/Campus Ministry	595,539	385,539	-35.26%
<b>Board of Pension and Health Benefits</b>			
Conference Claimants Fund	0	0	0.00%
Health Insurance Fund	900,000	900,000	0.00%
Board of Pension and Health Benefits	0	0	0.00%
<b>TOTAL CONFERENCE BUDGET</b>	<b><u>9,606,334</u></b>	<b><u>6,981,913</u></b>	<b>-27.32%</b>

<b>(1) Includes:</b>			
Archives and History	54,000	30,000	-44.44%
Board of Ordained Ministry	60,000	110,000	83.33%
Episcopal Office Expense	150,000	150,000	0.00%
Fiscal Office	162,000	128,000	-20.99%
Annual Conference Administration	130,000	130,000	0.00%
Moving Fund for Retirees	<u>10,000</u>	<u>5,000</u>	-50.00%
<b>Sub Total</b>	<b>566,000</b>	<b>553,000</b>	<b>-2.30%</b>
<b>(2) Includes:</b>			
Connectional Ministries (CRC)	681,000	308,000	-54.77%
Communications	204,388	153,000	
Mission and Ministry Fund	<u>467,698</u>	<u>141,000</u>	-69.85%
<b>Sub Total</b>	<b>1,353,086</b>	<b>602,000</b>	<b>-55.51%</b>
Connectional Ministries/Communications:      \$    885,388    \$    461,000			
Supports salaries, benefits and expenses for three (3) program staff and one (1) support staff. Also supports general office expenses including telephone, printing, mailing, computer and miscellaneous expenses.			
Mission and Ministry Fund:                              \$    467,698    \$    141,000			
The Mission and Ministry Fund supports missional agencies related to the annual conference, as well as new and emerging ministries. Those being supported in the revised 2021 budget include Alabama Rural Ministry, Communities of Transformation, and Quad W. Historically, this fund has supported the work of the 8 boards related to the Conference CORE team. These boards include the Committee on Ethnic Local Church Concerns, Church and Society, Discipleship, Global Ministries, Laity, Higher Ed and Campus Ministry, Hispanic Ministries, and Town and Country. These boards will be operating out of reserves for 2021.			
<b>(3) Includes:</b>			
Congregational Development Office	233,879	154,296	-34.03%
New Church Pastors' Salaries	175,000	100,000	-42.86%
New Church Development Fund	0	0	#DIV/0!
Church Revitalization Fund	0	0	#DIV/0!
<b>Sub Total</b>	<b><u>408,879</u></b>	<b><u>254,296</u></b>	<b>-37.81%</b>



APPORTIONMENTS - SUPPLEMENTAL REPORT

	2019	Budget	2019 Received	2019 %Received	2019 Expended
World Service Fund	\$ 1,799,863	\$ 1,455,989	\$ 1,455,989	80.89%	\$ 1,455,989
Ministerial Education Fund	\$ 607,911	\$ 505,790	\$ 505,790	83.20%	\$ 505,790
Black College Fund	\$ 242,490	\$ 199,752	\$ 199,752	82.38%	\$ 199,752
Africa University Fund	\$ 54,268	\$ 45,675	\$ 45,675	84.17%	\$ 45,675
Episcopal Fund	\$ 533,013	\$ 385,047	\$ 385,047	72.24%	\$ 385,047
General Administration Fund	\$ 213,719	\$ 178,647	\$ 178,647	83.59%	\$ 178,647
Interdenominational Coop Fund	\$ 47,543	\$ 33,874	\$ 33,874	71.25%	\$ 33,874
<b>TOTALS</b>	<b>\$ 3,498,807</b>	<b>\$ 2,804,773</b>	<b>\$ 2,804,773</b>	<b>80.16%</b>	<b>\$ 2,804,773</b>
<b><u>SEJ FUNDS</u></b>					
SEJ Administration	\$ 27,636	\$ 23,507	\$ 23,507	85.06%	\$ 23,507
<b>TOTALS</b>	<b>\$ 27,636</b>	<b>\$ 23,507</b>	<b>\$ 23,507</b>	<b>85.06%</b>	<b>\$ 23,507</b>
<b><u>ANNUAL CONFERENCE FUNDS</u></b>					
Blue Lake Operation Fund	\$ 190,708	\$ 137,938	\$ 137,938	72.33%	\$ 137,938
B/L Cap Impr/Debt Retirement Fund	\$ 97,304	\$ 70,379	\$ 70,379	72.33%	\$ 70,379
Capital and Operations (Trustees)	\$ 180,000	\$ 143,065	\$ 143,065	79.48%	\$ 143,065
Conference Administration Fund	\$ 778,500	\$ 637,982	\$ 637,982	81.95%	\$ 637,982
Conference Resource Center	\$ 790,000	\$ 733,477	\$ 733,477	92.85%	\$ 733,477
Connection Ministry Prog Pool	\$ 586,000	\$ 447,833	\$ 447,833	76.42%	\$ 447,833
Congregational Development Fund	\$ 578,000	\$ 538,862	\$ 538,862	93.23%	\$ 538,862
Dist. Superintendent's Fund	\$ 1,125,000	\$ 1,084,135	\$ 1,084,135	96.37%	\$ 1,036,851
Equitable Compensation Fund	\$ 210,000	\$ 195,447	\$ 195,447	93.07%	\$ 65,740
Huntingdon/BSC	\$ 620,850	\$ 440,140	\$ 440,140	70.89%	\$ 440,140
Student Aid, Huntingdon	\$ 246,450	\$ 174,716	\$ 174,716	70.89%	\$ 174,716
Wesley Foundations	\$ 680,000	\$ 559,381	\$ 559,381	82.26%	\$ 559,381
Homes for the Aging	\$ 64,450	\$ 46,617	\$ 46,617	72.33%	\$ 46,617
Conference Claimants Fund	\$ -	\$ -	\$ -		\$ -
Health Insurance Fund	\$ 1,000,000	\$ 914,907	\$ 914,907	91.49%	\$ 914,907
Academy for Congregational Excellence	\$ -	\$ -	\$ -	0.00%	\$ 36,949
Bd. of Pension and Health Benefits	\$ -	\$ -	\$ -	0.00%	\$ 7,372
<b>TOTALS</b>	<b>\$ 7,147,262</b>	<b>\$ 6,124,879</b>	<b>\$ 6,124,879</b>	<b>85.70%</b>	<b>\$ 5,992,210</b>
<b>GRAND TOTALS</b>	<b>\$ 10,673,705</b>	<b>\$ 8,953,159</b>	<b>\$ 8,953,159</b>	<b>74.09%</b>	<b>\$ 8,820,490</b>

**Report No. 8 - STEWARDSHIP RESPONSIBILITIES and LOCAL CHURCH CONCERNS**

1. CFA believes that all apportionments are needed in the amounts apportioned. Furthermore, CFA believes that all churches have the capacity to pay apportionments in full. In 2019, 86.72% of apportioned funds were paid by local churches. CFA continues to encourage all churches and all United Methodist Christians in the Alabama - West Florida Annual Conference to participate fully in our connectional ministries through generous serving, generous giving, generous living, generous leading, and generous praying. The 2021 Conference budget reflects a 55.51% decrease in Connectional Missional (Conference Ministries line) giving (apportionments.) General Church apportionments have declined by \$582,632 or 16.3%. Jurisdictional apportionments for 2021 are not yet set but are estimated as unchanged from 2020. Overall Annual Conference Connectional Missional (apportionments) decreased by 34.02% for 2021 compared to 2020.

2. By action of the 2001 Annual Conference, the following schedule shall be used in setting apportionments for new churches:

1st full year	no apportionment
2nd year	25% apportioned
3rd year	50% apportioned
4th year	75% apportioned
5th year & following	100% apportioned

3. Apportionments shall be made to all churches using the apportionment formula outlined in CFA Report - Formula and Allocations.

4. Local churches shall provide for the audits of local church records as provided in paragraph 258.4d of the 2016 Book of Discipline of the United Methodist Church.

**Report No. 9 - FORMULA and ALLOCATIONS**

1. In 2012 a task force was formed to evaluate the fairness of the current formula for determining conference apportionments. They reviewed formulas used in each of the Southeastern Jurisdiction Annual Conferences. The task force recommended, and the 2013 Annual Conference approved, the continued use of the current apportionment formula.

2. Therefore, the apportionments shall be developed using a formula based on financial strength of the local churches and membership of the local churches. Financial strength will be weighted 75% and professing membership will be weighted 25% in the formula. Apportionments will be determined by local church decimal applied to the amount of each budget item at the conference level.

3. The financial strength of a local church in calculating the decimal formula shall be based on all local expenditures (lines 41a-47 of the Local Church Report to the Annual Conference). This eliminates all apportionments (including direct billing) and special giving from the formula. (Listing: Standing Rule No. 22)
4. The winter/spring meeting of the Council on Finance and Administration shall be the time for receiving requests from all boards and agencies for the ensuing year. All boards and agencies should be advised that they place their allocations in jeopardy when they fail to submit timely budget requests.
5. The local church will enter the Local Church Report information using the “UMC GCFA Statistical Input System” (EZRA) located on Alabama-West Florida Conference Web Site ([www.awfumc.org](http://www.awfumc.org)) Contact the District Superintendent’s office for the User Name and Password if they are not known by the church pastor. The pastor and chairperson of the Committee on Finance or the church treasurer shall review the annual local church report as being correct before its final submission. The Fiscal Office will establish a date by which it should be notified if corrections are necessary. If no corrections are identified by that date, the fiscal officer will consider the report accurate. When the new year’s apportionments are run in July/August, there will be only one set of apportionments, which will be the final set. There will not be a “Trial Set” of apportionments.

### **Report No. 10 - DISTRICT SUPERINTENDENTS’ COMPENSATION**

CFA voted to reduce the District Superintendent’s compensation to be consistent with the conference restructuring plan enacted in May 2020. District Superintendent’s salary will decrease from \$122,764 by 15% to \$104,349 for 2021.

District Superintendent’s travel expenses will be paid on voucher from a travel pool of \$69,000. The executive committee of CFA shall adjust the rate per mile, as needed, within this limit.

1. District superintendents shall receive no supplementary travel funds from district administration funds.
2. Each district shall place funds in its budget for district parsonage utilities, up to a total of \$4,500, for each calendar budget year. Utilities to be included are electricity; gas, water sewage, and basic television cable or satellite services, telephone, Internet service, and trash collection.
3. The districts which provide district superintendents a housing allowance in lieu of a parsonage shall designate the housing amount in the minutes of the District Conference. This designation shall be made in advance of payment of

such allowance, either upon appointment or in advance of the calendar year thereafter.

4. Each district shall place in its district administration fund an amount not to exceed \$2,000 for continuing education.

### **Report No. 11 - MOVING GUIDELINES and EXPENSES**

The second Sunday following the adjournment of Annual Conference shall be the last Sunday of pastoral responsibility for each conference year. The official moving day will be Tuesday, June 23, 2020 and may be adjusted according to the needs and concerns worked out in consultation with the clergy persons, the churches and approved by the District Superintendent.

The entire June salary shall be paid to the pastor by the church from which he/she is moving. In effect 50% of the annual salary will be paid January through June; with the remaining 50% paid by the church receiving a new pastor. Health insurance contributions and/or premiums, as well as any UMPIP payments are to be deducted from the pastor's compensation for the full month of June, with the receiving church beginning such payments in July.

Upon retirement, disability, termination, or death of a minister serving within the bounds of the Annual Conference and serving a full time appointments under the provisions of Paragraph 333.1 of the 2016 Book of Discipline of the United Methodist Church, the conference shall pay up to \$3,000 for documented moving expenses to the first place of retirement, termination, or disability or the first place of dwelling for a surviving spouse. Moving expenses to be reimbursed shall not be incurred prior to retirement or termination notification to the Bishop and will be reimbursed after the move is completed.

Guidelines for clergy under appointment:

1. Following notification of appointment change by the district superintendent, the Chairperson of the PPRC should contact the minister to be appointed to communicate the church's policy in paying moving expenses and to discuss moving plans.
2. The receiving church is responsible for the first \$3,000 of documented moving expenses and is encouraged to pay all documented expenses for the incoming ministerial family.

### **Report No. 12 - ANNUAL CONFERENCE EXPENSES**

1. A charge of \$28.00 per person, per night, will be made for all who use Conference provided housing. (Standing Rule No.8) CFA will be responsible for studying and investigating possible locations and expenses for housing during future sessions of the Annual Conference.

2. The Book of Reports will contain instructions for ordering printed regular bound copies of the Conference Journal. (Standing Rule 15)
3. Electronic versions of the Book of Reports and the Conference Journal may be substituted for printed copies.

### **Report 13 - CREDIT CARD POLICY**

Organizations for which the Council on Financial and Administration have responsibility and or the Fiscal office provides financial services must coordinate approval before establishing credit card account and credit limits for consumer credit accounts.

### **Report No. 14 - INVESTMENT POLICY STATEMENT**

#### **SCOPE OF THIS INVESTMENT POLICY STATEMENT**

This statement of investment policy reflects the investment policy, objectives, and constraints of the Council on Finance and Administration of the Alabama-West Florida Conference. (CFA)

#### **PURPOSE OF THIS INVESTMENT POLICY STATEMENT**

The Council on Finance and Administration sets forth this statement of investment policy in order to do the following:

1. Define and assign the responsibilities of all involved parties.
2. Establish a clear understanding for all involved parties of the investment goals and objectives for assets.
3. Manage assets according to prudent standards as established in common trust law and in accordance with general guidelines by the General Council on Finance and Administration of the United Methodist Church.
4. Establish the relevant investment horizon for which assets will be managed.

In general, the purpose of this statement is to outline a philosophy and attitude which will guide the investment management of the assets towards the desired results. It is intended to be sufficiently specific to be meaningful, yet flexible enough to be practical.

#### **DEFINITIONS**

1. "The Council on Finance and Administration" is the governing council established to administer the assets as specified by *The Book of Discipline of the United Methodist Church* in its most recent edition and applicable actions of the annual conference.
2. "The Council on Finance and Administration" shall be referred to hereinafter as the "Council" in regard to this policy statement.
3. "The Investment Committee" consists of members of the Council, appointed by the Council, to act on behalf of the Council to administer this policy. It

shall be referred to hereinafter as the “Committee” in regard to this policy statement.

4. “Investment Manager” shall mean any individuals or organizations employed to manage the investment of all or part of the assets.
5. “Investment Broker” shall mean any individual or organization employed to provide advisory services, including advice on investment objectives and/or asset allocation, manager search, and performance monitoring.
6. “Assets” shall mean all funds and securities for which the Council is responsible.
7. “Securities” shall refer to the marketable investment securities which are defined as acceptable in this statement.
8. “Investment Horizon” shall be the time period over which the investment objectives, as set forth, are expected to be met. The maximum investment horizon for these assets shall be set by the Council.

#### DELEGATION OF AUTHORITY

The Committee is responsible for directing and monitoring the investment management of the assets. As such, the committee is authorized to delegate certain responsibilities to professional experts in various fields subject to Council approval. These include, but are not limited to the following:

1. The Investment Broker may assist the Committee in: establishing investment policy, objectives, and guidelines; selecting investment managers; reviewing such managers over time; measuring and evaluating investment performance; and other tasks as deemed appropriate.
2. If an Investment Manager is used, he/she has discretion to purchase, sell, or hold the specific securities that will be used to meet the investment objectives.
3. The Custodian will physically (or through agreement with a sub-custodian) maintain possession of securities administered by the Committee, collect dividend and interest payments, redeem maturing securities, and effect receipt and delivery following purchases and sales. The custodian may also perform regular accounting of all assets owned, purchased, or sold, as well as movements of assets into and out of the investment accounts.
4. Additional specialists such as attorneys, auditors, and others may be employed by the Committee to assist in meeting its responsibilities and obligations to administer assets prudently.

If such experts employed are also deemed to be fiduciaries, they must acknowledge such in writing. All expenses for such experts must be customary and reasonable, and will be borne by the Council as deemed appropriate and necessary.

#### ASSIGNMENT OF RESPONSIBILITY

Responsibility of the Council

The Council is charged by law, the *Book of Discipline* and the actions of the

Alabama-West Florida Conference of The United Methodist Church with the responsibility for the management of the investment assets. The Council and Committee shall discharge their duties solely in the interest of the annual conference, with the care, skill, prudence and diligence under the circumstances then prevailing, that a prudent person, acting in a like capacity and familiar with such matters would use in the conduct of an enterprise of a like character with like aims. The specific responsibilities of the Committee, subject to the approval of the Council, relating to the management of investment assets include:

1. Projecting the investment needs and communicating such needs to the investment brokers/investment managers on a timely basis.
2. Determining the Council's risk tolerance and investment horizon, and communicating these to the appropriate parties.
3. Establishing reasonable and consistent investment objectives, policies, and guidelines which will direct the investment of the assets.
4. Prudently and diligently selecting qualified investment professionals, including investment manager(s), an investment broker, and a custodian.
5. Regularly evaluating the performance of the investment manager(s) to assure adherence to policy guidelines and monitor investment objective progress.
6. Developing and enacting proper control procedures: for example, replacing an investment manager due to a fundamental change in investment management process or failure to comply with established guidelines.
7. The Conference Treasurer shall serve as the contact person for the investment brokers or investment managers.

#### Responsibility of the Investment Broker

The investment broker's role is that of a non-discretionary advisor to the Committee. Investment advice concerning the management of investment assets will be offered by the investment broker and will be consistent with the investment objectives, policies, guidelines, and constraints as established in this policy statement. Specific responsibilities of the investment broker include the following:

1. Assisting in the development and periodic review of investment policy.
2. Conducting investment manager searches when requested by the Committee.
3. Providing "due diligence" or research on the investment manager(s).
4. Monitoring the performance of the investment manager(s) to provide the Committee with the ability to determine the progress toward the investment objectives.
5. Communicating matters of policy, manager research, and manager performance to the Committee.
6. Reviewing asset investment history, historical capital markets performance, and the contents of this investment policy statement with any newly appointed members of the Committee and Council.
7. Executing orders for the purchase and sale of securities.

### Responsibility of the Investment Manager(s)

Each investment manager must acknowledge in writing its acceptance of responsibility as a fiduciary. Each investment manager will have full discretion to make all investment decisions for the assets placed under its jurisdiction, while observing and operating within all policies, guidelines, constraints, and philosophies as outlined in this policy statement. Specific responsibilities of the investment manager(s) include the following:

1. Discretionary investment management including decisions to buy, sell, or hold individual securities, and to alter asset allocation within the guide lines established in this policy statement.
2. Reporting, on a timely basis, quarterly investment performance results.
3. Communicating any major changes to economic outlook, investment strategy, or any other factors which affect implementation of investment process or the investment objective progress of investment management.
4. Informing the Committee regarding any qualitative change to investment management organization: Examples include changes in portfolio management personnel, ownership structure, investment philosophy, etc.
5. Voting proxies, if requested by the Committee, on behalf of the Council, and communicating such voting records to the Committee on a timely basis.
6. Monitoring the appropriateness of the strategy given overall investment strategies, philosophies, and objectives

### INVESTMENT GUIDELINES

#### Allowable Assets

1. Cash Equivalents
  - Treasury Bills
  - Treasury Money Market Funds
  - Repurchase Agreements
  - Certificates of Deposit
  - Common Development Fund of the AL-WF United Methodist Development Fund, Inc.
  - Flexible Demand Note offered by The United Methodist Development Fund
2. Fixed Income Securities
  - U.S. Government and Agency Securities
  - Mortgage Backed Bonds
  - Income Fund of the AI-WF United Methodist Foundation, Inc.
  - Fixed Term Notes offered by The United Methodist Development Fund
3. Equity Securities
  - Common Stocks of U.S. Corporations
  - Convertible Notes and Bonds of U.S. Corporations
  - Growth Fund and Growth & Income Fund of the AW-FL United Methodist Foundation, Inc.



#### 4. Restrictions

Investments shall not knowingly be made in securities in which the corporate entity has a significant interest in distilled spirits, wine or other fermented juices, tobacco, gambling, pornography or firearms. Investments shall not knowingly be made in securities of corporate entity in which the core business:

- Manufactures cigarettes, cigars, chewing tobacco, smokeless tobacco, or in a company in which 10% or more of gross revenues are derived from supplying key components to the tobacco industry or the sale and marketing of tobacco related products.
- Produces alcoholic beverages (beer, wine, distilled liquor) or in a company in which 10% or more of gross revenues are derived from supplying key elements for alcohol production or from the sale, distribution or marketing of alcoholic beverages.
- Owns or manages casinos, racetracks, off-track betting parlors; or in a company that derives 10% or more of gross revenues from the production of goods and services related to the gaming or lottery industries.
- Derives 10% or more gross revenues from the production, distribution or sale of products or devices that are interpreted to be pornographic, meet the legal criteria for obscenity or legal definition of “harmful to minors.”
- Derives 10% or more gross revenues from the manufacture, sale or distribution of antipersonnel weapons such as land mines, “assault type” automatic and semiautomatic weapons, firearms, and ammunition provided for commercial and private markets.

#### Prohibited Assets and Transactions

Prohibited investments and transactions include, but are not limited to the following:

- Commodities and Futures Contracts
- Private Placements
- Options
- Short Selling
- Margin Transactions

#### Diversification

In order to achieve a prudent level of portfolio diversification, the securities of anyone company or government should not exceed 10% of the total assets under management, and no more than 20% of the total assets should be invested in anyone industry. With the exception of U.S. Government securities, no fixed income issues may exceed 15% of the market value of the fixed income portfolio.

#### Guidelines for Fixed Income Investments and Cash Equivalents

- Assets may be invested only in investment grade bonds rated A (or equivalent) or better.
- Maximum maturity for any single fixed income security is 10 years.

- Money Market Funds selected shall contain only U.S. Treasury securities.

### Return

The Committee has set a goal of outperforming, net of all investment expenses, a blended market index which best represents the strategic asset allocation of the overall investment structure.

Total Portfolio Blended Benchmark (based on the asset allocation described below):

50% Equity Blended Benchmark – comprised of 70% of the Russell 3000 Index and 30% of the MSCI All Country World Index Ex-U.S.

50% Fixed Income Blended Benchmark – comprised of 80% Barclays Capital U.S. Aggregate Bond Index, 10% Barclays Capital Global Aggregate ex-U.S. Bond Index, and 10% Barclays Capital U.S. Corporate High Yield Bond Index

- The Russell 3000 Index measures the performance of the largest 3000 U.S. companies representing approximately 98% of the investable U.S. equity market. The Index is constructed to provide a comprehensive, unbiased, and stable barometer of the broad market and is completely reconstituted annually to ensure new and growing equities are reflected.
- The MSCI All Country World Index Ex-U.S. is a market-capitalization-weighted index maintained by Morgan Stanley Capital International (MSCI) and designed to provide a broad measure of stock performance throughout the world, except for U.S.-based companies. The Index consists of 44 country indices comprising 23 developed and 21 emerging market country indices.
- The Barclays Capital U.S. Aggregate Bond Index is the most common index used to track the performance of investment grade bonds in the U.S. The Index is weighted per market capitalization. Treasury securities, mortgage-backed securities (MBS) foreign bonds, government agency bonds and corporate bonds are some of the categories included in the index. The bonds represented are medium term with an average maturity of approximately 4.5 years. In all, the index represents about 8,200 fixed-income securities with a total value of approximately \$15 trillion (about 43% of the total U.S. bond market). To be included in the index, bonds must be rated investment grade (at least Baa3/BBB) by Moody's and S&P. However, almost 80% of bonds represented in the index have an AAA rating.
- The Barclays Capital Global Aggregate ex-U.S. Bond Index provides a broad-based measure of the global, investment-grade, fixed-rate debt markets. The index includes government, government agency, corporate, and securitized non-U.S. investment-grade fixed income investments, all

issued in currencies other than the U.S. dollar and with maturities of more than one year.

- The Barclays Capital U.S. Corporate High Yield Bond Index measures the USD-denominated, high yield, fixed-rate corporate bond market. Securities are classified as high yield if the middle rating of Moody's, Fitch and S&P is Ba1/BB+/BB+ or below.

## Risk

Higher returns involve higher volatility. The Committee is willing to tolerate some volatility (based on the target allocation) to meet its long-term total return objectives. However, it is intended that assets be managed and diversified in a manner that seeks to minimize principal fluctuations over the established time horizon.

Diversification across asset classes is a core principle of prudent portfolio management. The asset class targets and ranges below show the approved investment levels associated with the investment objectives. The portion invested in each sub-class and strategy will change periodically to reflect the Investment Consultant's/Manager's tactical investment policy if it is within the acceptable ranges listed. Any proposed investment changes outside these ranges must be approved by the Committee prior to being implemented. The Committee should review asset allocation targets and ranges annually.

## Target Asset Allocation

	Tactical Minimum	Tactical Strategic	Maximum
Global Equity	30%	50%	70%
U.S. Large Cap Equity	15%	30%	36%
U.S. Small/Mid Cap Equity	5%	10%	13%
Non-U.S. Developed Markets	5%	7.5%	10.5%
Non-U.S. Emerging Markets	5%	7.5%	10.5%
Global Fixed Income	30%	50%	70%
U.S. Investment Grade Bonds	20%	36%	50%
Non-U.S. Bonds	5%	7%	10%
High Yield Bonds	5%	7%	10%

From time to time, market conditions may cause the portfolio's investments to vary from the established target allocations. To remain consistent with the asset allocation guidelines established by this Policy, each broad asset class (as defined above) shall be reviewed periodically for potential rebalancing back to target or initial allocations. The Investment Consultant/Manager retains discretion to

rebalance based on market conditions, economic events, or account activity if allocations remain within the permissible ranges.

Liquidity is required to meet cash flow needs as well as unanticipated expenditures or distributions. Therefore, a liquid reserve of no more than 2% may be maintained to aid in payment of expenses and or distributions.

Liquidity guidelines: Investments may be made through a combination of externally managed strategies (separate account managers and/or manager models), Mutual Funds, and Exchanged Traded Funds (ETFs) that provide daily liquidity.

#### Investment Policy Review

To assure continued relevance of the guidelines, objectives, financial status and capital markets expectations as established in this statement of investment policy, the Council shall review this policy at least annually.

#### **Report No. 15 – GIFT POLICY**

The AWFUMC Gift Policy applies to all Agencies, Boards, Commissions and Committees. The purpose is to establish consistent and equitable recognition for leadership/service to the Annual Conference.

No apportioned funds will be used to recognize service as a leader/member of Conference Agencies, Boards, Commissions and Committees upon their termination of service. Funding for such recognition in the form of a gift is the sole responsibility of the members of the Agencies, Boards, Commissions or Committees.

#### **Report No. 16 - FISCAL YEAR END**

1. The Fiscal Office will close the annual financial records on December 31, 2020.
2. The last day that apportionment payments can be credited to the prior year asking is January 15, 2021.
3. Churches sending apportionment payments AFTER December 31 must do one of the following:
  - a. Deliver payment to the Fiscal Office in Montgomery AL any time before 10:00 a.m. on January 15, 2021.
  - b. Mail the payment. Regardless of the postmark date, payments received after 10:00 a.m. on the closing date cannot be credited to the prior year apportionments.
  - c. Deposit payment in the Annual Conference account on or before 1:00 p.m. on the closing date at a local Regions Bank. Fax a copy of the bank receipt and a copy of the remittance breakdown to the Fiscal Office when the deposit is made. Call the Fiscal Office (1-888-873-3127) to obtain the

current deposit account number.

4. The Fiscal Office must know of these deposits on the closing date. Persons without access to a fax machine should call 1-888-873-3127 and report the deposit information. Please Note: The bank's business day may end earlier than the time the bank closes. For example, often deposits received after 2:00 p.m. are credited to the next day's business. CONTACT THE LOCAL BANK TO DETERMINE WHEN A DEPOSIT MUST BE MADE, IN ORDER TO BE CREDITED ON THE CLOSING DATE.

Submitted by,

Mr. George Minglehoff, President  
Council on Finance and Administration

### **Conference Audit Statement**

The Council on Finance and Administration of the Alabama-West Florida Conference of the United Methodist Church engaged Warren Averett, LLC to conduct audits of the Council on Finance, Connectional Ministries, Conference Administration, and Episcopal Office accounts for the Conference Fiscal Year of 2019. Warren Averett, LLC issued unmodified opinions on each of the statements of cash receipts, disbursements, and transfers of the above-referenced funds. The audited financial statements will be published in the 2020 Alabama-West Florida Conference Journal and will be available upon written request to the Conference Fiscal Office, attn: Conference Treasurer, 4719 Woodmere Blvd, Montgomery, AL 36106.