The United Church of Christ Board and Certain Affiliated Entities

Combined Financial Report
December 31, 2017

Contents

Independent Auditor's Report

To the Audit Committee
The United Church of Christ Board and
Certain Affiliated Entities
Cleveland, Ohio

Report on the Financial Statements
We have audited the accompanying combined financial statements of the United Church of Christ Board and Certain Affiliated Entities (the Organization) which comprise the combined statements of financial position as of December 31, 2017 and 2016, the related combined statements of activities and changes in net assets and cash flows for the years then ended and the related notes to the combined financial statements, (collectively, financial statements).

Management's Responsibility for the Financial Statements
Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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

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

Opinion
In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Organization as of December 31, 2017 and 2016 and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matter

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

RSM US LLP

Cleveland, Ohio
July 16, 2018

The United Church of Christ Board and Certain Affiliated Entities

Combined Statements of Financial Position
December 31, 2017 and 2016

	2017	2016
Assets		
Cash and cash equivalents	**$ 7,280,121**	$ 4,024,392
Investments	**317,604,581**	287,625,764
Receivables:		
Church building loans, net	**38,879,441**	35,157,417
Support, net	**2,776,770**	2,705,497
Property sale, net	**2,895,858**	2,682,064
Other, net	**6,825,193**	5,709,863
Inventory, prepaid expenses and other assets	**609,920**	826,210
Beneficial interest in trusts held by others	**14,232,885**	13,381,133
Property and equipment, net	**12,846,302**	14,593,770
Total assets	**$ 403,951,071**	$ 366,706,110
Liabilities and Net Assets		
Loan payable	**$ 2,175,000**	$ -
Bond payable, net	**-**	2,210,124
Accounts payable	**582,747**	988,620
Accrued pension and other post-retirement benefits	**2,151,206**	2,530,570
Other accrued liabilities	**2,339,434**	2,921,743
Funds held for others	**3,612,149**	3,180,059
Other liabilities	**1,692,091**	2,047,302
Total liabilities	**12,552,627**	13,878,418
Net assets;		
Unrestricted	**164,689,511**	151,354,430
Donor restricted:		
Temporarily	**170,847,258**	148,016,919
Permanently	**55,861,675**	53,456,343
Total net assets	**391,398,444**	352,827,692
Total liabilities and net assets	**$ 403,951,071**	$ 366,706,110

See notes to combined financial statements.

The United Church of Christ Board and Certain Affiliated Entities

Combined Statement of Activities and Changes in Net Assets
Year Ended December 31, 2017

	Unrestricted	Temporarily Restricted	Permanently Restricted	**Totals**
Operating revenues and support:				
Our Church's Wider Mission:				
Basic support	$ 5,405,363	$ -	$ -	**$ 5,405,363**
Special support	27,289	3,666,214		**3,693,503**
Gifts, donations and trust income	1,216,895	252,191		**1,469,086**
Other revenues:				
Publications and other resource sales	1,475,646			**1,475,646**
Total return draw	8,173,948			**8,173,948**
Management fees and other reimbursements	2,418,028	15,235		**2,433,263**
Church loan interest	1,789,405			**1,789,405**
Other	465,871	32,842		**498,713**
Net assets released from restrictions	6,061,055	(6,061,055)		**-**
Total operating revenues and support	27,033,500	(2,094,573)	-	**24,938,927**
Operating expenses:				
Program services	20,360,938			**20,360,938**
Management and general	4,084,492			**4,084,492**
Fundraising	1,561,220			**1,561,220**
Total operating expenses	26,006,650	-	-	**26,006,650**
Increase (decrease) from operating activity	1,026,850	(2,094,573)	-	**(1,067,723)**
Non-operating revenues and support:				
Gifts and donations	2,558,540	4,615,941	1,553,580	**8,728,061**
Interest and dividends net of total return draw	(1,754,439)	(2,306,174)		**(4,060,613)**
Appreciation in value of investments	12,908,379	22,540,571		**35,448,950**
Hotel Venture, LLC operations, net	(57,311)			**(57,311)**
Change in value of beneficial interest of trusts held by others	-		851,752	**851,752**
Change in value of split interest agreements	-	74,574		**74,574**
Realized loss on deconsolidation of affiliate	(1,457,396)			**(1,457,396)**
Total non-operating revenues and support	12,197,773	24,924,912	2,405,332	**39,528,017**
Increase in net assets before the effect of postretirement cost	13,224,623	22,830,339	2,405,332	**38,460,294**
Postretirement related changes other than net periodic postretirement cost	110,458			**110,458**
Increase in net assets	13,335,081	22,830,339	2,405,332	**38,570,752**
Net assets - beginning of year	151,354,430	148,016,919	53,456,343	**352,827,692**
Net assets - end of year	$ 164,689,511	$ 170,847,258	$ 55,861,675	**$ 391,398,444**

See notes to combined financial statements.

The United Church of Christ Board and Certain Affiliated Entities

Combined Statement of Activities and Changes in Net Assets
Year Ended December 31, 2016

	Unrestricted	Temporarily Restricted	Permanently Restricted	Totals
Operating revenues and support:				
Our Church's Wider Mission:				
Basic support	$ 5,632,878	$ -	$ -	$ 5,632,878
Special support	24,370	3,665,867		3,690,237
Gifts, donations and trust income	1,130,218	490,385		1,620,603
Other revenues:				
Publications and other resource sales	1,481,346	100		1,481,446
Total return draw	8,506,368			8,506,368
Management fees and other reimbursements	1,743,939	119,784		1,863,723
Church loan interest	1,689,561			1,689,561
Other	2,656,285	31,808		2,688,093
Net assets released from restrictions	6,194,025	(6,194,025)		-
Total operating revenues and support	29,058,990	(1,886,081)		27,172,909
Operating expenses:				
Program services	23,478,402			23,478,402
Management and general	5,808,206			5,808,206
Fundraising	1,798,206			1,798,206
Total operating expenses	31,084,814	-	-	31,084,814
Decrease from operating activity	(2,025,824)	(1,886,081)		(3,911,905)
Non-operating revenues and support:				
Gifts and donations	40,895	1,480,399	190,598	1,711,892
Interest and dividends net of total return draw	(1,910,208)	(2,416,449)		(4,326,657)
Appreciation in value of investments	5,296,557	7,719,451		13,016,008
Hotel Venture, LLC operations, net	202,306			202,306
Change in value of beneficial interest of trusts held by others	-		262,896	262,896
Change in value of split interest agreements	-	(41,825)		(41,825)
Total non-operating revenues and support	3,629,550	6,741,576	453,494	10,824,620
Increase in net assets before the effect of the interest rate swap adjustment and postretirement cost	1,603,726	4,855,495	453,494	6,912,715
Interest rate swap adjustment	80,546			80,546
Postretirement related changes other than net periodic postretirement cost	469,457			469,457
Increase in net assets	2,153,729	4,855,495	453,494	7,462,718
Net assets - beginning of year	149,200,701	143,161,424	53,002,849	345,364,974
Net assets - end of year	$ 151,354,430	$ 148,016,919	$ 53,456,343	$ 352,827,692

See notes to combined financial statements.

The United Church of Christ Board and Certain Affiliated Entities

Combined Statements of Cash Flows
Years Ended December 31, 2017 and 2016

	2017	2016
Cash flows from operating activities:		
Increase in net assets	**$ 38,570,752**	$ 7,462,718
Adjustments to reconcile increase in net assets		
to net cash used in operating activities:		
Net appreciation in value of investments	**(36,261,061)**	(12,564,092)
Depreciation and amortization	**1,007,683**	1,224,715
Write-off of bond issuance costs	**39,211**	-
Realized loss on deconsolidation of an affiliate	**1,457,396**	-
Contributions restricted for long-term investment	**(1,553,579)**	(548,150)
Loan loss provision (recovery)	**(160,722)**	363,861
Change in value of beneficial interest in trusts held by others	**(851,753)**	(262,896)
Changes in operating assets and liabilities:		
Support receivable	**(71,273)**	362,973
Property sale receivable	**(213,794)**	345,748
Other receivables	**(1,135,975)**	(1,013,031)
Prepaid expenses and other assets	**205,624**	282,886
Accounts payable	**(405,873)**	180,735
Accrued pension and other post-employment benefits	**(379,364)**	(686,516)
Other liabilities and funds held for others	**(505,430)**	1,504,824
Net cash used in operating activities	**(258,158)**	(3,346,225)
Cash flows from investing activities:		
Cash transfer due to deconsolidation of an affiliate	**(249,104)**	-
Purchase of investments	**(18,463,331)**	(17,233,460)
Proceeds from sale of investments	**24,730,641**	21,918,237
Purchase of property and equipment	**(421,596)**	(372,257)
Disbursements for church building loans	**(6,916,210)**	(4,577,067)
Repayments of church building loans	**3,354,908**	2,793,147
Net cash provided by investing activities	**2,035,308**	2,528,600
Cash flows from financing activities:		
Repayment of bond payable	**(2,250,000)**	(375,000)
Proceeds of loan payable	**2,250,000**	-
Payment of loan payable	**(75,000)**	-
Net decrease in line of credit agreement	**-**	(1,000,000)
Proceeds from contributions restricted for long-term investment	**1,553,579**	548,150
Net cash provided by (used in) financing activities	**1,478,579**	(826,850)
Net increase (decrease) in cash and cash equivalents	**3,255,729**	(1,644,475)
Cash and cash equivalents:		
Beginning	**4,024,392**	5,668,867
Ending	**$ 7,280,121**	$ 4,024,392
Supplemental disclosure of cash flow information:		
Cash paid during the year for interest	**$ 62,375**	$ 107,349

Due to the deconsolidation of an affiliate as disclosed in footnote 19, excluded from operating activities are $1,208,292 of assets and $0 of liabilities at January 1, 2017, the date of deconsolidation.

See notes to combined financial statements.

Note 1. Nature of Activities

The United Church of Christ (the UCC) is a Protestant denomination formed in 1957 by the Union of the Evangelical and Reformed Church and the General Council of the Congregational Christian Churches of the United States. The UCC is a "just peace" church that embraces all persons in an environment that is multiracial, multicultural, open and affirming and accessible to all who seek the Christian faith.

In 2013, the United Church of Christ restructured the national setting of the Church into its current structure. Several national ministries of the UCC are principally located in Cleveland, Ohio and include four separately incorporated entities, all of which are tax-exempt under Section 501(c)(3) of the Internal Revenue Code through the United Church of Christ's group ruling. National bodies forming the structure include:

United Church of Christ Board (UCCB): The UCCB is responsible for policies relating to the mission of the UCC in its national setting, to act as the General Synod ad interim and work in cooperation with the Collegium of Officers to provide coordination and evaluation of the work of the Church. It sits as the Board of Directors of Justice and Witness Ministries (JWM), Local Church Ministries (LCM) and Wider Church Ministries (WCM). It includes the functions of the Office of General Minister & President (OGMP), which represents the administrative functions of the UCCB.

Justice and Witness Ministries (a Covenanted Ministry of the United Church of Christ) (JWM): JWM's mission is to enable and encourage local churches, associations, conferences and national expressions of the UCC to engage in God's mission at the global, national and local level by direct involvement and action in the promotion of justice, peace and the integrity of creation.

Local Church Ministries (a Covenanted Ministry of the United Church of Christ) (LCM): LCM's mission is to encourage and support local churches of the UCC in the fulfillment of God's mission, to serve as a resource to constituents by providing special knowledge, understanding and guidance with respect to the mandates of LCM and to sustain relationships with other ministry partners.

Wider Church Ministries (a Covenanted Ministry of the United Church of Christ) (WCM): WCM's mission is to encourage and support local churches, associations, conferences and national expressions of the UCC to participate in the global mission of the Church; to support UCC ministries and those partner churches around the world; and to plan and conduct common global ministries with the Christian Church (Disciples of Christ).

Each Covenanted Ministry has autonomy and maintains its own funds and accounts but is in covenant with the other ministries.

A Common Services Corporation provides financial, legal, human resources, and other administrative functions for all the entities.

During 2007, Local Church Ministries Church Building & Loan Fund (CB&LF) became a separate legal entity in order to increase CB&LF's visibility and identity, preserve its history and enhance its fiduciary responsibility by establishing a separate Board with expertise in banking, real estate and investments. The entity is controlled by and consolidated as part of Local Church Ministries.

700 Prospect Corporation is a wholly controlled nonprofit corporation established to own and operate a building at 700 Prospect Avenue in Cleveland, Ohio, that serves as the principal offices and a place of worship for the national setting of the UCC and its affiliated and associated organizations that use the building. Rent for the building and related equipment is paid by the Organization and other affiliated and associated organizations.

Note 1. Nature of Activities (Continued)

The Pension Boards, United Church Funds, Inc. (UCF), UCC Cornerstone Fund, Inc. (Cornerstone) and other organizations of the UCC are affiliated or associated organizations that maintain funds and accounts separate from the Covenanted Ministries and are not included in these combined financial statements.

Note 2. Summary of Significant Accounting Policies

Basis of presentation: The combined financial statements are prepared on the accrual basis of accounting and in accordance with accounting principles generally accepted in the United States of America.

Principles of combination: The combined financial statements include the accounts of the UCCB, the OGMP, JWM, LCM, WCM and 700 Prospect Corporation (collectively referred to as the Organization), as well as the United Church of Christ Hotel Venture, LLC (Hotel Venture, LLC), the Organization's wholly owned subsidiary, whose activity is included in LCM; Local Church Ministries Church Building & Loan Fund, the Organization’s wholly controlled entity, whose activity is included in LCM. All significant interministry balances and transactions have been eliminated.

Use of estimates: The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements. Estimates also affect the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Net assets: Net assets comprise resources over which each governing body has discretionary control for use in carrying out the financial and operational objectives necessary to fulfill the mission, mandates, educational and charitable programs and operations of the Organization and for purposes specified by donors. Activities of the Organization are accounted for in the following net asset classifications:

> **Unrestricted:** Those assets whose use has not been limited by donors for any period of time or specific purpose. Unrestricted net assets can be designated for specific purposes by formal action of the Board of Directors of each Covenanted Ministry.
>
> **Donor restricted – temporarily:** Those assets whose use has been limited by donors to a specific period of time or specific purpose.
>
> **Donor restricted – permanently:** Those assets that have been restricted by donors to be maintained in perpetuity, the income from which can be used for unrestricted or temporarily restricted purposes as required by the donor.

Cash and cash equivalents: The Organization considers all highly liquid investments with an original maturity of three months or less when purchased to be cash equivalents. The Organization maintains cash at financial institutions which may at times exceed federally insured amounts. Management does not feel there is a risk of loss due to balances that exceed insured amounts.

Investments: Investments are carried at cost or fair value as disclosed in Notes 3 and 4. Investment income or loss, including unrealized and realized gains and losses, is reported as a change in the appropriate net asset category according to donor restriction, if any.

Note 2. Summary of Significant Accounting Policies (Continued)

A total return draw on investments concept is followed whereby investment income is drawn from endowment investments based on a 5 year trailing quarterly average market value at a 4% to 5% draw rate depending upon the ministry involved. The total return draw is recorded in the combined statements of activities and changes in net assets under operating revenues and support. The difference between the actual earned income and the total return draw is recorded as interest and dividends net of total return draw under Non-operating revenues and support.

Term investment notes: Term investment notes consist of certificates of deposit on deposit with the Cornerstone Fund, an affiliated organization. Due to the short-term nature of these deposits the notes are carried at cost which approximates fair value.

Church building loans receivable: Management reports loans receivable at their outstanding unpaid principal balances reduced by an allowance for loan losses. Loans are made to fund the construction, acquisition and expansion of church facilities. The Board of Directors of CB&LF, at its discretion, can place delinquent loans in moratorium (not requiring principal and/or interest payments) or declare delinquent loans to be in good standing and revise the scheduled principal and interest payments. Interest is accrued on the outstanding balance and at December 31, 2017 and 2016 interest accrued totaled $286,955 and $361,175, respectively. The Organization generally continues to accrue interest income on delinquent loans. Accrued interest on delinquent loans is considered collectible.

Allowance on church building loans receivable: Management uses the allowance method in accounting for uncollectible receivables. The allowance is an amount that management believes will be adequate to absorb estimated losses relating to specifically identified loans, as well as probable credit losses inherent in the balance of the loan portfolio. This risk assessment is utilized to determine the necessary portfolio level allowance amount. The risk assessment has been computed based on management's judgment of current economic conditions, credit risks of the borrower and the fair value estimates of collateral dependent loans. Increases to the allowance are made by charges to the provision for loan losses. Receivables deemed to be uncollectible are charged against the allowance. Recoveries of previously charged-off amounts are credited to the allowance. Although management believes that it uses the best information available to determine the adequacy of the allowance, future adjustments to the allowance may be necessary and results of operations could be significantly and adversely affected if circumstances differ substantially from the assumptions used in making the determinations. Management established an allowance for loan losses of $1,097,177 and $1,483,208 at December 31, 2017 and 2016, respectively, for possible uncollectible receivables based on circumstances that occurred during the year.

A loan is considered impaired when it is probable, that based on current information and events, the Organization will be unable to collect all contractual principal and interest payments due in accordance with the terms of the loan agreement. Impaired loans are measured on an individual basis based on the loan's payment history and management's contact with the local church. Impaired loans are reserved at 90% of the loan balance at December 31, 2017 and 2016, respectively. For such loans that are classified as impaired, the amount of impairment, if any and any subsequent changes are included in the allowance for loan losses. The general component covers non-classified loans and is based on historical loss experience adjusted for qualitative factors.

When establishing the allowance for loan losses, management uses loan categories generally based on the nature of the loan. These loan categories and the relevant characteristics are as follows:

> **Church loans:** These receivables represent active loans made for either site acquisition or for the construction of either first unit construction or upgrades to existing construction. The payment from borrowers is usually applied to principal and interest unless other arrangements have been negotiated.

Note 2. Summary of Significant Accounting Policies (Continued)

Church construction loans: These receivables represent current construction loans. A promissory note and commitment letter will indicate the maximum loan amount that the Organization has approved relative to the completed value of the project. Funds are taken from the loan through a draw process to pay material suppliers and contractors. The borrower is only charged interest on the amount borrowed during the construction period. The construction loan is reclassified as a church loan once the total amount of approved funds has been disbursed.

As part of the on-going monitoring of the credit quality of the Organization's loan portfolio, management categorizes loans into risk categories based on relevant information about the ability of the borrowers to service their debt and comply with various terms of their loan agreements. The Organization considers historical payment experience, temporary loan modifications, current financial information, church membership, the length of time that the senior pastor has been installed in the church and an overall evaluation by management. Generally, all church building loans receive a financial review no less than annually to monitor and adjust, if necessary, the loan's risk profile.

The Organization categorizes loans into the following risk categories based on relevant information about the ability of the borrowers to service their debt:

Excellent, Risk Rating 1: The evaluation process indicates strong loans with no identifiable risks. The loans are meeting their debt service obligation and the likelihood of realizing full repayment is excellent. There have been no temporary or permanent loan modifications to the loans in the past three years.

Good, Risk Rating 2: The evaluation process indicates solid loans with minimal risks. The loans have no indication of deteriorating operational or financial conditions. There is a good possibility of realizing full repayment. Historically, there was at least one loan modification or at least one instance of a late payment made sixty days or more past the original due date.

Satisfactory, Risk Rating 3: The evaluation process indicates identifiable risks. The loans may be underperforming compared to projections or standard expectations. The loans will likely experience occasional minor issues during the compliance period that should be monitored, but overall presents little risk of loss. There was at least one loan modification or at least one instance of a late payment made sixty days or more past the original due date.

Watch, Risk Rating 4: The evaluation process indicates additional identifiable risks. The loans may be underperforming compared to projections or standard expectations. The loans will likely experience occasional minor issues during the compliance period that should be monitored by management regularly. There is potential for risk of loss. There was at least one loan modification or at least one instance of a late payment made sixty days or more past the original due date.

Marginal, Risk Rating 5: The evaluation process indicates significant identifiable risks. The loans exhibit signs of weakness in operating and financial condition. The loans may continually perform poorly, requiring significant oversight. The risk of loss is likely. There was at least one loan modification or at least one instance of a late payment made sixty days or more past the original due date.

Non-performing, Risk Rating 6: Repayment of the loans has ceased and the property has been abandoned. Risk of loss is high. Foreclosure, abandonment, taking the deed in lieu of foreclosure, bankruptcy or other legal actions are underway.

Note 2. Summary of Significant Accounting Policies (Continued)

Interest and fees on loans: Interest on loans is recognized over the term of each loan and is calculated using the effective interest method. The Organization determines a loan to be delinquent when payments have not been made according to contractual terms. Interest accrued in the current year and which is deemed uncollectible is reversed against interest income in the current year. Interest accrued in prior years which is deemed uncollectible is charged against the allowance. The Organization charges nominal origination fees and management has recorded these fees as earned in the year of origination. The deferral of these fees would be immaterial to the combined financial statements.

Pre-1985 grants and LRC loans: In prior years, the Organization made grants referred to as Pre-1985 grants and LRC loans for which repayment is required only if the grantee leaves the UCC. Therefore, no asset is currently recorded on the combined statements of financial position. The grant purposes are noted below:

> **Pre-1985 grants:** These assets had originally been recognized as expenses of the predecessor bodies to LCM (The Congregational Church Building Society, the Building Fund of the Board of National Missions) and legal documents filed with the stipulation that the "grants" were to be repaid if the church was ever to leave the UCC and/or close. The Organization has received sporadic payments on these grants. Management has determined that there is no value to be recorded on the books.
>
> **LRC loans:** These assets result from actions taken on non-performing loans whereby the Organization, based on a vote taken, required that a grant mortgage be created with the stipulation that if the church was ever to leave the UCC and/or close, the funds were to be paid in full, otherwise, these grants are maintained in perpetuity. Since the ultimate collection of these grants cannot be determined, management has determined that there is no value to be recorded on the books.

Allowance for doubtful receivables: The Organization determines its allowance for doubtful accounts for other receivables based on specific identification of uncollectible accounts and its historical collection experience. At December 31, 2017 and 2016, management has recorded an allowance of $6,503 and $11,359, respectively.

Property sale receivable, net: The receivable is the present value of amounts due to the Organization from the sale of properties located in Japan by a WCM affiliate.

Inventory, prepaid expenses and other assets: Inventory is valued at the lower of cost, generally on a first-in, first-out (FIFO) basis, or net realizable value. Prepaid expenses and other assets are recorded at their unamortized cost.

Property held: Real property, received in satisfaction of church building loans receivable and the Organization is actively marketing the sale of the property, is recorded at fair value at the time of transfer. There was no property held at December 31, 2017 or 2016.

Beneficial interest in trusts held by others: The Organization is the beneficiary of an income stream of funds held by others. These resources are not in the Organization's possession, nor under its control. These funds are irrevocable and are held and administered by outside trustees. The beneficial interest of funds held by others are reported at fair value and total $14,232,885 and $13,381,133 at December 31, 2017 and 2016, respectively. The Organization's beneficial interest in funds held and administered by others generated $796,609 and $676,265 of cash sent to the Organization for the years ended December 31, 2017 and 2016, respectively. These amounts are included in gifts, donations, and trust income on the combined statements of activities and changes in net assets. In addition, the Organization serves as a custodian of funds for others.

Note 2. Summary of Significant Accounting Policies (Continued)

Property and equipment: The Organization capitalizes expenditures for property, equipment, furniture and fixtures and leasehold improvements. Depreciation is calculated using a straight-line method over the estimated useful life of the asset, ranging from 3 to 40 years. Maintenance, repairs and minor expenditures for equipment are charged to expense as incurred. Major expenditures are capitalized and depreciated over their estimated useful lives. Leasehold improvements are amortized over the shorter of the useful life or remaining life of the lease.

Costs incurred related to the development of buildings and building improvements have been capitalized and are included with property and equipment in the accompanying combined statements of financial position. The Organization evaluates the recoverability of long-lived assets and measures the amount of impairment, if any, by assessing current and future levels of cash flows as well as other factors, such as business trends or economic conditions.

The Organization leases various property and equipment. Leased property that meets certain criteria are capitalized and the present value of the related lease payments are recorded as a liability. All other leases are accounted for as operating leases and the related payments are expensed ratably over the rental period. Amortization of assets under capital leases is computed utilizing the straight-line method over the shorter of the remaining lease term or the estimated useful life.

Valuation of long-lived assets: Financial Accounting Standards Board (FASB) guidance requires long-lived assets and certain identifiable intangible assets be reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of the asset may not be recoverable. Recoverability of the long-lived asset is measured by a comparison of the carrying amount of the asset to future undiscounted net cash flows expected to be generated by the asset. If the asset is considered to be impaired, the impairment to be recognized is measured by the amount by which the carrying amount of the asset exceeds the estimated fair value of the asset. Assets to be disposed of are reported at the lower of the carrying amount or fair value, less costs to sell. Management determined that the carrying values of long-lived assets at December 31, 2017 and 2016 were not impaired.

Other liabilities: Other liabilities are comprised of amounts due for charitable gift annuities, an interest rate swap agreement and capital lease obligations.

Funds held for others: Included in investments is $3,612,149 and $3,180,059 as of December 31, 2017 and 2016, respectively, of funds held by the Organization as custodian for affiliated entities. Income and losses attributable to these funds are not included in the accompanying combined statements of activities and changes in net assets but are recorded as adjustments to the liability reported in the combined statements of financial position.

Unamortized financing costs: Financing costs of $159,500 were recorded in January 2002 in conjunction with the issuance of the revenue bonds and were amortized over the term of the bonds using the straight-line method. These bonds were paid off in February, 2017. In connection with this pay off, $39,211 of unamortized financing costs were written off and are recorded in management and general expenses on the combined statements of activities and changes in net assets. At December 31, 2016, the unamortized financing costs were presented as a reduction of the bond payable and totaled $39,876. Amortization expense at December 31, 2016 was $7,974 and accumulated amortization at December 31, 2016 was $119,624 . Financing costs related to the February, 2017 refinancing were not capitalized because management has determined that they are immaterial to the financial statements.

Note 2. Summary of Significant Accounting Policies (Continued)

Interest rate swap agreement: The interest rate swap agreement was terminated on December 29, 2016 when the Organization paid $189,914 to buyout the swap. The Organization recognized income of $80,546 during the year ended December 31, 2016 which represented the change in the fair value of the interest rate swap.

Revenue recognition: Support for Our Church's Wider Mission (OCWM) is recorded in the period contributed. Support receivable is recorded for actual contributions made through UCC churches during the period, which subsequently are forwarded by the conferences to the Organization.

Other revenues are recorded in the period earned and include income from Hotel Venture, LLC, publication subscriptions, administrative services and meeting registrations.

Gifts and donations: Unconditional promises to receive cash and other assets are reported at fair value at the date the promise is received. Gifts of cash and other assets are reported as 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 combined statements of activities and changes in net assets as net assets released from restrictions. The UCC classifies gifts as operating if they are included in the annual budget. Non-operating gifts include unanticipated and special fundraising initiatives.

General Synod revenues and expenses: The biennial General Synod meeting, which occurred in 2017, is funded primarily with OCWM National Basic Support receipts budgeted over a two-year period. In addition, attendees pay a registration fee. Income from the General Synod is included in other income and related expenses are included in program expenses in the combined statements of activities and changes in net assets.

Hotel Venture, LLC operations, net: The net operating activity of Hotel Venture, LLC is recorded in non-operating revenues and support in the combined statements of activities and changes in net assets. For the years ended December 31, 2017 and 2016 revenues totaled $4,843,843 and $5,431,439, respectively and expenses totaled $4,901,154 and $5,229,133, respectively.

Fair value of financial instruments: The carrying amount of cash and cash equivalents, receivables (except church building loans receivable, which are carried at net realizable value), accrued investment income, accounts payable and accrued expenses approximates fair value due to the short-term nature of these instruments. The fair value of investments, beneficial interest in trusts, split interest agreements and the interest rate swap are estimated by the Organization using available information, including quoted market prices and appropriate valuation methodologies as more fully described in Note 4. The carrying amount of the bond payable is cost. The carrying amount of the bond payable approximates fair value because the interest rates fluctuate with market interest rates offered to the Organization for debt with similar terms and maturities.

Note 2. Summary of Significant Accounting Policies (Continued)

Income taxes: The Covenanted Ministries of the United Church of Christ and Certain Affiliated Entities are exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code and applicable state law, except for taxes pertaining to unrelated business income, if any.

The Organization adopted the accounting standard on accounting for uncertainty in income taxes, which addresses the determination of whether tax benefits claimed or expected to be claimed on a tax return should be recorded in the combined financial statements. Under this guidance, the Organization may recognize the tax benefit from an uncertain tax position only if it is more likely than not that the tax position will be sustained on examination by taxing authorities, based on the technical merits of the position. Examples of tax positions include the tax-exempt status of the Organization, the continued tax-exempt status of bonds issued by the Organization and various positions related to the potential sources of unrelated business taxable income (UBIT). The tax benefits recognized in the combined financial statements from such a position are measured based on the largest benefit that has a greater than 50 percent likelihood of being realized upon ultimate settlement. The guidance on accounting for uncertainty in income taxes also addresses de-recognition, classification, interest and penalties on income taxes and accounting in interim periods. At December 31, 2017 and 2016, there were no unrecognized tax benefits identified or recorded as liabilities. With few exceptions, the Organization is no longer subject to tax examinations by U.S. federal tax authorities for years before 2014.

The covenanted ministries are exempt from filing tax returns, due to its status as a church, however, 700 Prospect Corporation files a Federal Form 990 in the U.S. federal jurisdiction and the state of Ohio. Hotel Venture, LLC files a Federal Form 1065 in the U.S. federal jurisdiction and a local tax return in the state of Ohio.

Troubled debt restructures: Troubled debt restructuring exists when the Organization, for economic or legal reasons related to the borrower's financial difficulties, grants a concession (either imposed by court order, law, or between the borrower and the Organization) to the borrower that it would not otherwise consider. These concessions could include restructuring of the loan repayment schedule, extension of the terms of the loan, other changes in the terms of the loan, forgiveness of principal and reduction of stated interest rates or accrued interest. The Executive Director negotiates loan restructuring only when such change is deemed to be the most cost-effective manner in which to maximize recovery of loan principal or interest and/or to ensure the completion or preservation of the financed project. Management has evaluated troubled debt restructurings and concluded they are not material to the combined financial statements.

Recent accounting pronouncements: In February 2016, the FASB issued Accounting Standards Update (ASU) 2016-02, *Leases (Topic 842)*. The guidance in this ASU supersedes the leasing guidance in Topic 840, *Leases*. Under the new guidance, lessees are required to recognize lease assets and lease liabilities on the balance sheet for all leases with terms longer than 12 months. Leases will be classified as either finance or operating, with classification affecting the pattern of expense recognition in the income statement. The new standard is effective for fiscal years beginning after December 15, 2019, including interim periods within those fiscal years. The Organization is currently evaluating the impact of the pending adoption of the new standard on its combined financial statements.

Note 2. Summary of Significant Accounting Policies (Continued)

In May 2014, the FASB issued ASU 2014-09, *Revenue from Contracts with Customers (Topic 606)*, requiring an entity to recognize the amount of revenue to which it expects to be entitled for the transfer of promised goods or services to customers. The updated standard will replace most existing revenue recognition guidance in U.S. GAAP when it becomes effective and permits the use of either a full retrospective or retrospective with cumulative effect transition method. In August 2015, the FASB issued ASU 2015-14 which defers the effective date of ASU 2014-09 one year making it effective for annual reporting periods beginning after December 15, 2018. The Organization has not yet selected a transition method and is currently evaluating the effect that the standard will have on the combined financial statements.

In June 2016, the FASB issued ASU 2016-13, *Financial Instruments-Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments,* which applies to all entities and most financial assets that are not measured at fair value through net income, including trade and other receivables, loans and debt securities. The amendments in this update replace the incurred loss impairment methodology in current GAAP with a methodology that reflects expected credit losses and requires consideration of a broader range of reasonable and supportable information to determine credit loss estimates. The allowance for credit losses should reflect management's current estimate of credit losses that are expected to occur over the remaining life of a financial asset. Financial assets measured at amortized cost should be presented at the net amount expected to be collected, through the allowance for credit losses that is deducted from the amortized cost basis. The amendments are effective in fiscal years beginning after December 15, 2020, and interim periods within fiscal years beginning after December 15, 2021. Early adoption of the ASU is permitted for fiscal years beginning after December 15, 2018, including interim periods within those fiscal years. The Organization is currently assessing the impact of this standard on its combined financial statements.

In August 2016, the FASB issued ASU 2016-14, Not-for-Profit Entities, (Topic 958) *Presentation of Financial Statements of Not-for-Profit Entities.* The objective of this statement is to improve the current net asset classification requirements and information presented in financial statements and notes about an entity's liquidity, financial performance and cash flows. The statement is effective for fiscal years beginning after December 15, 2017. The Organization is assessing the impact this statement will have on its combined financial statements.

In January 2016, the FASB issued ASU 2016-01, *Financial Instruments—Overall (Subtopic 825-10): Recognition and Measurement of Financial Assets and Financial Liabilities*, which updates certain aspects of recognition, measurement, presentation and disclosure of financial instruments. The statement is effective for fiscal years beginning after December 15, 2018. The Organization is currently evaluating the impact this statement will have on its combined financial statements.

Reclassfication: Certain reclassifications of the 2016 amounts have been made to conform to the 2017 presentation.

Subsequent events: The Organization has evaluated subsequent events for potential recognition and/or disclosure through July 16, 2018, the date the combined financial statements were available to be issued.

Note 3. Investments

Investments at December 31 are as follows:

2017	OGMP	JWM	LCM	WCM	Total
UCF Alternatives Balanced Fund	$ -	$ -	$ 104,967,897	$ 104,571,067	$ 209,538,964
UCF Moderate Balanced Fund	6,098,372	517,877	24,011,299	6,667,986	37,295,534
UCF Beyond Fossil Fuels Fund	13,333,544	24,228,547	2,813,056	-	40,375,147
Term Investment Notes	-	-	7,049,165	-	7,049,165
Equity Securities	-	-		16,386,743	16,386,743
Money Market Funds	1,160,430	-	1,822,800	1,314,761	4,297,991
U.S. Government Securities	-	-	308,790	-	308,790
Other	-	-	1,871,334	480,913	2,352,247
Total investments	$ 20,592,346	$ 24,746,424	$ 142,844,341	$ 129,421,470	$ 317,604,581

2016	OGMP	JWM	LCM	WCM	Total
UCF Alternatives Balanced Fund	$ -	$ -	$ 94,566,999	$ 94,021,586	$ 188,588,585
UCF Moderate Balanced Fund	5,376,472	464,140	25,248,274	3,144,609	34,233,495
UCF Beyond Fossil Fuels Fund	11,768,716	21,891,422	2,417,267	-	36,077,405
Term Investment Notes	-	-	6,913,925	-	6,913,925
Equity Securities	-	-		14,531,200	14,531,200
Money Market Funds	1,367,742	-	324,758	1,444,563	3,137,063
U.S. Government Securities	-	-	1,790,082	-	1,790,082
Other	-	-	1,842,391	511,618	2,354,009
Total investments	$ 18,512,930	$ 22,355,562	$ 133,103,696	$ 113,653,576	$ 287,625,764

The UCF is an associated ministry of the UCC. The UCF Funds consist of approximately the following percentages of each type of security:

	Fixed Income Securities	Equity Securities	Alternatives Fund
UCF Moderate Balanced Fund	35-45	55-65	
UCF Alternatives Balanced Fund	20-40	40-60	10-30
UCF Beyond Fossil Fuels Fund	35-45	55-65	

Investments with UCF are held as units of ownership participation. The value of these units, based on quoted market prices, is recorded at the amounts reported by UCF. The Organization has term investment notes/savings accounts that are on deposit at Cornerstone.

Note 3. Investments (Continued)

An analysis of investment activity is as follows for the year ended December 31:

	2017	2016
Total return draw	$ 8,173,948	$ 8,506,368
Interest and dividends, net of total return draw	(4,060,613)	(4,326,657)
Net appreciation (depreciation) in value of investments	35,448,950	13,016,008
Total	$ 39,562,285	$ 17,195,719
Realized gains on sale of investments	$ 3,090,642	$ 1,246,013
Unrealized gain (losses) on investments	32,567,226	11,769,995
Interest and dividends	3,904,417	4,179,711
Total	$ 39,562,285	$ 17,195,719

The Organization's investments are impacted significantly by the volatility of the financial markets and other economic events. This impact can result in gains and losses throughout the year.

Note 4. Fair Value Measurements

The Organization adopted ASC Topic *Fair Value Measurements and Disclosures* which provides a framework for measuring fair value under generally accepted accounting principles. ASC Topic *Fair Value Measurements and Disclosures* applies to all financial instruments that are being measured and reported on a fair value basis.

For assets and liabilities that are measured using quoted prices in active markets (Level 1), total fair value is the published market price per unit multiplied by the number of units held without consideration of transaction costs, discounts or blockage factors. Assets and liabilities that are measured using significant other observable inputs are valued by reference to similar assets or liabilities (Level 2), adjusted for contract restrictions and other terms specific to that asset or liability. For these items, a significant portion of fair value is derived by reference to quoted prices of similar assets or liabilities in active markets. For all remaining assets and liabilities, fair value is derived using other valuation methodologies, including option pricing models, discounted cash flow models and similar techniques (Level 3) and not based on market exchange, dealer, or broker traded transactions. These valuations incorporate certain assumptions and projections in determining the fair value assigned to such assets or liabilities.

For the year ended December 31, 2017 and 2016, the application of valuation techniques applied to similar assets and liabilities has been consistent. The following is a description of the valuation methodologies used for instruments measured at fair value:

Investments: The fair value of investments, other than the pooled funds held at the UCF, is based on quoted market prices, when available, or market prices provided by recognized broker dealers. If listed prices or quotes are not available, due to the limited market activity of the instrument, fair value is based on net asset values reported by the underlying investment funds using unobservable inputs.

Investments – UCF: The UCF Alternatives Balanced Fund, UCF Moderate Balanced Fund, and UCF Beyond Fossil Fuels Fund are pooled investments funds managed by UCF. UCF provided the fair value of the Organization's interest in their pooled funds. The Organization's investments' fair value is determined by unit value as determined by UCF multiplied by the number of units held by the Organization.

Note 4. Fair Value Measurements (Continued)

UCF Alternatives Balanced Fund: The Alternatives Balanced Fund is a non-diversified portfolio of private investment funds and publicly-traded equities and debt. UCF allocates the Alternatives Balanced Fund portfolio as follows: 30% in core fixed income (primarily intermediate and long-term US dollar-denominated government and investment-grade corporate fixed income obligations), 20% in US large capitalization stocks (typically with a weighted average market capitalization over $5 billion), 14% in hedge funds, 17.5% in international equities (typically the common stock of companies headquartered in developed countries), 5% in small capitalization stocks (typically with a weighted average market capitalization under $1.5 billion), 6% in real estate and real asset funds and 7.5% in emerging markets. Actual allocations will vary from time to time and the variances could be material. UCF's unit values in alternative investments are determined by net asset values reported by the underlying investment funds using unobservable inputs.

UCF Moderate Balanced Fund: Pursuing a middle-of-the-road approach that emphasizes stocks for higher capital appreciation potential, this fund maintains a significant fixed-income component to temper market volatility. UCF allocates the Moderate Balanced Fund portfolio as follows: 55-65% equity and 35-45% fixed-income. UCF's unit value of marketable equity and fixed income securities are determined by quoted market prices.

UCF Beyond Fossil Fuels Fund: A broadly diversified enhanced index portfolio invested in common stock of global corporations, the Beyond Fossil Fuels avoids investments in exploration and production companies in the oil and gas industries, and thermal coal companies. UCF's unit value of marketable equity and fixed income securities are determined by quoted market prices.

Beneficial interest in trusts held by others: The fair value of the beneficial interest in perpetual trusts represents the Organization's proportionate interest in the value of the trusts. The trusts are primarily invested in common and collective trust funds. The net asset value is applied as a practical expedient for the valuation of the Organization's beneficial interest in perpetual trusts however these assets are classified as Level 3 as the investments cannot be redeemed at net asset value.

Split interest agreements: The Organization is a beneficiary of certain split interest agreements that are managed by Weston, Patrick, Willard and Redding, P.A. who provided the fair value of the UCC's interest in its split interest agreements. Fair value is based on net asset values reported by the underlying investment fund using unobservable inputs.

Funds held for others: The fair value of funds held for others is based on quoted market prices, when available, or market prices provided by recognized broker dealers.

Note 4. Fair Value Measurements (Continued)

Fair value on a recurring basis: The table below presents the balances of assets and liabilities measured at fair value on a recurring basis as of December 31:

	2017			
	Level 1	Level 2	Level 3	Total
Financial assets:				
Investments- UCF:				
UCF Alternatives Balanced Fund	$ -	$ -	$ 209,538,964	$ 209,538,964
UCF Moderate Balanced Fund	-	37,295,534	-	37,295,534
UCF Beyond Fossil Fuels Fund	-	40,375,147	-	40,375,147
Investments:				
Equity securities:				
Mid cap value	16,386,743	-	-	16,386,743
Fixed income securities:				
U.S. Government Securities	-	308,790	-	308,790
Other	-	-	9,043	9,043
	16,386,743	77,979,471	209,548,007	
Term investment notes, money market funds and other				13,690,360
Total investments				317,604,581
Other assets:				
Beneficial interest in trusts held by others	-	-	14,232,885	14,232,885
Split interest agreements**	-	-	3,359,483	3,359,483
Total assets	$ 16,386,743	$ 77,979,471	$ 227,140,375	$ 335,196,949
Financial liability:				
Funds held for others	$ -	$ 3,612,149	$ -	$ 3,612,149

Note 4. Fair Value Measurements (Continued)

	2016			
	Level 1	Level 2	Level 3	Total
Financial assets:				
Investments- UCF:				
UCF Alternatives Balanced Fund	$ -	$ -	$ 188,588,585	$ 188,588,585
UCF Moderate Balanced Fund	-	34,233,495	-	34,233,495
UCF Beyond Fossil Fuels Fund	-	36,077,405	-	36,077,405
Investments:				
Equity securities:				
Mid cap value	14,531,200	-	-	14,531,200
Fixed income securities:				
U.S. Government Securities	-	1,790,082	-	1,790,082
Other	-	-	29,734	29,734
	14,531,200	72,100,982	188,618,319	
Term investment notes, money market funds and other				12,375,263
Total investments				287,625,764
Other assets:				
Beneficial interest in trusts held by others	-	-	13,381,133	13,381,133
Split interest agreements**	-	-	3,478,611	3,478,611
Total assets	$ 14,531,200	$ 72,100,982	$ 205,478,063	$ 304,485,508
Financial liability:				
Funds held for others	$ -	$ 3,180,059	$ -	$ 3,180,059

The changes in fair value of Level 3 assets are summarized as follows:

	Investments	Beneficial Interest in Trust Held by Others	Split Interest Agreements **	Total
Balance, January 1, 2016	$ 185,394,819	$ 13,118,237	$ 3,694,797	$ 202,207,853
Purchases and reinvestment	2,494,925	-	36,287	2,531,212
Sales, net	(5,462,766)	-	(68,038)	(5,530,804)
Unrealized losses, net	6,191,341	-	-	6,191,341
Changes in value of beneficial interest in trusts held by others	-	262,896	-	262,896
Changes in value of split interest agreements	-	-	(184,435)	(184,435)
Balance, December 31, 2016	188,618,319	13,381,133	3,478,611	205,478,063
Purchases and reinvestment	2,428,159	-	123,266	2,551,425
Sales, net	(5,268,340)	-	(121,141)	(5,389,481)
Unrealized gains, net	23,769,869	-		23,769,869
Changes in value of beneficial interest		851,752		
in trusts held by others	-	-	-	-
Changes in value of split interest agreements	-	-	(121,253)	(121,253)
Balance, December 31, 2017	$ 209,548,007	$ 14,232,885	$ 3,359,483	$ 226,288,623

** The value of the split interest agreements includes the split interest agreements included in Note 9 and the Make a Difference! split interest agreements included in Note 7.

Note 4. Fair Value Measurements (Continued)

Fair value on a nonrecurring basis: The Organization may be required, from time to time, to measure certain other financial assets at fair value on a nonrecurring basis in accordance with generally accepted accounting principles. These assets consist of impaired loans and property and equipment. For assets measured at fair value on a nonrecurring basis on hand at December 31, the following tables provide the level of valuation assumptions used to determine each valuation and the carrying value of the related assets:

	Carrying Value at December 31, 2017				Year Ended December 31, 2017 Total
	Level 1	Level 2	Level 3	Total	Gains (Losses)
Impaired loans	$ -	$ -	$ 34,495	$ 34,495	$ -

	Carrying Value at December 31, 2016				Year Ended December 31, 2016 Total
	Level 1	Level 2	Level 3	Total	Gains (Losses)
Impaired loans	$ -	$ -	$ 836,536	$ 836,536	$ -

Impaired loans are non-performing church building loans receivable.

Note 5. Church Building Loans Receivable

Church building loans receivable consist of the following as of December 31:

	2017	2016
Church building loans receivable for:		
Commercial real estate:		
Church loans	$ 35,295,454	$ 35,360,489
Church construction loans	4,681,164	1,280,136
	39,976,618	36,640,625
Allowance for loan loss	(1,097,177)	(1,483,208)
Total	$ 38,879,441	$ 35,157,417

Church building loans receivable and accrued interest classified by loan category consist of the following as of December 31:

	2017			2016		
	Principal	Interest	Total	Principal	Interest	Total
Church loans	$ 35,295,454	$ 248,366	$ 35,543,820	$ 35,360,489	$ 356,840	$ 35,717,329
Church construction loans	4,681,164	38,589	4,719,753	1,280,136	4,335	1,284,471
Total church building loans receivable and accrued interest	$ 39,976,618	$ 286,955	$ 40,263,573	$ 36,640,625	$ 361,175	$ 37,001,800

Note 5. Church Building Loans Receivable (Continued)

Principal payments scheduled to be received for the years ended December 31, are as follows:

2018	$ 9,089,811
2019	1,324,404
2020	1,153,529
2021	1,275,343
2022	6,292,377
Thereafter	20,841,154
	$ 39,976,618

The following tables present the contractual aging of the church building loans receivable portfolio as of December 31:

	2017				
	Current	30-59 Days Past Due	60-89 Days Past Due	90 Days or More Past Due	Total
Church loans	$ 27,409,436	$ 2,945,781	$ 1,265,065	$ 3,675,172	$ 35,295,454
Church construction loans	4,681,164	-	-	-	4,681,164
	$ 32,090,600	$ 2,945,781	$ 1,265,065	$ 3,675,172	$ 39,976,618

	2016				
	Current	30-59 Days Past Due	60-89 Days Past Due	90 Days or More Past Due	Total
Church loans	$ 31,582,402	$ 280,501	$ -	$ 3,497,586	$ 35,360,489
Church construction loans	1,280,136	-	-	-	1,280,136
	$ 32,862,538	$ 280,501	$ -	$ 3,497,586	$ 36,640,625

The following tables present the risk category of loans evaluated by internal loan receivable portfolio classification based on the most recent analysis performed and the contractual aging as of December 31:

	2017						
	Excellent	Good	Satisfactory	Watch	Marginal	Non-Performing	Total
Church loans	$ 29,441,843	$ 481,872	$ 824,470	$ 1,909,378	$ 2,292,937	$ 344,954	$ 35,295,454
Church construction loans	4,681,164	-	-	-	-	-	4,681,164
	$ 34,123,007	$ 481,872	$ 824,470	$ 1,909,378	$ 2,292,937	$ 344,954	$ 39,976,618

	2016						
	Excellent	Good	Satisfactory	Watch	Marginal	Non-Performing	Total
Church loans	$ 26,985,038	$ 743,145	$ 3,424,466	$ 505,949	$ 2,028,818	$ 1,673,073	$ 35,360,489
Church construction loans	1,280,136	-	-	-	-	-	1,280,136
	$ 28,265,174	$ 743,145	$ 3,424,466	$ 505,949	$ 2,028,818	$ 1,673,073	$ 36,640,625

Note 5. Church Building Loans Receivable (Continued)

The Organization categorizes loans into six risk categories based on relevant information about the ability of the borrowers to service their debt. The two main factors in considering risk are temporary loan modifications made to reduce interest or principal payments and late payments. A loan may be moved from the excellent category to one of the other five categories based on these two factors. Once a loan is out of the excellent category it is further evaluated using additional criteria to assess the church's ability to repay the loan.

Church building loans receivable considered as non-performing are loans that exhibit signs of significant weakness in operating and financial condition compared to other similar investments requiring constant oversight. The risk of loss is high. Foreclosure, abandonment, taking the deed in lieu of foreclosure, bankruptcy or other legal actions are underway.

At December 31, 2017 and 2016 all church building loans are collateralized by a mortgage or deed of trust, including $5,869,658 and $2,840,775, respectively, collateralized by second mortgages on church buildings. Interest rates on outstanding loans range from zero percent to 8.0%. At December 31, 2017 and 2016, zero percent loans totaled $443,381 and $202,658, respectively and below interest loans totaled $10,336,443 and $841,216, respectively. It is anticipated that zero percent loans will be paid in full. For zero percent loans and below market rate loans, management calculates an amount of in-kind interest income earned and contributed to the respective borrowers. The amount is equal to the loan balance multiplied by the difference between the current rate of the loan and 4.5% and 3.5% at December 31, 2017 and 2016, respectively. The rates of 4.5% and 3.5% at December 31, 2017 and 2016, respectively, are used based on the assumption that this is a reasonable rate that a not-for-profit would pay to borrow funds. Imputed interest income and in-kind grant expense of $77,484 and $10,828 for the years ended December 31, 2017 and 2016, respectively, was recorded to reflect interest on these loans with interest rates below these rates.

There is a risk in any loan agreement that the borrower will not repay the funds loaned. Because of this risk, lending institutions usually charge a higher interest rate to compensate for loss due to default. In the secular world, the interest rate rises as the risk increases. The Organization is designed primarily to offer loans to new church start-ups. These loans generally are considered a high risk due to the many challenges associated with starting a new church. To help overcome some of these obstacles, the interest rates charged are significantly lower than rates that would be required by an independent lending institution. Because of this difference in interest charges, these church loans, if sold to an independent lending institution, would not be valued at the Organization's book value by that institution. Therefore, an outside institution would require a discount if it were to purchase the existing loans.

Accounting principles generally accepted in the United States of America require the disclosure of the fair value of financial instruments. Based on the lower interest rates, payment schedules, higher risk and a limited market for church loans, management of the Organization estimates the fair value at December 31, 2017 and 2016 to be $36,731,880 and $35,037,438, respectively, if it is forced to sell the loans in a secondary market. It's management's belief that the properties and buildings that collateralize these loans, in the aggregate, have a fair value greater than the aggregate fair value of the loans.

As of December 31, 2017 and 2016, commitments for future church loans of $1,578,308 and $1,516,705, respectively, have been approved by the Board of Directors of CB&LF.

Note 6. Allowance on Receivables

The following tables provide detail of the activity in the allowance for loan losses, by portfolio segment, for the year ended December 31:

	2017		
	Church Loans	Construction	Total
Allowance for loan losses:			
Beginning balance	$ 1,483,208	$ -	$ 1,483,208
Charge-offs	(225,309)	-	(225,309)
Provision	(160,722)	-	(160,722)
Ending balance	$ 1,097,177	$ -	$ 1,097,177
Period-ended amount allocated to:			
Individually evaluated for impairment	$ 310,459	$ -	$ 310,459
Collectively evaluated for impairment	786,718	-	786,718
	$ 1,097,177	$ -	$ 1,097,177
Loans:			
Individually evaluated for impairment	$ 344,954	$ -	$ 344,954
Collectively evaluated for impairment	34,950,500	4,681,164	39,631,664
	$ 35,295,454	$ 4,681,164	$ 39,976,618

	2016		
	Church Loans	Construction	Total
Allowance for loan losses:			
Beginning balance	$ 1,264,710	$ -	$ 1,264,710
Charge-offs	(145,363)	-	(145,363)
Provision	363,861	-	363,861
Ending balance	$ 1,483,208	$ -	$ 1,483,208
Period-ended amount allocated to:			
Individually evaluated for impairment	$ 836,536	$ -	$ 836,536
Collectively evaluated for impairment	646,672	-	646,672
	$ 1,483,208	$ -	$ 1,483,208
Loans:			
Individually evaluated for impairment	$ 1,673,073	$ -	$ 1,673,073
Collectively evaluated for impairment	33,687,416	1,280,136	34,967,552
	$ 35,360,489	$ 1,280,136	$ 36,640,625

Note 6. Allowance on Receivables (Continued)

The following tables present additional detail of impaired loans, segregated by loan category, as of December 31. The unpaid principal balance represents the recorded balance prior to any partial charge-offs. The recorded investment represents customer balances net of any partial charge-offs recognized on the loans. The interest income recognized column represents all interest income reported on either cash or accrued basis after the loan became impaired. The cash basis column represents only the interest income recognized on a cash basis after the loan was classified as impaired:

	2017					
	Unpaid Principal Balance	Recorded Investment	Allowance for Loan Loss Allocated	Average Recorded Investment	Interest Income Recognized	Cash Basis- Interest Income Recognized
With no related allowance recorded:						
Church loans	$ -	$ -	$ -	$ -	$ -	$ -
Church construction loans	-	-	-	-	-	-
With an allowance recorded:						
Church loans	344,954	344,954	310,459	1,009,014	26,881	-
Church construction loans	-	-	-	-	-	-
	$ 344,954	$ 344,954	$ 310,459	$ 1,009,014	$ 26,881	$ -

	2016					
	Unpaid Principal Balance	Recorded Investment	Allowance for Loan Loss Allocated	Average Recorded Investment	Interest Income Recognized	Cash Basis- Interest Income Recognized
With no related allowance recorded:						
Church loans	$ -	$ -	$ -	$ -	$ -	$ -
Church construction loans	-	-	-	-	-	-
With an allowance recorded:						
Church loans	1,673,073	1,673,073	836,536	1,673,073	52,113	-
Church construction loans	-	-	-	-	-	-
	$ 1,673,073	$ 1,673,073	$ 836,536	$ 1,673,073	$ 52,113	$ -

Note 7. Support Receivable, Net

Support receivable due from UCC conferences at December 31 is as follows:

	2017	2016
Our Church's Wider Mission:		
National Basic Support	$ 1,566,373	$ 1,551,754
Neighbors in Need	677,319	625,476
Strengthen the Church	92,059	68,230
Other	-	12,749
Total Our Church's Wider Mission contributions receivable	2,335,751	2,258,209
Make a Difference! capital campaign, split interest agreements receivable, net	441,019	447,288
Total	$ 2,776,770	$ 2,705,497

Note 7. Support Receivable (Continued)

Make a Difference! capital campaign contributions receivable consist of the following at December 31:

	2017	2016
Due after five years	$ 708,575	$ 740,135
Net present value adjustment (2.40% in 2017 and 2.45% in 2016)	(267,556)	(292,847)
Make a Difference! contributions receivable, net	$ 441,019	$ 447,288

Support receivables from Our Church's Wider Mission have been deemed fully collectible by management and it is expected these receivables will be collected within one year. Make a Difference! contributions consist of annuities and charitable remainder trusts and are deemed to be fully collectible by management.

Note 8. Property Sale Receivable, Net

The receivable is the present value of amounts due to the Organization from the sale of properties located in Japan by a WCM affiliate, as follows:

	2017	2016
Gross receivable	$ 4,734,941	$ 4,126,697
Net present value adjustment	(1,839,083)	(1,444,633)
Net receivable at present value	$ 2,895,858	$ 2,682,064

The receivable is expected to be collected over the next 18 years at approximately $250,000 per year. A discount rate of 6.28 percent is used in the present value calculation. The receivable is being reduced by the reimbursement of expenses WCM incurs in Japan for support of missionaries and program grants.

Note 9. Other Receivables, Net

Other receivables at December 31 consist of the following:

2017	OGMP	JWM	LCM	WCM	700 Prospect	Total
Split interest agreements	$ 266,354	$ 234,015	$ 415,781	$ 2,002,314	$ -	$ 2,918,464
Other receivables	723,990	61,901	1,039,696	335,522	16,492	2,177,601
Other support	74,828	-	-	1,286,116	-	1,360,944
Trade	-	-	-	-	-	-
Affiliated organizations	39,710	-	-	-	-	39,710
Accrued interest	-	-	303,549	24,925	-	328,474
Total	$ 1,104,882	$ 295,916	$ 1,759,026	$ 3,648,877	$ 16,492	$ 6,825,193

2016	OGMP	JWM	LCM	WCM	700 Prospect	Total
Split interest agreements	$ 263,370	$ 220,022	$ 394,562	$ 2,153,369	$ -	$ 3,031,323
Other receivables	368,738	32,736	761,948	427,307	417	1,591,146
Other support	-	-	-	605,634	-	605,634
Trade	75,405	-	-	-	-	75,405
Affiliated organizations	6,065	-	-	-	-	6,065
Accrued interest	-	-	377,769	22,521	-	400,290
Total	$ 713,578	$ 252,758	$ 1,534,279	$ 3,208,831	$ 417	$ 5,709,863

Note 9. Other Receivables, Net (Continued)

Split interest agreements consist of gift annuities and charitable remainder trusts where a third party is the trustee. The agreements are valued at the present value of the future benefits to be received calculated by considering life expectancy and a discount rate of 2.40% in 2017 and 2.45% in 2016.

Note 10. Property and Equipment, Net

Property and equipment, net at December 31 consists of:

	2017	2016
Hotel building, office furniture, and equipment leased to management company under operating lease agreement	$ 17,675,038	$ 17,487,907
Land and building leased to others under operating leases	2,320,498	2,320,498
Land	728,084	728,084
Building	1,267,258	2,826,629
Building improvements	5,160,983	5,119,225
Office furniture and equipment	1,776,400	1,752,312
Computer systems and equipment	948,318	826,319
Automobiles	30,041	30,041
Total property and equipment	29,906,620	31,091,015
Accumulated depreciation	(17,060,318)	(16,497,245)
Property and equipment, net	$ 12,846,302	$ 14,593,770

Depreciation expense for the years ended December 31, 2017 and 2016 totaled $1,007,018 and $1,216,741, respectively.

Note 11. Line of Credit

The Organization maintains a demand line of credit with a bank with maximum borrowings of $5,000,000 at December 31, 2017 and 2016. At December 31, 2017 and 2016, the line of credit provided for interest calculated at one, two, or three-month LIBOR plus 275 basis points, based on the applicable term of the draw. The line of credit is reviewed annually and is collateralized by guarantees from the United Church of Christ Board. Balances outstanding on the line of credit for both of the years ended December 31, 2017 and 2016 were $0. Interest expense for 2017 and 2016 amounted to $0 and $5,401, respectively.

Note 12. Bonds Payable, Net

In January 2002, the Organization through 700 Prospect Corporation entered into a loan agreement with the County of Cuyahoga, Ohio (the Issuer) pursuant to which the Issuer agreed to loan the Organization through 700 Prospect Corporation the aggregate principal amount of $7,500,000 in connection with the issuance of the Issuer's Multi-Mode Variable Rate Civic Facility Revenue Bonds, Series 2002 with an interest rate of 1.3 percent at date of issue. The bonds required annual principal payments of $375,000 through April 2022. At December 31, 2016, the outstanding balance on bonds amounted to $2,250,000. The bonds were guaranteed by a letter of credit from a bank that was collateralized by 700 Prospect Corporation's building. In addition, the bonds were guaranteed by the United Church of Christ Board. The letter of credit was terminated when the bonds were paid off February 7, 2017.

Note 12. Bonds Payable, Net (Continued)

On February 1, 2002, the Organization, through 700 Prospect Corporation, entered into an interest rate swap agreement on the bonds with KeyBank with an original notional amount of $7,500,000. Amounts receivable or payable under the swap were settled by the parties monthly and recognized when incurred. The Organization was exposed to credit loss in the event of nonperformance by the counter party to the interest rate swap agreement. However, the Organization did not anticipate nonperformance by the counter party. Although the derivative was an interest rate hedge, the Organization had chosen not to account for the derivative as a "cash-flow" hedge instrument, as defined by FASB guidance, and therefore the gain or loss on the derivative was recognized as interest rate swap adjustment on the accompanying combined statements of activities and changes in net assets. The interest rate swap agreement was terminated by the Organization on December 29, 2016.

700 Prospect Corporation paid interest monthly on the outstanding principal balance of the bonds to the Bank of New York Mellon based on a variable weekly rate of interest. This weekly rate of interest is determined by the Remarketing Agent and was .85% at December 31, 2016. Interest expense for 2016 amounted to $91,083.

On February 7, 2017, The Organization entered into a loan payable in the amount of $2,250,000 where the proceeds paid off the outstanding bonds payable in full. The loan requires annual principal payments through March 1, 2022 and monthly interest payments at a modified rate of 30 Day LIBOR plus 220 basis points, or 3.825% at December 31, 2017. The loan has a covenant requirement that requires the Organization to maintain a certain debt service coverage ratio, in addition to complying with certain other reporting covenants. The loan is guaranteed in its entirety by LCM.

Principal payments required under the modified loan agreement are:

2018	$ 125,000
2019	375,000
2020	375,000
2021	375,000
2022	925,000
	$ 2,175,000

Note 13. Accrued Pension and Other Post-Retirement Benefits

Defined contribution plan: Substantially all Organization employees are covered by a defined contribution retirement 403(b) pension plan administered by The Pension Boards - United Church of Christ, an Affiliated Ministry of the UCC. The plan is noncontributory, except for minor voluntary contributions made by certain employees. Employer contributions to the plan are 14 percent of employees' base annual salary. Upon attaining retirement eligibility, employees may select from several annuity options available for benefits. Retirement contribution expense was $841,677 and $842,325 for the years ended December 31, 2017 and 2016, respectively. The Organization's policy is to fund retirement plan expense as incurred. There were no unfunded liabilities under the plan at December 31, 2017 and 2016.

Note 13. Accrued Pension and Other Post-Retirement Benefits (Continued)

WCM defined benefit plan: WCM guarantees a minimum retirement income for overseas employees who retire with a minimum of 20 years of service under a non-contributory defined benefit plan. At December 31, 2017 and 2016, two individuals have met the service requirement and, upon retirement, will qualify to be participants in the plan. The Organization does not anticipate additional employees meeting the service requirements in the future. WCM makes supplemental payments, as necessary, to make up any shortfall in benefits received by qualified overseas employees between the aggregate amount of Social Security and benefits under the 403(b) pension plan described above and the stipulated minimum retirement income amount guaranteed under this plan. The measurement date of this plan is December 31. The total accrued postretirement cost accrued in the combined statements of financial position was $4,542 at December 31, 2017 and 2016.

WCM post-retirement plan: WCM maintains a non-contributory medical plan for overseas personnel who retire with a minimum of 20 years of service. The Organization does not anticipate additional employees meeting the service requirements in the future. For qualified retirees, WCM pays medical expenses during retirement after Medicare deductibles are satisfied. Benefits equal 80 percent of medical expenses for retirees with 20 to 24 years of service and 100 percent of medical expenses for retirees with 25 years or more of service.

The amounts reflected in the table below referenced as “Amounts not yet recognized in the Net Post Retirement Periodic Benefit Cost” represent prior service costs and actuarial losses that are being reclassified into the net periodic pension cost over the next 4 years and will reduce the future periodic benefit costs of WCM.

Benefits paid by the Organization were $419,538 and $442,475 for 2017 and 2016. The following summarizes the unfunded status of the plan at December 31:

	2017	2016
Accumulated postretirement benefit obligation	$ (2,146,664)	$ (2,526,028)
Plan assets	-	-
Unfunded status at December 31,	(2,146,664)	(2,526,028)
Total accrued postretirement cost accrued in the combined statements of financial position	$ (2,146,664)	$ (2,526,028)
Amounts not yet recognized in the net post retirement periodic benefit cost:		
Unrecognized net loss	$ 590,969	$ 701,427
Components of net periodic pension cost:		
Interest cost	$ 82,318	$ 105,242
Amortization of net loss	68,314	120,174
Net periodic postretirement cost	$ 150,632	$ 225,416

Note 13. Accrued Pension and Other Post-Retirement Benefits (Continued)

		2017		2016
Net gain and net transition obligation recognized in the combined statement of activities and changes in net assets:				
Net gain arising during current period	$	(42,144)	$	(349,283)
Amounts reclassified as components of net periodic benefit cost:				
Amortization of net gain		(68,314)		(120,174)
	$	(110,458)	$	(469,457)
Estimated amounts to be recognized in the next fiscal year:				
Amortization of net loss	$	68,314	$	120,174

The weighted-average assumptions as of December 31, 2017 are as follows:

Discount rate	3.25% in 2017 and 3.50% 2016
Health care cost trend rate	5.50% decreasing to 5.00% in 2018

A 1% increase in the health care cost trend rate assumption would increase the liability by $111,268 on the amounts reported. A 1% decrease in the health care cost trend rate assumption would decrease the liability by $102,007 on the amounts reported.

Contributions are made only to pay benefits. As such, the expected contributions to the plan are equal to the expected future benefit payments. The benefits expected to be paid over each of the next five years and in the aggregate five years thereafter are as follows:

Plan Year		Expected Benefit Payment
2018	$	310,946
2019		282,767
2020		256,184
2021		230,941
2022		207,130
2023-2027		727,476

Note 14. Other Accrued Liabilities

Other accrued liabilities consist of the following as of December 31:

	2017					
	OGMP	JWM	LCM	WCM	700 Prospect	Total
Funding for new and renewing congregations	$ -	$ -	$ 171,810	$ -	$ -	$ 171,810
Other accrued expenses	512,561	185,525	395,626	421,405	29,415	1,544,532
MAD! conference payable	255,087	-	-	-	-	255,087
Overseas field offices	-	-	-	47,624	-	47,624
Income distributions	-	-	-	2,315	-	2,315
Philippines typhoon and other disaster response commitments	-	-	-	289,489	-	289,489
Royalties	28,577	-	-	-	-	28,577
Total other accrued liabilities	$ 796,225	$ 185,525	$ 567,436	$ 760,833	$ 29,415	$ 2,339,434

	2016					
	OGMP	JWM	LCM	WCM	700 Prospect	Total
Funding for new and renewing congregations	$ -	$ -	$ 271,171	$ -	$ -	$ 271,171
Other accrued expenses	336,203	209,084	688,433	970,524	4,131	2,208,375
MAD! conference payable	266,449	-	-	-	-	266,449
Overseas field offices	-	-	-	47,624	-	47,624
Income distributions	-	-	-	2,315	-	2,315
Philippines typhoon and other disaster response commitments	-	-	-	95,521	-	95,521
Royalties	30,288	-	-	-	-	30,288
Total other accrued liabilities	$ 632,940	$ 209,084	$ 959,604	$ 1,115,984	$ 4,131	$ 2,921,743

Note 15. Other Liabilities

Other liabilities consist of the following as of December 31:

	2017					
	OGMP	JWM	LCM	WCM	700 Prospect	Total
Deferred revenue	$ 85,150	$ 15,947	$ -	$ -	$ -	$ 101,097
Segregated reserves:						
Conditional gifts	-	-	40,994	-	-	40,994
UCF Planned Giving program	-	-	-	1,550,000	-	1,550,000
Total	$ 85,150	$ 15,947	$ 40,994	$ 1,550,000	$ -	$ 1,692,091

	2016					
	OGMP	JWM	LCM	WCM	700 Prospect	Total
Deferred revenue	$ 414,968	$ 4,615	$ -	$ -	$ -	$ 419,583
Segregated reserves:						
Conditional gifts	-	-	77,719	-	-	77,719
UCF Planned Giving program	-	-	-	1,550,000	-	1,550,000
Total	$ 414,968	$ 4,615	$ 77,719	$ 1,550,000	$ -	$ 2,047,302

Note 16. Temporarily and Permanently Restricted Net Assets

Temporarily and permanently restricted net assets are available for the following donor restricted purposes at December 31:

	2017				
	OGMP	JWM	LCM	WCM	Total
Mission:					
Temporarily restricted	$ 3,053,460	$ 2,783,311	$ 64,114,262	$ 77,535,719	$ 147,486,752
Permanently restricted	1,409,981	690,587	18,443,551	25,376,670	45,920,789
Service:					
Temporarily restricted	-	-	13,872,775	5,543,882	19,416,657
Permanently restricted	-	-	3,393,144	1,777,224	5,170,368
Make a Difference! Initiatives:					
Temporarily restricted	3,580,915	-	-	-	3,580,915
Permanently restricted	4,722,669	-	-	-	4,722,669
Other:					
Temporarily restricted	-	-	362,934	-	362,934
Permanently restricted	-	-	47,849	-	47,849
Total	$ 12,767,025	$ 3,473,898	$ 100,234,515	$ 110,233,495	$ 226,708,933
Temporarily restricted	$ 6,634,375	$ 2,783,311	$ 78,349,971	$ 83,079,601	$ 170,847,258
Permanently restricted	$ 6,132,650	$ 690,587	$ 21,884,544	$ 27,153,894	$ 55,861,675

	2016				
	OGMP	JWM	LCM	WCM	Total
Mission:					
Temporarily restricted	$ 2,373,893	$ 1,921,974	$ 57,711,298	$ 67,990,979	$ 129,998,144
Permanently restricted	1,170,952	689,865	18,032,566	23,799,916	43,693,299
Service:					
Temporarily restricted	-	-	11,978,353	2,673,954	14,652,307
Permanently restricted	-	-	3,388,636	1,603,890	4,992,526
Make a Difference! Initiatives:					
Temporarily restricted	3,033,034	-	-	-	3,033,034
Permanently restricted	4,722,669	-	-	-	4,722,669
Other:					
Temporarily restricted	-	-	333,434	-	333,434
Permanently restricted	-	-	47,849	-	47,849
Total	$ 11,300,548	$ 2,611,839	$ 91,492,136	$ 96,068,739	$ 201,473,262
Temporarily restricted	$ 5,406,927	$ 1,921,974	$ 70,023,085	$ 70,664,933	$ 148,016,919
Permanently restricted	$ 5,893,621	$ 689,865	$ 21,469,051	$ 25,403,806	$ 53,456,343

Note 16. Temporarily and Permanently Restricted Net Assets (Continued)

Release of temporarily restricted net assets occurred during 2017 and 2016 as follows:

	2017	2016
Satisfaction of program restrictions	$ 5,910,002	$ 6,192,343
Satisfaction of time restrictions	151,053	1,682
Total	$ 6,061,055	$ 6,194,025

Included in permanently restricted net assets are the beneficial interest in trusts held by others. These funds are held in perpetuity by outside trustees. The Organization has no control of the assets or the investment of assets. The Organization is named as the irrevocable beneficiary and has recorded the beneficial interest of funds held by others at the estimated fair value of the assets, or at the present value of the future cash flows when an irrevocable trust is established or the Organization is notified of its existence. The fair value of the beneficial interest of funds held in trust at December 31, 2017 and 2016 was $14,232,885 and $13,381,133, respectively.

Note 17. Endowment Funds

The Organization's endowments consist of approximately 1,100 donor restricted endowment funds established for a variety of purposes. As required by GAAP, net assets associated with endowment funds are classified and reported based on the existence of donor-imposed restrictions.

Interpretation of relevant law: The Massachusetts' version of the Uniform Prudent Management of Institutional Funds Act (UPMIFA) is applicable to Wider Church Ministries and the Ohio version is applicable to all other ministries. The Organization has interpreted UPMIFA as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Organization classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets will be classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the Organization in a manner consistent with the standard prudence prescribed by UPMIFA. In accordance with UPMIFA, the Organization will consider the following factors in making a determination to appropriate or accumulate donor restricted endowment funds:

(1) The duration and preservation of the fund
(2) The purposes of the donor-restricted endowment fund
(3) General economic conditions
(4) The possible effect of inflation and deflation
(5) The expected total return from income and appreciation of investments
(6) Other resources of the Organization
(7) The investment policies of the Organization

Funds with deficiencies: From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor requires the Organization to retain as a fund of perpetual duration. In accordance with generally accepted accounting principles, deficiencies of this nature that are reported in unrestricted net assets were $1,047,535 and $1,147,559 as of December 31, 2017 and 2016, respectively.

Note 17. Endowment Funds (Continued)

Return objectives and risk parameters: The Organization has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets. Endowment assets include those assets of donor-restricted funds that the Organization must hold in perpetuity. Under this policy, as approved by the Board of Directors, the endowment assets are invested in a manner that is intended to grow in excess of the spending rate in a conservative manner.

Strategies employed for achieving objectives: To satisfy its long-term rate-of-return objectives, the Organization relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The Organization targets a diversified asset allocation that places a greater emphasis on equity-based investments to achieve its long-term return objectives within prudent risk constraints.

Spending policy and how the investment objectives relate to spending policy: The Organization has adopted a policy of appropriating for distribution each year a percentage of the moving five (5) year average value of the endowment, as determined in the last quarter of the current fiscal year and will be incorporated in the following year's distribution as income available to programs. The percentages, as determined by each individual Board ranged from 4 to 5 percent, unless deemed prudent by the Board to spend a different amount in order to meet its budgetary commitments. In establishing this policy the Boards of Directors considered the long-term expected return on their endowments. Accordingly, over the long term, the Boards expect the current spending policy to allow their endowments to grow at an average of 2.5 to 3.5 percent annually. This is consistent with the Organization's objective to maintain the purchasing power of the endowment assets held in perpetuity or for a specified term as well as to provide additional real growth through new gifts and investment return.

Endowment net asset composition by type of fund as of December 31:

	2017			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor restricted endowment funds	$ (1,047,535)	$ 153,289,679	$ 43,070,248	$ 195,312,392
Funds functioning as endowment	96,289,754	-	-	96,289,754
Total endowment funds	$ 95,242,219	$ 153,289,679	$ 43,070,248	$ 291,602,146

	2016			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor restricted endowment funds	$ (1,147,559)	$ 134,581,209	$ 40,796,473	$ 174,230,123
Funds functioning as endowment	85,183,105	-	-	85,183,105
Total endowment funds	$ 84,035,546	$ 134,581,209	$ 40,796,473	$ 259,413,228

Note 17. Endowment Funds (Continued)

Changes in endowment net assets for the years ended December 31:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment assets, January 1, 2016	$ 80,884,702	$ 131,167,026	$ 40,353,099	$ 252,404,827
Contributions/transfers in	1,525,413	246,415	369,132	2,140,960
Income earned on investments	1,278,832	2,423,465	20,560	3,722,857
Net realized gains on investments sold	64,286	339,592	942	404,820
Unrealized appreciation on investments	4,063,857	7,341,294	52,740	11,457,891
Endowment assets released from restrictions	-	(2,096,310)	-	(2,096,310)
Expenditure of board designated endowments	(115,449)	-	-	(115,449)
Total return draw	(3,666,095)	(4,840,273)	-	(8,506,368)
Net change	3,150,844	3,414,183	443,374	7,008,401
Endowment assets, December 31, 2016	84,035,546	134,581,209	40,796,473	259,413,228
Contributions/transfers in	2,259,212	14,832	2,245,075	4,519,119
Income earned on investments	1,324,558	2,362,826	28,700	3,716,084
Net realized gains on investments sold	735,234	1,775,469	-	2,510,703
Unrealized appreciation on investments	10,501,033	20,939,248	-	31,440,281
Endowment assets released from restrictions	(183,554)	(2,058,686)	-	(2,242,240)
Expenditure of board designated endowments				-
Reclassification	-	418,909	-	418,909
Total return draw	(3,429,810)	(4,744,128)	-	(8,173,938)
Net change	11,206,673	18,708,470	2,273,775	32,188,918
Endowment assets, December 31, 2017	$ 95,242,219	$ 153,289,679	$ 43,070,248	$ 291,602,146

Note 18. Leases

The Organization leases land and buildings to UCC churches under noncancelable operating lease agreements. One lease agreement required monthly payments of $4,500 ending August 2016. Beginning September 2016, the monthly lease payment was reduced to $2,000. The lease payment is increased $500 every September until termination of the lease in September 2021. Under the lease agreement, the Organization is required to deposit half of the monthly payment amount into Cornerstone Fund, Inc., which is under the tenant’s control and restricted for use of future payments or other tenant requests approved by the fund.

The other lease agreement calls for monthly payments of $500 month-to-month.

Payments received by the Organization are recorded as lease revenue.

Note 18. Leases (Continued)

Future minimum rent to be received under these leases is as follows:

2018	$ 32,000
2019	38,000
2020	44,000
2021	32,000
Total	$ 146,000

The Organization leases facilities and equipment under operating leases expiring at various periods through July 2019.

At December 31, 2017, future minimum rental payments required under non-cancelable operating leases in excess of one year are:

2018	$ 155,767
2019	34,147
2020	4,764
Total	$ 194,678

Total rental expense for all operating leases was $177,536 and $174,561 for 2017 and 2016, respectively.

Note 19. Deconsolidation of an Affiliate

As of January 1, 2017, the Organization no longer holds control or economic interest in Franklinton Center, a prior affiliate. As a result of the loss of controlling financial interest, JWM deconsolidated Franklinton Center's assets and liabilities. A realized loss on deconsolidation of an affiliate of $1,457,396 was recorded for the year ended December 31, 2017.

Note 20. Functional Expenses - Operating Activity

Functional expenses – operating activity for 2017 and 2016 is as follows:

	2017	2016
Program services expenses:		
OGMP:		
Our Church's Wider Mission	$ 1,475,337	$ 1,724,959
Publishing, Identity & Communications	2,502,561	2,511,184
General Synod	216,000	270,000
Covenantal Relations	283,353	258,415
Grants and other program expenses	809,488	708,118
Make a Difference!	311,432	116,763
	5,598,171	5,589,439
JWM:		
Franklinton Center	255,000	314,147
Public Life and Social Policy	659,583	590,391
Education & Advocacy	631,243	705,357
Health & Wholeness Advocacy	492,319	421,617
Other program expenses	235,073	291,108
	2,273,218	2,322,620
LCM:		
Congregational Assessment and Support	791,680	700,588
Church Building	1,436,303	1,957,354
Ministerial Excellence, Support and Authorization	473,319	1,488,905
Center for Analytics, Research & Data	1,559,423	553,723
Faith Formation	568,894	3,022,218
Executive Minister Grants	472,987	505,607
Other program expenses	574,447	636,166
	5,877,053	8,864,561
WCM:		
Overseas Personnel and Programs	4,555,876	4,792,537
Global Sharing of Resources	2,409,873	1,935,563
Other program expenses	506,325	679,825
Local Church Relations	216,544	226,294
	7,688,618	7,634,219
Less: Elimination	(1,076,122)	(932,437)
Total program services expenses	20,360,938	23,478,402
Management and general expenses:	5,159,145	7,103,762
Less: elimination	(1,074,653)	(1,295,556)
	4,084,492	5,808,206
Fundraising expenses:	1,689,769	1,798,206
Less: elimination	(128,549)	-
	1,561,220	1,798,206
Total expenses	$ 26,006,650	$ 31,084,814

Supplementary Information

The United Church of Christ Board and Certain Affiliated Entities

Details of Combined Statement of Financial Position
December 31, 2017

	Office of General Minister and President	Justice and Witness Ministries	Local Church Ministries	Wider Church Ministries	700 Prospect	**Total**
Assets						
Cash and cash equivalents	$ 670,419	$ 113,915	$ 2,010,525	$ 3,862,758	$ 622,504	**$ 7,280,121**
Investments	20,592,346	24,746,424	142,844,341	129,421,470		**317,604,581**
Receivables:						
Church building loans, net	-		38,879,441			**38,879,441**
Support, net	2,776,770					**2,776,770**
Property sale, net	-			2,895,858		**2,895,858**
Other, net	1,104,882	295,916	1,759,026	3,648,877	16,492	**6,825,193**
Inventory, prepaid expenses and other assets	308,196	11,225	210,993	56,039	23,467	**609,920**
Beneficial interest in trusts held by others	-	658,187	3,882,345	9,692,353		**14,232,885**
Property and equipment, net	86,039	-	9,007,766		3,752,497	**12,846,302**
Total assets	$ 25,538,652	$ 25,825,667	$ 198,594,437	$ 149,577,355	$ 4,414,960	**$ 403,951,071**
Liabilities and Net Assets						
Loan payable	$ -	$ -	$ -	$ -	$ 2,175,000	**$ 2,175,000**
Accounts payable	196,499	5,232	257,840	112,462	10,714	**582,747**
Accrued pension and other post-retirement benefits	-			2,151,206		**2,151,206**
Other accrued liabilities	796,225	185,525	567,436	760,833	29,415	**2,339,434**
Funds held for others	71,688		1,391,103	2,149,358		**3,612,149**
Other liabilities	85,150	15,947	40,994	1,550,000		**1,692,091**
Total liabilities	1,149,562	206,704	2,257,373	6,723,859	2,215,129	**12,552,627**
Net assets:						
Unrestricted	11,622,065	22,145,065	96,102,549	32,620,001	2,199,831	**164,689,511**
Donor restricted:						
Temporarily	6,634,375	2,783,311	78,349,971	83,079,601		**170,847,258**
Permanently	6,132,650	690,587	21,884,544	27,153,894		**55,861,675**
Total net assets	24,389,090	25,618,963	196,337,064	142,853,496	2,199,831	**391,398,444**
Total liabilities and net assets	$ 25,538,652	$ 25,825,667	$ 198,594,437	$ 149,577,355	$ 4,414,960	**$ 403,951,071**

The United Church of Christ Board and Certain Affiliated Entities

Details of Combined Statement of Activities and Changes in Net Assets
Year Ended December 31, 2017

	OFFICE OF GENERAL MINISTER AND PRESIDENT				JUSTICE AND WITNESS MINISTRIES				LOCAL CHURCH MINISTRIES				WIDER CHURCH MINISTRIES				700 PROSPECT	INTER-MINISTRY ELIMINATIONS	TOTAL			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Unrestricted		Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Operating revenues and support:																						
Our Church's Wider Mission (1):																						
Basic support	$ 3,788,692	$ -	$ -	$ 3,788,692	$ 947,436	$ -	$ -	$ 947,436	$ 197,907	$ -	$ -	$ 197,907	$ 471,328	$ -	$ -	$ 471,328	$ -		$ 5,405,363	$ -	$ -	$ 5,405,363
Special support	27,289	1,516,984		1,544,273		761,642		761,642	-	245,621		245,621	-	2,175,756		2,175,756		(1,033,789)	27,289	3,666,214		3,693,503
Gifts, donations and trust income	73,229	108,098		181,327	101,478	120,350		221,828	258,925	23,743		282,668	783,871			783,871		(608)	1,216,895	252,191		1,469,086
Other revenues:																						
Publications and other resource sales	1,357,998			1,357,998	59,087			59,087	64,570			64,570	2,246	-		2,246		(8,255)	1,475,646	-		1,475,646
Total return draw	709,502			709,502	1,159,387			1,159,387	2,995,618			2,995,618	3,309,441			3,309,441			8,173,948			8,173,948
Management fees and other reimbursements	1,413,131	-		1,413,131	-			-	39,078			39,078	965,819	15,235		981,054		-	2,418,028	15,235		2,433,263
Church loan interest				-				-	1,789,405			1,789,405				-			1,789,405			1,789,405
Other	-	32,842		32,842	3,139	-		3,139	414,791	-		414,791	1,208			1,208	1,283,405	(1,236,672)	465,871	32,842		498,713
Net assets released from restrictions	1,535,474			1,535,474	81,478			81,478	916,883			916,883	4,561,009			4,561,009		(1,033,789)	6,061,055			6,061,055
Net assets released from restrictions - temporarily restricted	-	(1,535,474)		(1,535,474)		(81,478)		(81,478)		(916,883)		(916,883)		(4,561,009)		(4,561,009)		1,033,789	-	(6,061,055)		(6,061,055)
Total operating revenues and support	8,905,315	122,450	-	9,027,765	2,352,005	800,514	-	3,152,519	6,677,177	(647,519)	-	6,029,658	10,094,922	(2,370,018)	-	7,724,904	1,283,405	(2,279,324)	27,033,500	(2,094,573)	-	24,938,927
Operating expenses:																						
Program services	5,598,171			5,598,171	2,273,218			2,273,218	5,877,053			5,877,053	7,688,618			7,688,618		(1,076,122)	20,360,938			20,360,938
Management and general	1,481,662			1,481,662	633,649			633,649	473,852			473,852	1,347,889			1,347,889	1,222,093	(1,074,653)	4,084,492			4,084,492
Fundraising	1,279,585			1,279,585	14,912			14,912	42,785			42,785	352,487			352,487		(128,549)	1,561,220			1,561,220
Total operating expenses	8,359,418	-	-	8,359,418	2,921,779	-	-	2,921,779	6,393,690	-	-	6,393,690	9,388,994	-	-	9,388,994	1,222,093	(2,279,324)	26,006,650	-	-	26,006,650
Increase (decrease) from operating activity	545,897	122,450	-	668,347	(569,774)	800,514	-	230,740	283,487	(647,519)	-	(364,032)	705,928	(2,370,018)	-	(1,664,090)	61,312	-	1,026,850	(2,094,573)	-	(1,067,723)
Non-operating revenues and support:																						
Gifts and donations	-		239,029	239,029			722	722	4,709		12,024	16,733	2,553,831	4,615,941	1,301,805	8,471,577			2,558,540	4,615,941	1,553,580	8,728,061
Interest and dividends net of total return draw	(282,480)	130,597		(151,883)	(726,760)	740		(726,020)	95,412	(1,477,293)		(1,381,881)	(840,611)	(960,218)		(1,800,829)			(1,754,439)	(2,306,174)		(4,060,613)
Net appreciation in value of investments	1,562,958	958,332		2,521,290	3,092,923	46,089		3,139,012	5,275,145	10,430,478		15,705,623	2,977,353	11,105,672		14,083,025			12,908,379	22,540,571		35,448,950
Hotel Venture, LLC operations, net	-			-				-	(57,311)			(57,311)				-			(57,311)			(57,311)
Change in value of beneficial interest in trusts held by others	-			-			-	-			403,469	403,469			448,283	448,283					851,752	851,752
Change in value of split interest agreements	-	16,069		16,069		13,994		13,994		21,220		21,220		23,291		23,291				74,574		74,574
Realized loss on deconsolidation of affiliate	-	-	-	-	(1,457,396)			(1,457,396)											(1,457,396)			(1,457,396)
Total non-operating revenues and support	1,280,478	1,104,998	239,029	2,624,505	908,767	60,823	722	970,312	5,317,955	8,974,405	415,493	14,707,853	4,690,573	14,784,686	1,750,088	21,225,347	-	-	12,197,773	24,924,912	2,405,332	39,528,017
Increase in net assets before the effect of postretirement cost	1,826,375	1,227,448	239,029	3,292,852	338,993	861,337	722	1,201,052	5,601,442	8,326,886	415,493	14,343,821	5,396,501	12,414,668	1,750,088	19,561,257	61,312	-	13,224,623	22,830,339	2,405,332	38,460,294
Postretirement related changes other then net periodic postretirement cost	-			-				-				-	110,458			110,458	-	-	110,458			110,458
Increase in net assets	1,826,375	1,227,448	239,029	3,292,852	338,993	861,337	722	1,201,052	5,601,442	8,326,886	415,493	14,343,821	5,506,959	12,414,668	1,750,088	19,671,715	61,312	-	13,335,081	22,830,339	2,405,332	38,570,752
Net assets - beginning of year	9,795,690	5,406,927	5,893,621	21,096,238	21,806,072	1,921,974	689,865	24,417,911	90,501,107	70,023,085	21,469,051	181,993,243	27,113,042	70,664,933	25,403,806	123,181,781	2,138,519	-	151,354,430	148,016,919	53,456,343	352,827,692
Net assets - end of year	$ 11,622,065	$ 6,634,375	$ 6,132,650	$ 24,389,090	$ 22,145,065	$ 2,783,311	$ 690,587	$ 25,618,963	$ 96,102,549	$ 78,349,971	$ 21,884,544	$ 196,337,064	$ 32,620,001	$ 83,079,601	$ 27,153,894	$ 142,853,496	$ 2,199,831	$ -	$ 164,689,511	$ 170,847,258	$ 55,861,675	$ 391,398,444

(1) Note: The Pension Boards receives 5.55% of Our Church's Wider Mission.