Community of Christ and Affiliates

Consolidated Financial Report
June 30, 2017

THE POWER OF BEING UNDERSTOOD
AUDIT | TAX | CONSULTING

RSM

Contents

Independent Auditor's Report

First Presidency
Community of Christ and Affiliates

Report on the Financial Statements
We have audited the accompanying consolidated financial statements of Community of Christ and Affiliates, which comprise the consolidated statements of financial position as of June 30, 2017 and 2016, the related consolidated statements of activities and cash flows for the years then ended, and the related notes to the consolidated financial statements (collectively, the 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 Community of Christ and Affiliates as of June 30, 2017 and 2016, and the changes in their net assets and their 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 additional information for the World Church and Graceland University and Subsidiaries and the related eliminating entries presented on the consolidating statements of financial position and the consolidating statements of activities are presented for the purposes of additional analysis rather than to present the financial position and the results of operations of the individual entities, and are not a required part of the financial statements. Additionally, the accompanying supplementary information on pages 52 to 61 is presented for purposes of additional analysis and is not a required part of the financial statements. The information for the World Church and Graceland University and Subsidiaries and the supplementary information on pages 52 to 61 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 consolidating and other supplementary 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

Kansas City, Missouri
February 27, 2018

Community of Christ and Affiliates

Consolidated Statement of Financial Position
June 30, 2017
(Dollars in Thousands)

	World Church	Graceland University	Eliminations		Total
Assets					
Cash and cash equivalents	$ 11,130	$ 14,729	$ -		$ 25,859
Receivables:					
Accounts, U.S. government and miscellaneous receivables, net	1,923	5,579	(42)	(2)	7,460
Notes, mortgages, and student and U.S. government loans receivable, net	9,083	2,995	-		12,078
Contributions receivable, net	547	356	-		903
	11,553	8,930	(42)		20,441
Investments:					
Bonds, stocks and other investments	130,352	37,798	(30,059)	(1)	138,091
Real estate	45,250	-	-		45,250
	175,602	37,798	(30,059)		183,341
Cash restricted for investment in land, buildings and equipment	-	531	-		531
Real estate and equipment, net	63,507	56,097	-		119,604
Other assets:					
Inventories	807	1,290	-		2,097
Prepaid expenses and deposits	942	1,944	-		2,886
Deferred expenses and other assets	377	4,927	-		5,304
Intangible assets and goodwill	-	4,445	-		4,445
Funds held in trust by others	-	702	-		702
	2,126	13,308	-		15,434
	$ 263,918	$ 131,393	$ (30,101)		$ 365,210

(1) To eliminate investment held at the Church for the University.
(2) To eliminate accrued fees from the University to the Church.

See notes to consolidated financial statements.

	World Church	Graceland University	Eliminations		Total
Liabilities and Net Assets					
Payables and other liabilities:					
Accounts payable	$ 1,052	$ 3,479	$ -		$ 4,531
Accrued expenses, deferred income and other liabilities	11,194	19,853	(42)	(2)	31,005
Annuities payable	2,866	1,146	-		4,012
U.S. government grants refundable	-	3,131	-		3,131
	15,112	27,609	(42)		42,679
Funds held on behalf of others	145,300	480	(30,059)	(1)	115,721
Pension benefits	65,104	10,980	-		76,084
Postretirement benefits	20,928	-	-		20,928
	86,032	10,980	-		97,012
Long-term debt and capital lease obligation	2,500	28,936	-		31,436
Net assets:					
Unrestricted	(6,055)	23,584	-		17,529
Temporarily restricted	4,696	5,917	-		10,613
Permanently restricted	16,333	33,887	-		50,220
Total net assets	14,974	63,388	-		78,362
	$ 263,918	$ 131,393	$ (30,101)		$ 365,210

Community of Christ and Affiliates

Consolidated Statement of Financial Position
June 30, 2016
(Dollars in Thousands)

	World Church	Graceland University	Eliminations		Total
Assets					
Cash and cash equivalents	$ 11,773	$ 11,199	$ -		$ 22,972
Receivables:					
Accounts, U.S. government and miscellaneous receivables, net	4,114	7,054	(42)	(2)	11,126
Notes, mortgages, and student and U.S. government loans receivable, net	11,292	4,737	-		16,029
Contributions receivable, net	14,478	807	-		15,285
	29,884	12,598	(42)		42,440
Investments:					
Bonds, stocks and other investments	119,643	33,884	(29,374)	(1)	124,153
Real estate	26,002	-	-		26,002
	145,645	33,884	(29,374)		150,155
Cash restricted for investment in land, buildings and equipment	-	301	-		301
Real estate and equipment, net	71,725	54,597	-		126,322
Other assets:					
Inventories	885	1,476	-		2,361
Prepaid expenses and deposits	1,109	1,714	-		2,823
Deferred expenses and other assets	277	6,672	-		6,949
Intangible assets and goodwill	-	6,019	-		6,019
Funds held in trust by others	-	709	-		709
	2,271	16,590	-		18,861
	$ 261,298	$ 129,169	$ (29,416)		$ 361,051

(1) To eliminate investment held at the Church for the University.
(2) To eliminate accrued fees from the University to the Church.

See notes to consolidated financial statements.

	World Church	Graceland University	Eliminations		Total
Liabilities and Net Assets					
Payables and other liabilities:					
Accounts payable	$ 1,634	$ 3,171	$ -		$ 4,805
Accrued expenses, deferred income and other liabilities	8,400	20,852	(42)	(2)	29,210
Annuities payable	2,942	1,211	-		4,153
U.S. government grants refundable	-	3,089	-		3,089
	12,976	28,323	(42)		41,257
Funds held on behalf of others	135,057	449	(29,374)	(1)	106,132
Pension benefits	69,499	15,212	-		84,711
Postretirement benefits	24,672	-	-		24,672
	94,171	15,212	-		109,383
Long-term debt and capital lease obligation	8,100	30,096	-		38,196
Net assets:					
Unrestricted	(25,868)	16,814	-		(9,054)
Temporarily restricted	3,862	5,146	-		9,008
Permanently restricted	33,000	33,129	-		66,129
Total net assets	10,994	55,089	-		66,083
	$ 261,298	$ 129,169	$ (29,416)		$ 361,051

Community of Christ and Affiliates

Consolidated Statement of Activities
Year Ended June 30, 2017
(Dollars in Thousands)

	World Church		
	Unrestricted	Temporarily Restricted	Permanently Restricted
Revenues, gains and other support:			
Contributions, private gifts, grants and contracts	$ 15,086	$ 46	$ 697
Seminars	-	-	-
Student tuition and fees	-	-	-
Products	-	-	-
Services and sales of auxiliary enterprises and affiliates	6,942	-	-
Income from investment activities	1,047	585	-
Unrealized gain on real estate	19,455	-	-
Government grants and contracts	-	-	-
Other	642	400	36
Net assets released from restrictions	4,199	(197)	(4,002)
Total revenues, gains and other support	47,371	834	(3,269)
Expenses:			
Program expenses:			
Congregation and mission support	8,588	-	-
Personal ministry	401	-	-
Assistance to the poor and needy	829	-	-
Education and leadership training	2,304	-	-
Communications	1,764	-	-
Capital development	1,249	-	-
Instruction	-	-	-
Public service	-	-	-
Academic support	-	-	-
Student services	-	-	-
Auxiliary enterprises	510	-	-
Seminars and products	-	-	-
Total program expenses	15,645	-	-
Management and general	4,038	-	-
Fundraising	396	-	-
Pension and postretirement expense	15,238	-	-
Total expenses	35,317	-	-
Change in net assets before other income (expense)	12,054	834	(3,269)
Minimum pension liability adjustment	14,100	-	-
Write-off of contribution receivables	-	-	(13,398)
Unrealized loss on program real estate impairment	(6,341)	-	-
Change in net assets	19,813	834	(16,667)
Net assets, beginning of year	(25,868)	3,862	33,000
Net assets, end of year	$ (6,055)	$ 4,696	$ 16,333

(1) To eliminate fees paid from the University to the Church.

See notes to consolidated financial statements.

Graceland University				Totals by Restriction			
Unrestricted	Temporarily Restricted	Permanently Restricted	Eliminations	Unrestricted	Temporarily Restricted	Permanently Restricted	Consolidated Total
$ 1,551	$ 1,558	$ 719	$ -	$ 16,637	$ 1,604	$ 1,416	$ 19,657
66,501	-	-	-	66,501	-	-	66,501
23,455	-	-	-	23,455	-	-	23,455
5,141	-	-	-	5,141	-	-	5,141
6,558	-	-	(100) (1)	13,400	-	-	13,400
2,559	1,051	39	-	3,606	1,636	39	5,281
-	-	-	-	19,455	-	-	19,455
329	1,060	-	-	329	1,060	-	1,389
905	11	-	-	1,547	411	36	1,994
2,909	(2,909)	-	-	7,108	(3,106)	(4,002)	-
109,908	771	758	(100)	157,179	1,605	(2,511)	156,273
-	-	-	-	8,588	-	-	8,588
-	-	-	-	401	-	-	401
-	-	-	-	829	-	-	829
-	-	-	-	2,304	-	-	2,304
-	-	-	-	1,764	-	-	1,764
-	-	-	-	1,249	-	-	1,249
12,405	-	-	(100) (1)	12,305	-	-	12,305
1,137	-	-	-	1,137	-	-	1,137
2,793	-	-	-	2,793	-	-	2,793
9,222	-	-	-	9,222	-	-	9,222
6,586	-	-	-	7,096	-	-	7,096
40,122	-	-	-	40,122	-	-	40,122
72,265	-	-	(100)	87,810	-	-	87,810
33,622	-	-	-	37,660	-	-	37,660
1,483	-	-	-	1,879	-	-	1,879
13	-	-	-	15,251	-	-	15,251
107,383	-	-	(100)	142,600	-	-	142,600
2,525	771	758	-	14,579	1,605	(2,511)	13,673
4,245	-	-	-	18,345	-	-	18,345
-	-	-	-	-	-	(13,398)	(13,398)
-	-	-	-	(6,341)	-	-	(6,341)
6,770	771	758	-	26,583	1,605	(15,909)	12,279
16,814	5,146	33,129	-	(9,054)	9,008	66,129	66,083
$ 23,584	$ 5,917	$ 33,887	$ -	$ 17,529	$ 10,613	$ 50,220	$ 78,362

Community of Christ and Affiliates

Consolidated Statement of Activities
Year Ended June 30, 2016
(Dollars in Thousands)

	World Church		
	Unrestricted	Temporarily Restricted	Permanently Restricted
Revenues, gains and other support:			
Contributions, private gifts, grants and contracts	$ 16,645	$ 31	$ 1,187
Seminars	-	-	-
Student tuition and fees	-	-	-
Products	-	-	-
Services and sales of auxiliary enterprises and affiliates	8,365	-	-
Loss from investment activities	(1,366)	-	-
Unrealized loss on real estate	(60,706)	-	-
Government grants and contracts	-	-	-
Other	3,542	(458)	(32)
Net assets released from restrictions	13,776	(443)	(13,333)
Total revenues, gains and other support	(19,744)	(870)	(12,178)
Expenses:			
Program expenses:			
Congregation and mission support	11,717	-	-
Personal ministry	843	-	-
Assistance to the poor and needy	1,074	-	-
Education and leadership training	2,235	-	-
Communications	3,523	-	-
Capital development	1,703	-	-
Instruction	-	-	-
Public service	-	-	-
Academic support	-	-	-
Student services	-	-	-
Auxiliary enterprises	855	-	-
Seminars and products	-	-	-
Total program expenses	21,950	-	-
Management and general	7,114	-	-
Fundraising	760	-	-
Pension and postretirement expense	6,905	-	-
Total expenses	36,729	-	-
Change in net assets before other income (expense)	(56,473)	(870)	(12,178)
Minimum pension liability adjustment	(11,617)	-	-
Write-off of a contribution receivable	-	-	-
Change in net assets before deconsolidation	(68,090)	(870)	(12,178)
Deconsolidation of Canadian Corporation	(2,983)	(829)	(3,244)
Change in net assets after deconsolidation	(71,073)	(1,699)	(15,422)
Net assets, beginning of year	45,205	5,561	48,422
Net assets, end of year	$ (25,868)	$ 3,862	$ 33,000

(1) To eliminate fees paid from the University to the Church.

See notes to consolidated financial statements.

Graceland University				Totals by Restriction			
Unrestricted	Temporarily Restricted	Permanently Restricted	Eliminations	Unrestricted	Temporarily Restricted	Permanently Restricted	Consolidated Total
$ 1,082	$ 345	$ 3,122	$ -	$ 17,727	$ 376	$ 4,309	$ 22,412
72,605	-	-	-	72,605	-	-	72,605
22,532	-	-	-	22,532	-	-	22,532
6,363	-	-	-	6,363	-	-	6,363
6,967	-	-	(100) [1]	15,232	-	-	15,232
(586)	(88)	(46)	-	(1,952)	(88)	(46)	(2,086)
-	-	-	-	(60,706)	-	-	(60,706)
282	1,032	-	-	282	1,032	-	1,314
1,086	15	-	-	4,628	(443)	(32)	4,153
3,174	(3,174)	-	-	16,950	(3,617)	(13,333)	-
113,505	(1,870)	3,076	(100)	93,661	(2,740)	(9,102)	81,819
-	-	-	-	11,717	-	-	11,717
-	-	-	-	843	-	-	843
-	-	-	-	1,074	-	-	1,074
-	-	-	-	2,235	-	-	2,235
-	-	-	-	3,523	-	-	3,523
-	-	-	-	1,703	-	-	1,703
13,357	-	-	(100) [1]	13,257	-	-	13,257
1,062	-	-	-	1,062	-	-	1,062
3,235	-	-	-	3,235	-	-	3,235
9,774	-	-	-	9,774	-	-	9,774
6,319	-	-	-	7,174	-	-	7,174
48,081	-	-	-	48,081	-	-	48,081
81,828	-	-	(100)	103,678	-	-	103,678
30,852	-	-	-	37,966	-	-	37,966
1,643	-	-	-	2,403	-	-	2,403
1,289	-	-	-	8,194	-	-	8,194
115,612	-	-	(100)	152,241	-	-	152,241
(2,107)	(1,870)	3,076	-	(58,580)	(2,740)	(9,102)	(70,422)
(3,127)	-	-	-	(14,744)	-	-	(14,744)
-	(1,435)	-	-	-	(1,435)	-	(1,435)
(5,234)	(3,305)	3,076	-	(73,324)	(4,175)	(9,102)	(86,601)
-	-	-	-	(2,983)	(829)	(3,244)	(7,056)
(5,234)	(3,305)	3,076	-	(76,307)	(5,004)	(12,346)	(93,657)
22,048	8,451	30,053	-	67,253	14,012	78,475	159,740
$ 16,814	$ 5,146	$ 33,129	$ -	$ (9,054)	$ 9,008	$ 66,129	$ 66,083

Community of Christ and Affiliates

Consolidated Statement of Cash Flows
Year Ended June 30, 2017
(Dollars in Thousands)

	World Church	Graceland University	Eliminations	Total
Cash flows from operating activities:				
Change in net assets	$ 3,980	$ 8,299	$ -	$ 12,279
Adjustments to reconcile change in net assets to net cash provided by operating activities:				
Depreciation	1,964	3,404	-	5,368
Amortization	-	1,574	-	1,574
Minimum pension liability adjustment	(14,100)	(4,245)	-	(18,345)
Unrealized gain on real estate	(19,455)	-	-	(19,455)
Unrealized gain on investment securities	(10,328)	(3,210)	-	(13,538)
Unrealized gain on investment securities related to funds held on behalf of others	9,779	-	-	9,779
Net (gain) loss on sale of investment securities and real estate	(3,196)	151	-	(3,045)
Net gain on sale of investment securities related to funds held on behalf of others	2,848	-	-	2,848
Net gain on sale of real estate and equipment	(122)	-	-	(122)
Unrealized loss on program real estate impairment	6,341	-	-	6,341
Contributions and income restricted	(733)	(758)	-	(1,491)
Write-off of contribution receivables	13,398	-	-	13,398
Noncash contributions	-	(257)	-	(257)
Changes in:				
Receivables	2,624	2,102	-	4,726
Inventories, prepaids and deposits	245	(44)	-	201
Deferred expenses and other assets	(100)	40	-	(60)
Accounts payable	(582)	308	-	(274)
Accrued expenses, deferred income and other liabilities	2,794	(999)	-	1,795
Accrued retirement liability	5,961	13	-	5,974
Net cash provided by operating activities	1,318	6,378	-	7,696
Cash flows from investing activities:				
Proceeds from sale of investment securities and real estate	54,549	7,152	(2,600) (1)	59,101
Purchase of investment securities and real estate	(51,527)	(7,750)	3,285 (1)	(55,992)
Increase (decrease) in funds held on behalf of others	10,243	31	(685) (1)	9,589
Unrealized gain on investment securities related to funds held on behalf of others	(9,779)	-	-	(9,779)
Net gain on sale of investment securities related to funds held on behalf of others	(2,848)	-	-	(2,848)
Increase in student and U.S. government loans receivable, net	-	360	-	360
Issuance of notes and mortgages receivable	(1,661)	-	-	(1,661)
Payments from notes and mortgages receivable	3,970	19	-	3,989
Increase in U.S. government grants refundable, net	-	42	-	42
Purchase of real estate and equipment	(368)	(7,883)	-	(8,251)
Proceeds from sale of real estate and equipment	403	-	-	403
Change in cash restricted for land, buildings and equipment	-	(230)	-	(230)
Net cash provided by (used in) investing activities	2,982	(8,259)	-	(5,277)

(1) To eliminate activity related to investment held at the Church for the University.

(Continued)

Community of Christ and Affiliates

Consolidated Statement of Cash Flows (Continued)
Year Ended June 30, 2017
(Dollars in Thousands)

	World Church	Graceland University	Eliminations	Total
Cash flows from financing activities:				
Proceeds from the issuance of debt	$ 1,900	$ 5,500	$ -	$ 7,400
Principal payments on long-term debt	(7,500)	(649)	-	(8,149)
Principal payments on capital lease obligation	-	(110)	-	(110)
(Decrease) in annuities payable	(76)	(65)	-	(141)
Contributions and income restricted for long-term investment	733	664	-	1,397
Financing and debt issuance costs	-	71	-	71
Net cash provided by (used in) financing activities	(4,943)	5,411	-	468
Increase (decrease) in cash and cash equivalents	(643)	3,530	-	2,887
Cash and cash equivalents, beginning of year	11,773	11,199	-	22,972
Cash and cash equivalents, end of year	$ 11,130	$ 14,729	$ -	$ 25,859
Supplemental disclosures of cash flow information:				
Cash payments for interest	$ 137	$ 1,197	$ -	$ 1,334
Supplemental disclosures of noncash investing and financing activities:				
Noncash forgiveness of note receivable	$ -	$ 1,281	$ -	$ 1,281
Noncash termination of capital lease discount	$ -	$ 1,713	$ -	$ 1,713
Noncash adjustment to property as part of capital lease termination	$ -	$ 2,979	$ -	$ 2,979
Noncash termination of capital lease	$ -	$ (5,973)	$ -	$ (5,973)

See notes to consolidated financial statements.

Community of Christ and Affiliates

Consolidated Statement of Cash Flows
Year Ended June 30, 2016
(Dollars in Thousands)

	World Church	Graceland University	Eliminations	Total
Cash flows from operating activities:				
Change in net assets before deconsolidation	$ (81,138)	$ (5,463)	$ -	$ (86,601)
Adjustments to reconcile change in net assets before deconsolidation to net cash provided by operating activities:				
Depreciation	2,225	3,131	-	5,356
Amortization	-	2,639	-	2,639
Minimum pension liability adjustment	11,617	3,127	-	14,744
Unrealized loss on real estate	60,706	-	-	60,706
Unrealized loss on investment securities	4,425	1,670	-	6,095
Unrealized loss on investment securities related to funds held on behalf of others	(3,105)	-	-	(3,105)
Net loss (gain) on sale of investment securities and real estate	1,097	(357)	-	740
Net gain on sale of investment securities related to funds held on behalf of others	150	-	-	150
Net gain on sale of real estate and equipment	(747)	-	-	(747)
Contributions and income restricted	8,718	(3,076)	-	5,642
Noncash discharge of note payable	(1,620)	-	-	(1,620)
Write-off of a contribution receivable	-	1,435	-	1,435
Noncash contributions of investment securities and real estate	(58)	(511)	-	(569)
Changes in:				
Receivables	675	171	(109) (2) (3)	737
Inventories, prepaids and deposits	(491)	(421)	-	(912)
Deferred expenses and other assets	(141)	1,305	-	1,164
Funds held in trust by others	-	881	-	881
Accounts payable	(546)	(120)	-	(666)
Accrued expenses, deferred income and other liabilities	334	(19)	109 (2) (3)	424
Accrued retirement liability	3,170	1,289	-	4,459
Net cash provided by operating activities	5,271	5,681	-	10,952
Cash flows from investing activities:				
Proceeds from sale of investment securities and real estate	70,559	25	(2,400) (1)	68,184
Purchase of investment securities and real estate	(72,000)	(1,955)	3,276 (1)	(70,679)
Increase (decrease) in funds held on behalf of others	1,630	(356)	(876) (1)	398
Unrealized loss on investment securities related to funds held on behalf of others	3,105	-	-	3,105
Net gain on sale of investment securities related to funds held on behalf of others	(150)	-	-	(150)
Increase in student and U.S. government loans receivable, net	-	344	-	344
Issuance of notes and mortgages receivable	(722)	-	-	(722)
Payments from notes and mortgages receivable	2,919	23	-	2,942
Increase in U.S. government grants refundable, net	-	49	-	49
Purchase of real estate and equipment	(183)	(830)	-	(1,013)
Proceeds from sale of real estate and equipment	1,216	-	-	1,216
Cash held in Canadian Corporation at deconsolidation	(606)	-	-	(606)
Change in cash restricted for land, buildings and equipment	-	(272)	-	(272)
Net cash provided by (used in) investing activities	5,768	(2,972)	-	2,796

(1) To eliminate activity related to investment held at the Church for the University.
(2) To eliminate contributions from the Church to the University.
(3) To eliminate fees paid from the University to the Church.

(Continued)

Community of Christ and Affiliates

Consolidated Statement of Cash Flows (Continued)
Year Ended June 30, 2016
(Dollars in Thousands)

	World Church	Graceland University	Eliminations	Total
Cash flows from financing activities:				
Principal payments on long-term debt	$ (1,900)	$ (3,312)	$ -	$ (5,212)
Principal payments on capital lease obligation	-	(118)	-	(118)
Increase in annuities payable	38	133	-	171
Contributions and income restricted for long-term investment	(8,718)	2,371	-	(6,347)
Net cash used in financing activities	(10,580)	(926)	-	(11,506)
Increase in cash and cash equivalents	459	1,783	-	2,242
Cash and cash equivalents, beginning of year	11,314	9,416	-	20,730
Cash and cash equivalents, end of year	$ 11,773	$ 11,199	$ -	$ 22,972
Supplemental disclosures of cash flow information:				
Cash payments for interest	$ 224	$ 1,085	$ -	$ 1,309
Noncash transactions:				
Discharge of note payable according to note terms	$ 1,620	$ -	$ -	$ 1,620

See notes to consolidated financial statements.

Note 1. Nature of Business and Summary of Significant Accounting Policies

Nature of business: The Community of Christ (Church) is an international Christian denomination with approximately 250,000 members in 1,100 congregations in 51 countries. The early church was founded in New York State in 1830 by Joseph Smith, Jr. The Reorganized Church of Jesus Christ of Latter Day Saints (now known as Community of Christ) was established in 1860 following Smith's death. The mission of the Church is to proclaim Jesus Christ and promote communities of joy, hope, love and peace.

Graceland University (University) is a private, nonprofit institution of higher education with campuses in Lamoni, Iowa, and Independence, Missouri. The University offers liberal arts programs and graduate degrees to its students, who are primarily from the United States, but with enrollments spanning the globe. The University is accredited by the North Central Association of Colleges and Schools. The University is sponsored by the Church and participates in the Church's investment pool and insurance pool for institutional coverage and risk management services.

The Graceland College Center for Professional Development and Lifelong Learning, Inc. (the Center) is a nonprofit corporation controlled by the University. The primary nature of the Center's operations is to develop and market adult continuing education, training and self-improvement products, courses and tools. The Center operates in the United States, Canada, United Kingdom, New Zealand and Australia under the trade names SkillPath Seminars, National Seminars, CompuMaster, and Human Resources Council.

Following is a summary of significant accounting policies:

Principles of consolidation: The consolidated financial statements include the accounts of the Church and University. The Church includes the accounts of its affiliates: Corporation of the Presiding Bishopric of the Community of Christ; Tiona Corporation; Community of Christ For Profit Holding Corporation; PeacePathways; Community of Christ Historic Sites Foundation and Spectacular; real estate title-holding only entities are Central Development Association; Atherton Farms, LLC; Atherton Farms (Central) LLC; Atherton Farms (West) LLC; East M78, LLC; Independence Improvement Investments, LLC; Little Blue River Valley Property Holdings, LLC; Little Blue Valley (Northeast) LLC; Little Blue Valley (Northwest) LLC; Little Blue Valley (West) LLC, Surplus Disposition, LLC; for-profit, no asset, inactive entities are CPB, Inc. and OBI, Inc. The University includes the accounts of the Graceland College Center for Professional Development and Lifelong Learning, Inc., its wholly owned subsidiary. All transactions between consolidated entities have been eliminated in consolidation.

The University has a fiscal year-end of May 31. Eliminations between the Church and University are based on balances at May 31, 2017 and 2016, according to the Church's records. Differences between the amounts at May 31 and June 30 are considered immaterial.

Programs: The Church and University operate the following programs:

Congregation and Mission Support: Ministers are provided to serve in congregations, fields and mission centers. Headquarters ministers and other staff are also available for guest ministry in support of congregations, fields and mission centers. This program includes activities in support of the Church's overall mission.

Personal Ministry: Programs of ministry are designed to assist persons in preparing for ministry to singles, youth, women, seekers, and other groups with special interests. Programs are also offered for persons interested in promoting peace and helping others develop an abundant life.

Note 1. Nature of Business and Summary of Significant Accounting Policies (Continued)

Assistance to the Poor and Needy: This program develops systems to deliver assistance to the poor and needy and provides direct financial support to persons in need. It provides disaster assistance and grants to other organizations (Church- and community-sponsored) to assist them in providing such support.

Education and Leadership Training: The program offers classes to members and friends of the Church to assist them in providing ministry to others. It presents conferences and other activities designed to develop skills of full-time and volunteer ministers and lay persons. It also supports students in postsecondary education through grants.

Communications: This program produces materials to present the message of the Church in various formats, including print, audio, video and electronic delivery. It also presents the message of the Church and its historical context through development, maintenance and guided interpretation of historic sites.

Capital Development: This program assists congregations with funds for capital development through loans and grants. It also provides funds for development of assets in harmony with the Church's enduring principles of the blessings of community, unity in diversity, and the sacredness of creation.

Instruction: This program includes all activities that directly relate to the instruction of students, including academic, occupational and vocational instruction.

Public Service: This program includes activities that are established primarily to provide noninstructional services beneficial to individuals and groups external to the institution.

Academic Support: This program includes activities that provide support services for the institution's primary mission. It includes retention, preservation and display of educational materials, provided that these services directly assist the academic functions of the institution.

Student Services: This program includes all student organizations, programs, social activities, and athletics and student administrative processes such as admissions, registrar, financial aid services and health services.

Auxiliary Enterprises: This program includes entities that exist to furnish goods or services to students, faculty, staff, or the Church and that charge a fee directly related to the cost of the goods or services.

Seminars and Products: This program includes the development and marketing of professional seminars and self-improvement products, courses and tools.

Use of estimates: The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America (U.S. GAAP) requires management to make estimates and judgments that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues, expenses, gains, losses and other changes in net assets during the reporting period. Significant estimates include depreciable life and salvage value of property and equipment, estimated discount rate and expected long-term rate of return used in the actuarial determination of the postretirement and pension obligations, market value adjustment of real estate investments, gift annuity and charitable remainder trust liabilities. Actual results could differ from those estimates.

Note 1. Nature of Business and Summary of Significant Accounting Policies (Continued)

Basis of presentation: The Church and University present their consolidated financial statements based on *FASB Accounting Standards Codification* (ASC) Topic 958, Presentation of Financial Statements.

Net assets, revenues, and gains and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of the Church and University and changes therein are classified and reported as follows:

Unrestricted net assets: Unrestricted net assets are not subject to donor-imposed restrictions but may be subject to Trustee (the Church) or Board (the University) designations.

Temporarily restricted net assets: Temporarily restricted net assets are subject to donor-imposed restrictions that may or will be met either by actions of the Church or the University and/or the passage of time.

Permanently restricted net assets: Permanently restricted net assets are subject to donor-imposed restrictions that they be maintained permanently by the Church or the University. Generally, the donors of these assets permit the Church or the University to use all or part of the income earned on related investments for general or specific purposes.

Revenues are reported as increases in unrestricted net assets unless use of the related assets is limited by donor-imposed restrictions. Expenses are reported as decreases in unrestricted net assets. Gains and losses on assets or liabilities are reported as increases or decreases in unrestricted net assets unless their use is restricted by explicit donor stipulation or by law. Expirations of temporary restrictions on net assets (i.e., the donor-stipulated purpose has been fulfilled and/or the stipulated time period has elapsed) are reported as reclassifications between the applicable classes of net assets and are being recognized prospectively.

Contributions: Contributions, including unconditional promises to give, are recognized as revenue in the period received. Conditional promises to give are not recognized until they become unconditional; that is, when the conditions on which they depend are substantially met. Contributions of assets other than cash are recorded at their estimated fair value. Contributions with donor-imposed restrictions that are met within the same reporting period are reported as temporarily restricted revenues, and a reclassification to unrestricted net assets is made to reflect the expiration of such restrictions.

Contributions to be received after one year are discounted at an appropriate discount rate commensurate with the risks involved. Amortization of discounts is recorded as additional contribution revenue in accordance with donor-imposed restrictions, if any, on the contributions. An allowance for uncollectible contributions receivable is provided based upon management's judgment, including such factors as prior collection history, type of contribution, and nature of fundraising activity.

Contributions of land, buildings and equipment, at fair value based upon independent appraisal, without donor restrictions concerning the use of such long-lived assets are reported as unrestricted revenues. Contributions of cash or other assets to be used to acquire land, buildings and equipment are reported as temporarily restricted revenues; the restrictions are considered to be released at the time of acquisition of such long-lived assets.

Cash and cash equivalents: Cash and cash equivalents include demand deposits, money market accounts, overnight repurchase agreements, and short-term investments with a maturity of less than three months at the date of purchase.

Note 1. Nature of Business and Summary of Significant Accounting Policies (Continued)

Concentration of credit risk: The Church and University maintain cash accounts with various commercial banks. At times during the year, amounts on deposit with various commercial banks may have exceeded the insurance limits of the Federal Deposit Insurance Corporation. The Church and University have not experienced any losses due to this.

Accounts receivable and loans to students: Accounts receivable from students are carried at the unpaid balance of the original amount billed to students, and loans receivable are carried at the amount of unpaid principal. Both accounts receivable and student loans are net of an allowance for doubtful accounts and cancellations. Management determines the allowance for doubtful accounts by calculating a specific percent reserve on the aging of the accounts based on historical experience. Student accounts and loans receivable are written off when they are 12 months delinquent or when deemed uncollectible. Recoveries of student accounts and loans receivable previously written off are recognized as revenue when received. The provision for bad debts, cancellations and other administrative reductions charged to expense was approximately $140,000 and $122,000 for the years ended June 30, 2017 and 2016, respectively.

Interest is assessed on any unpaid balance for a student accounts receivable for any student who has withdrawn and continues to be assessed when sent to a collection agency. Interest is recognized as revenue when it is received.

Interest is assessed on student loans receivable after a student is no longer enrolled in an institution of higher education and after a grace period. Interest is recognized as revenue when received. Late fees are assessed if payments are not paid by the payment due date and are recognized as revenue as they are received. Students may be granted a deferment, forbearance or cancellation of their student loan receivable based on eligibility requirements defined by the U.S. Department of Education or, in the case of University loan funds, based on the respective loan program.

Other accounts receivable are carried at original invoice amount less an estimate made for doubtful receivables based on a review of all outstanding amounts on a periodic basis. Management determines the allowance for doubtful accounts by identifying troubled accounts and using historical experience applied to an aging of accounts. Unless specific arrangements are made, a trade receivable is considered to be past due if any portion of the receivable balance is outstanding for more than 30 days. Accounts receivable are written off when deemed uncollectible. Recoveries of trade receivables previously written off are recorded when received. Interest may be charged on past-due accounts.

Accounts, notes and mortgages receivable: Accounts receivable are stated at the amount billed to the purchaser of services or goods less an allowance for doubtful accounts. An allowance for doubtful accounts is established based upon a review of outstanding receivables and historical collection information. Accounts receivable are ordinarily due 30 days after the issuance of the invoice. Delinquent receivables are written off, based on individual credit evaluation and specific circumstances of the customer. Interest is not charged on past-due accounts.

Note 1. Nature of Business and Summary of Significant Accounting Policies (Continued)

Notes and mortgages receivable are stated at their outstanding principal amount, net of an allowance for uncollectible accounts. An allowance for uncollectible notes and mortgages is established based upon a review of outstanding receivables, historical collection information, and existing economic conditions. Outstanding notes and mortgages accrue interest based on the terms of the respective agreements. A note or mortgage receivable is considered delinquent when the debtor has missed three or more payments. At that time, the note is placed on nonaccrual status, and interest accrual ceases and does not resume until the note is no longer classified as delinquent. Delinquent accounts are written off, based on individual credit evaluation and specific circumstances of the borrower. The provision for bad debts, write-offs and other adjustments charged to expense was approximately $-0- for the years ended June 30, 2017 and 2016.

Investments: Investments in equity and debt securities are carried at fair value. Certain real estate is held for investment and is carried at fair value. Fair value of real estate is determined by independent appraisal. Fair value of alternative investments is determined using the practical expedient. See Note 5 for a discussion of fair value measurements.

Investment income and gains that are initially restricted by donor stipulation and for which the restriction will be satisfied in the same year are included in unrestricted net assets. Other investment income, gains and losses are reflected in the consolidated statements of activities as unrestricted, temporarily restricted or permanently restricted, based upon the existence and nature of any donor or legally imposed restrictions.

Investments may be exposed to various risks, such as interest rate, market and credit risk. As a result, it is at least reasonably possible that changes in risks in the near term could affect investments balances, and those effects could be significant.

Real estate and equipment: Although title to individual houses of worship is held in the name of the Presiding Bishop as Trustee in Trust or in nonprofit corporations organized by the Presiding Bishopric, such properties are held in trust for the use and benefit of the Church in mission centers and congregations, with the value of the properties and their related debts not reflected in the accompanying consolidated financial statements. The aforementioned indebtedness is normally retired by contributions received directly from the members of the Church. These contributions are also not reflected in the accompanying consolidated financial statements.

Purchased real estate and equipment are stated at cost or, if received by gift, at a value based upon the market or an appraisal at the date of gift. Depreciation, which includes depreciation on assets acquired under capital lease, is provided on the straight-line basis over the lesser of the estimated useful lives of depreciable property and equipment or the lease term.

The Temple, Auditorium, buildings on the National Register of Historical Places, and other properties having historical significance to the Church are considered to be historical treasures. The Church preserves and protects these historic assets in perpetuity for the benefit of current and future generations. As a result, the service potential of the original cost of these historic assets, totaling $46,488,000, is essentially undiminished and depreciation is not recorded. These assets are evaluated annually for indicators of impairment. Additions and betterments to the historical treasures, primarily an organ, and some other historical properties are capitalized and depreciated straight-line over their estimated useful lives.

Note 1. Nature of Business and Summary of Significant Accounting Policies (Continued)

Collection items acquired on or after June 1, 1995, by the Church are capitalized at cost if the items were purchased or at their appraised value on the accession date if the items were contributed. Such items consist primarily of books, manuscripts and artifacts. Gains or losses from de-accessions of these items are reflected in the consolidated statements of activities as changes in the appropriate net asset classes, depending on the existence and type of donor-imposed restrictions. Collections acquired by the University are not capitalized and consist of donated artwork and historical documents and artifacts.

These assets are reviewed for impairment under the ASC Topic 360, Property, Plant and Equipment, when events or changes in circumstances indicate that the carrying amount may not be recoverable. If the carrying amount is no longer recoverable based upon the undiscounted future cash flows of the assets, the amount of impairment is the difference between the carrying amount and the fair value of the asset.

Inventories: Inventories of the Church, which consist of books, hymnals and resale supplies, are stated at the lower of cost (first-in, first-out) or market.

Inventories of the University, composed of items in the bookstores, in the print shop, in a movie theater and physical plant, are stated at the lower of cost (first-in, first-out) or market.

Inventories of the Center, which consist of purchased products held for sale at seminars and online, are stated at the lower of cost (weighted-average cost method) or market.

Deferred expenses and other assets: Deferred expenses consist primarily of Center deferred seminar expenses (see Note 8).

Funds held in trust by others: The value of funds held in trust by others is derived from the underlying investments of the unitrusts. The value of those investments is determined in the same manner as investments described previously. Future expected cash flows are discounted using a risk-adjusted discount rate.

Accrued expenses, deferred income and other liabilities: Included in accrued expenses is the value of retirement benefits for ministers serving in countries with developing economies.

Annuities payable: The Church and University have entered into annuity agreements with individuals or couples in exchange for property, securities or cash. The liability to the annuitants is calculated as the present value of the annuity payments using discount rates varying from 4.5 to 11.7 percent.

U.S. government grants refundable: Funds provided by the United States government under the Federal Perkins Loan Program are loaned to qualified students and may be reloaned after collection. These funds are ultimately refundable to the United States government and are included as a liability in the consolidated statements of financial position.

Funds held on behalf of others: Funds held on behalf of others comprise funds held by the Church for investment in marketable securities, short-term investments and loans. These funds are sent to the Church by congregations and affiliates and are pooled for investment purposes. Included in the category for the University are deposits of students and others.

Note 1. Nature of Business and Summary of Significant Accounting Policies (Continued)

Revenue and expense recognition: Advance seminar enrollments for the Center are recorded as deferred revenue at the time of enrollment. Revenue and related seminar expenses are recognized in the accounting period in which the seminar is presented. Seminar expenses (primarily lettershop, postage, printing, and list rental) incurred in advance are recorded as deferred expenses until the accounting period in which the seminar is presented.

Revenue from student tuition and fees, net of financial aid awarded to students, is recorded as revenue during the year the related academic services are rendered.

Deferred income and expenses of the Center relate to seminars to be presented primarily in June through August following the fiscal year-end. Deferred income of the University represents student tuition and fees received for the summer session.

Revenue from products and services is recognized when sold or when the services are performed.

Fundraising expenses: Fundraising expenses for the University consist of development, grant writing, alumni relations and capital campaign costs. Fundraising expenses for the Church consist of mailings to members soliciting new and different ways to support the mission of the organization as well as campaign costs associated with the mission endowment.

Income taxes: The Church and University have tax determination letters from the Internal Revenue Service stating that they qualify under the provisions of section 501(c)(3) of the Internal Revenue Code (the Code) and are exempt from federal income taxes. As such, the Church and University are subject to federal income taxes only on any net unrelated business income under the provisions of section 511 of the Code. Uncertain tax positions, if any, are recorded in accordance with ASC Topic 740, Income Taxes. ASC 740 requires the recognition of a liability for tax positions taken that do not meet the more-likely-than-not standard that the position will be sustained upon examination by the taxing authorities. There is no liability for uncertain tax positions recorded at June 30, 2017 or 2016.

The University and Center file Forms 990 and 990-T together. Forms 990 and 990-T filed by the University and the Center are subject to examination by the IRS up to three years from the extended due date of each return.

Fair value of financial instruments: The following methods and assumptions were used to estimate the fair value of each class of financial instruments for which it is practicable to estimate fair value:

Cash and cash equivalents: For these short-term instruments, the carrying amount approximates fair value.

Investments: See Note 5.

Contributions receivable: For these assets, the carrying amount of short-term pledges approximates the fair value. Long-term pledges approximate fair value, as pledges have been discounted to net present value.

Notes, accounts and mortgages receivable: The carrying value of third-party accounts receivable instruments approximates fair value, due to their short-term nature. Due to the lack of an arm's length relationship, it was not practical to estimate the fair value of notes, mortgages and accounts receivable from related parties. The nature of the amounts is more fully disclosed and discussed in Note 2. The majority of notes and mortgages receivable are due from related parties.

Note 1. Nature of Business and Summary of Significant Accounting Policies (Continued)

U.S. government loans receivable and refundable loan program: The fair value of the student loans receivable and liability for U.S. government loans refundable, in which the University acts as an agent for the Federal Perkins Loan Program, is not practical to determine, as these loans are subject to restrictions on interest rate and transferability.

Debt: Rates currently available for debt with similar terms and remaining maturities are used in a discounted cash flow calculation to estimate fair value of existing debt. The carrying value of the Church's and University's notes and bonds payable approximates fair value.

Accounts payable: Due to the short-term nature of the balances, the carrying amount of accounts payable approximates fair value.

Accrued expenses, deferred income and other liabilities: Due to the short-term nature of the balances, the carrying amounts of accrued expenses, deferred income and other liabilities approximate fair value.

Annuities payable: The liabilities are reported at fair value based on the present value of the annuity payments, discounted using an appropriate rate.

Funds held on behalf of others: Funds held on behalf of others comprise funds held by the Church for investment in marketable securities, short-term investments and loans; funds are pooled by the Church and invested. See Note 5.

Advertising: Advertising costs, which consist of direct response advertising, are charged to expense in the period incurred. The amounts expensed for direct response advertising by the Center for the years ended June 30, 2017 and 2016, were approximately $17,171,000 and $20,260,000, respectively.

The University charges advertising costs to expense as incurred. The University's advertising expense totaled approximately $1,454,000 and $843,000 for the years ended June 30, 2017 and 2016, respectively.

Risk management: The Church has a formal program to manage risk including property insurance covering claims up to $150,000,000 through the end of calendar 2016 and $175,000,000 thereafter (with a deductible of $100,000 per occurrence) and general liability and auto liability insurance covering claims up to $31,000,000 (with a $1,000,000 self-insured retention). Workers' compensation claims are covered with a guaranteed cost policy. Claims liabilities are reported in accrued expenses, deferred income and other liabilities on the consolidated statements of financial position. Program revenue of $3,900,000 and $4,057,000 for 2017 and 2016, respectively, is reported in the consolidated statements of activities as services and sales of auxiliary enterprises and affiliates. Associated premium and claims costs are allocated between the various expense categories in the consolidated statements of activities.

Asset retirement obligations: The University recognizes the fair value of a liability for legal or contractual obligations associated with asset retirements in the period in which it is incurred, if a reasonable estimate of the fair value of the obligation can be made. When the liability is initially recorded, the cost of the retirement obligation is capitalized by increasing the carrying value of the related asset. Over time, the liability is accreted to its present value each year, and the capitalized cost associated with the retirement obligation is depreciated over the useful life of the related asset. Upon settlement of the obligation, any difference between the cost to settle the asset retirement obligation and the liability recorded is recognized as a gain or loss in the consolidated statements of activities. The University reviews its estimates annually and adjusts the recorded liability as needed. The Church has no recorded asset retirement obligations as of June 30, 2017 or 2016.

Note 1. Nature of Business and Summary of Significant Accounting Policies (Continued)

Goodwill: Goodwill represents the excess purchase price over the value assigned to the net tangible and identifiable intangible assets of the business acquired. In accordance with ASC Topic 350, Intangibles—Goodwill and Other, goodwill is not amortized, but instead is tested for impairment annually, or more frequently if circumstances indicate a possible impairment may exist. In September 2011, the Financial Accounting Standards Board (FASB) approved Accounting Standards Update (ASU) No. 2011-08, *Intangibles—Goodwill and Other (Topic 350): Testing Goodwill for Impairment*. As a result, the Center assessed the qualitative factors and determined no further testing was necessary. If further testing is warranted, the Center evaluates the recoverability of goodwill using a two-step impairment test. Absent any special circumstances that could require an interim test, the Center has elected to test goodwill impairment as of the end of each fiscal year.

The goodwill impairment test is a two-step test. Under the first test, the fair value of the reporting unit is compared with its carrying value (including goodwill). If the fair value of the reporting unit is less than its carrying value, an indication of goodwill impairment exists for the reporting unit and the enterprise must perform step two of the impairment test (measurement). Under step two, an impairment loss is recognized for any excess of the carrying amount of the reporting unit's goodwill over the implied fair value of that goodwill. The implied fair value of goodwill is determined by allocating the fair value of the reporting unit in a manner similar to purchase price allocation. The residual fair value after this allocation is the implied fair value of the reporting unit goodwill. The fair value of the reporting unit is determined using a combination of a discounted cash flow analysis and market multiples for comparable entities. If the fair value of the reporting unit exceeds its carrying value, step two does not need to be performed. No impairment charges have been recorded for the years ended June 30, 2017 or 2016.

Intangible assets: Intangibles, included in the assets of the Center, consist of noncompete agreements, internally developed software, trade names, prospect databases, copyrighted seminar content and customer relationships. Amounts are being amortized over their respective estimated useful lives by using the straight-line method.

Recently issued or implemented accounting pronouncements: In May 2014, the FASB issued ASU No. 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, including industry-specific guidance, when it becomes effective and permits the use of either a full retrospective or retrospective with cumulative effect transition method. The updated standard will be effective for annual reporting periods beginning after December 15, 2018, with a one-year delay for nonprofit entities. The Church and University have not yet selected a transition method and are currently evaluating the effect that the updated standard will have on the consolidated financial statements.

In May 2015, the FASB issued ASU No. 2015-07, Fair Value Measurement (Topic 820): Disclosures for Investments in Certain Entities That Calculate Net Asset Value per Share (or Its Equivalent). The amendments in this update remove the requirement to categorize within the fair value hierarchy all investments for which fair value is measured using the net asset value per share practical expedient. However, sufficient information must be provided to permit reconciliation of the fair value of assets categorized within the fair value hierarchy to the amounts presented in the statement of financial position. The amendments also remove the requirement to make certain disclosures for all investments that are eligible to be measured at fair value using the net asset per share practical expedient. The ASU is effective for annual reporting periods beginning after December 15, 2016, with early adoption permitted. The Church and University have not yet adopted this pronouncement and are currently evaluating the effect that the updated standard will have on the consolidated financial statements.

Note 1. Nature of Business and Summary of Significant Accounting Policies (Continued)

In February 2016, the FASB issued ASU No. 2016-02 *Leases (Topic 842).* The guidance in this ASU supersedes the leasing guidance in ASC 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 year 2020. A modified retrospective transition approach is required for lessees for capital and operating leases existing at, or entered into after, the beginning of the earliest comparative period presented in the financial statements, with certain practical expedients available. The Church and University are currently evaluating the impact of the pending adoption of the new standard on the consolidated financial statements.

In August 2016, the FASB issued ASU No. 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*. The new standard changes presentation and disclosure requirements with the intention of helping nonprofits provide more relevant information about their resources to donors, grantors, creditors and other financial statement users. This pronouncement decreases the number of net assets classes from three to two. The new classes will be “net assets with donor restrictions” and “net assets without donor restrictions.” The standard will take effect for annual financial statements issued for fiscal years beginning after December 15, 2017, and for interim periods within fiscal years beginning after December 15, 2018. Therefore, this ASU will be effective for the Church and University’s fiscal year ending June 30, 2019. Management is in the process of evaluating the impact of this new guidance.

Note 2. Loans and Notes Receivable

The Church makes loans and advances to congregations and mission centers at below-market interest rates with flexible repayment terms, in order to assist with the development of the sponsored entities. The loans and advances are made to entities throughout the United States and in other countries in which the Church is established. The title to any real estate purchased with such loans is held in the name of the Presiding Bishop as Trustee in Trust. Total notes and accounts receivable due from affiliates were approximately $7,439,000 and $9,379,000 at June 30, 2017 and 2016, respectively. Interest income related to these notes and receivables was approximately $317,000 and $411,000 for the years ended June 30, 2017 and 2016, respectively.

The Church evaluated its allowance for doubtful loans by examining historical default rates and analyzing the aging of past-due loans. During the year ended June 30, 2017, the Church has not significantly changed its methodology for the allowance for doubtful loans.

Included in the University’s notes receivable is a loan to a third party for financing of construction costs for student housing. See Note 11 for further disclosure of note terms.

The University’s student loans receivable consist of a revolving loan fund for Federal Perkins Loans, for which the University acts as an agent for the federal government in administering the loan program, and an institutional loan fund created by the University to assist students in funding their education.

The University determined their allowance for doubtful loans on these student loans by looking at historical default rates and analyzing the aging of the past-due loans. During the year ended June 30, 2017, the University has not significantly changed its methodology for the allowance for doubtful accounts on student loans. The University also has an allowance for cancellations on institutional loans of $256,000 recorded as of June 30, 2017 and 2016.

Note 2. Loans and Notes Receivable (Continued)

The aging of the Church's notes and mortgages receivable (net of eliminations) as of June 30, 2017 and 2016, is presented as follows:

	2017		
	Current	Past Due	Total
Houses of worship loans	$ 6,171,000	$ 23,000	$ 6,194,000
Various notes and mortgages	3,026,000	68,000	3,094,000
	$ 9,197,000	$ 91,000	$ 9,288,000
As a percentage of the total loan portfolio	99.02%	0.98%	100.00%

	2016		
	Current	Past Due	Total
Houses of worship loans	$ 7,783,000	$ 62,000	$ 7,845,000
Various notes and mortgages	3,619,000	33,000	3,652,000
	$ 11,402,000	$ 95,000	$ 11,497,000
As a percentage of the total loan portfolio	99.17%	0.83%	100.00%

The allowance for doubtful accounts on the Church's notes and mortgages is $205,000 at both June 30, 2017 and 2016.

The aging of the student loan portfolio by classes of loans for the University as of June 30, 2017 and 2016, is presented as follows:

	2017					
Classes of Loans	Not in Repayment	Current and 1 Month Past Due	2-5 Months Past Due	6-24 Months Past Due	25+ Months Past Due	Total
	(In Thousands)					
Federal Perkins Loans	$ 812	$ 883	$ 105	$ 263	$ 945	$ 3,008
Institutional loans	120	139	16	24	14	313
	$ 932	$ 1,022	$ 121	$ 287	$ 959	$ 3,321
As a percentage of total loan portfolio	28.06%	30.77%	3.64%	8.64%	28.89%	100.00%

	2016					
Classes of Loans	Not in Repayment	Current and 1 Month Past Due	2-5 Months Past Due	6-24 Months Past Due	25+ Months Past Due	Total
	(In Thousands)					
Federal Perkins Loans	$ 1,135	$ 930	$ 166	$ 238	$ 898	$ 3,367
Institutional loans	178	166	9	29	13	395
	$ 1,313	$ 1,096	$ 175	$ 267	$ 911	$ 3,762
As a percentage of total loan portfolio	34.90%	29.13%	4.65%	7.10%	24.22%	100.00%

Note 2. Loans and Notes Receivable (Continued)

The allowance for doubtful accounts on student loans in aggregate for the University is $70,000 at both June 30, 2017 and 2016.

For each class of financing receivable for the University, the following presents the recorded investment by credit quality indicator as of June 30, 2017 and 2016:

	2017			2016		
	Federal Perkins Loans	Institutional Loans	Total	Federal Perkins Loans	Institutional Loans	Total
	(In Thousands)					
Performing	$ 1,799	$ 275	$ 2,074	$ 2,231	$ 352	$ 2,583
Nonperforming	1,209	38	1,247	1,137	42	1,179
	$ 3,008	$ 313	$ 3,321	$ 3,368	$ 394	$ 3,762

For institutional loans and Federal Perkins Loans, the credit quality indicator is performance determined by delinquency status. Delinquency status is updated monthly.

Note 3. Contributions Receivable

Net contributions receivable for the Church and University are summarized at June 30, 2017 and 2016, as follows:

	2017		2016	
	Church	University	Church	University
	(In Thousands)			
Unconditional promises expected to be collected in:				
Less than one year	$ 547	$ 69	$ 1,460	$ 389
One year to five years	-	226	5,520	394
Over five years	-	125	15,440	125
	547	420	22,420	908
Less:				
Unamortized discount	-	41	7,942	53
Allowance for uncollectible accounts	-	23	-	48
	$ 547	$ 356	$ 14,478	$ 807

No related-party contributions receivable are included in the gross contributions receivable of the University as of June 30, 2017 and 2016, respectively.

The University had a temporarily restricted contribution receivable in the amount of $1,435,000 that was written off during the year ended June 30, 2016.

Discount rates used by the Church and University are determined by management, based on the risks inherent to the contributor. The rates used in 2017 and 2016 range from 0.5 to 4.7 percent.

The Presiding Bishopric worked with donors to replace gift commitments with gift plans, which no longer required recognition as contributions receivable in the statement of financial position. As a result, a write-off and release of permanently restricted net assets in the amount of $13,398,000 has been presented in the consolidated statement of activities for the year ended June 30, 2017.

Note 4. Investments

At June 30, 2017 and 2016, investments in bonds, stocks and other investments consisted of the following:

	2017				2016			
	Church	University	Eliminations	Total	Church	University	Eliminations	Total
	(In Thousands)							
Bonds, including U.S. Treasury and agency obligations	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Common and preferred stock and mutual funds	89,323	7,293	-	96,616	83,153	4,091	-	87,244
Alternative and other investments	41,029	446	-	41,475	36,490	419	-	36,909
Community of Christ investment pool	-	30,059	(30,059)	-	-	29,374	(29,374)	-
Real estate	45,250	-	-	45,250	26,002	-	-	26,002
	$ 175,602	$ 37,798	$ (30,059)	$ 183,341	$ 145,645	$ 33,884	$ (29,374)	$ 150,155

Investment return for the years ended June 30, 2017 and 2016, consisted of the following:

	2017			2016		
	Church	University	Total	Church	University	Total
	(In Thousands)					
Investment income (after eliminations)	$ 1,050	$ 766	$ 1,816	$ (962)	$ 915	$ (47)
Net realized and unrealized gains on investments reported at fair value (after eliminations)	650	3,060	3,710	(238)	(1,314)	(1,552)
Unrealized gain (loss) on real estate	19,455	-	19,455	(60,706)	-	(60,706)
Investment fees	(68)	(177)	(245)	(166)	(321)	(487)
	$ 21,087	$ 3,649	$ 24,736	$(62,072)	$ (720)	$ (62,792)

The above Church investment returns for 2017 and 2016 are net of amounts allocated to funds held on behalf of others totaling a gain and (loss) of $11,553,000 and $(682,000), respectively.

Note 5. Fair Value Measurements

The Church and University follow ASC Topic 820, Fair Value Measurements and Disclosures, which establishes a framework for measuring fair value for assets and liabilities measured and reported at fair value. ASC 820 defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants. ASC 820 requires the use of valuation techniques that are consistent with the market approach, the income approach and/or the cost approach. ASC 820 establishes a fair value hierarchy for valuation inputs that gives the highest priority to quoted prices in active markets for identical assets or liabilities and the lowest priority to unobservable inputs. The fair value hierarchy is as follows:

Level 1: Inputs are quoted prices (unadjusted) for identical assets or liabilities in active markets that the entity has the ability to access as of the measurement date. Level 1 securities would include highly liquid government bonds and exchange-traded equities.

Note 5. Fair Value Measurements (Continued)

Level 2: Inputs are significant other observable inputs other than Level 1 prices, such as quoted prices for similar assets or liabilities, quoted prices in markets that are not active, or other inputs that are observable or can be corroborated by observable market data. Level 2 securities would include U.S. agency securities, mortgage-backed agency securities, obligations of states and political subdivisions, and certain corporate, asset-backed and other securities. Alternative investments, including limited partnerships and limited liability corporations, are valued using the practical expedient.

Level 3: Inputs are significant unobservable inputs that reflect a reporting entity's own assumptions about the assumptions that market participants would use in pricing an asset or liability, developed based on the best information available.

The following is a description of valuation methodologies used for assets at fair value. There have been no changes in the methodologies used at June 30, 2017.

Common stocks: Common stocks are valued at quoted market prices.

Mutual funds: Mutual funds are valued at the published net asset value (NAV) of shares held at year-end.

Alternative investments: Alternative investments are valued using the practical expedient. The practical expedient allows for the use of NAV of shares held at year-end either as reported by the investee or as adjusted by the Church and University based on various factors, including capital calls, proceeds from distributions, and gains and losses that are included in earnings and recorded in the consolidated statements of activities.

Real estate: Investment real estate (held for sale) is valued based on independent appraisals and is deemed to represent net liquidation value.

Funds held in trust by others: The value of funds held in trust by others is derived from the underlying investments of the unitrusts. The value of those investments is determined in the same manner as investments described above. Future expected cash flows are discounted using a risk-adjusted discount rate.

Charitable lead/remainder unitrusts: The value of charitable lead/remainder unitrusts is derived from the underlying investments of the unitrusts. The value of those investments is determined in the same manner as investments described above. Future expected cash flows are discounted using a risk-adjusted discount rate. The underlying investments are classified within Levels 1, 2 and 3 of the valuation hierarchy.

Annuities payable: Annuities payable approximates fair value as it represents the net present value of payments to be made under the agreement using current life expectancy and estimated risk-free interest rate.

Note 5. Fair Value Measurements (Continued)

The following table summarizes the assets and liabilities measured at fair value on a recurring basis, segregated by the general classification of such instruments pursuant to the valuation hierarchy. Prior-year categories have been reclassified as needed, based on current-year assessments.

	June 30, 2017			
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total
	(In Thousands)			
Investments:				
Common stocks:				
Health care	$ 4,376	$ -	$ -	$ 4,376
Utilities	976	-	-	976
Financials	7,119	-	-	7,119
Consumer staples	1,677	-	-	1,677
Consumer discretionary	5,656	-	-	5,656
Materials	1,765	-	-	1,765
Energy	694	-	-	694
Information technology	5,584	-	-	5,584
Industrials	4,391	-	-	4,391
Telecommunication service	178	-	-	178
Mutual funds:				
Fixed income	18,635	-	-	18,635
Domestic equity	11,142	-	-	11,142
International equity	34,217	-	-	34,217
Total common stocks and mutual funds	96,410	-	-	96,410
Alternative investments:				
Investments in limited partnerships	-	31,580	-	31,580
Investments in limited liability corporations	-	9,449	-	9,449
Cash value of life insurance	-	-	307	307
Other investments	345	-	-	345
Total alternative and other investments	345	41,029	307	41,681
Real estate parcels primarily in Independence, Missouri	-	-	45,250	45,250
Total investments	$ 96,755	$ 41,029	$ 45,557	$ 183,341
Funds held in trust by others	$ -	$ -	$ 702	$ 702
Liabilities:				
Charitable lead/remainder unitrusts	$ -	$ -	$ 2,777	$ 2,777
Annuities payable	$ -	$ -	$ 4,012	$ 4,012

Note 5. Fair Value Measurements (Continued)

	June 30, 2016			
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total
	(In Thousands)			
Investments:				
Common stocks:				
Health care	$ 4,028	$ -	$ -	$ 4,028
Utilities	953	-	-	953
Financials	4,891	-	-	4,891
Consumer staples	1,965	-	-	1,965
Consumer discretionary	3,974	-	-	3,974
Materials	898	-	-	898
Energy	958	-	-	958
Information technology	4,358	-	-	4,358
Industrials	2,650	-	-	2,650
Telecommunication service	847	-	-	847
Mutual funds:				
Fixed income	16,493	-	-	16,493
Domestic equity	35,708	-	-	35,708
International equity	9,521	-	-	9,521
Total common stocks and mutual funds	87,244	-	-	87,244
Alternative investments:				
Investments in limited partnerships	-	29,475	-	29,475
Investments in limited liability corporations	-	7,015	-	7,015
Cash value of life insurance	-	-	298	298
Other investments	121	-	-	121
Total alternative and other investments	121	36,490	298	36,909
Real estate parcels primarily in Independence, Missouri	-	-	26,002	26,002
Total investments	$ 87,365	$ 36,490	$ 26,300	$ 150,155
Funds held in trust by others	$ -	$ -	$ 709	$ 709
Liabilities:				
Charitable lead/remainder unitrusts	$ -	$ -	$ 2,828	$ 2,828
Annuities payable	$ -	$ -	$ 4,153	$ 4,153

Note 5. Fair Value Measurements (Continued)

The following table presents additional information about assets and liabilities measured at fair value on a recurring basis for which the Church and University have utilized Level 3 inputs to determine fair value:

	Common Stock and Mutual Funds	Alternative and Other Investments	Real Estate	Funds Held in Trust by Others	Charitable Lead/Remainder Unitrusts and Annuities Payable
	(In Thousands)				
Balance, June 30, 2015	$ 14	$ 274	$ 89,230	$ 1,590	$ 6,717
Issuances	-	-	407	-	133
Settlements	(14)	-	(2,929)	(926)	(102)
Total gains (losses) (unrealized) included in change in net assets	-	24	(60,706)	45	233
Balance, June 30, 2016	-	298	26,002	709	6,981
Issuances	-	-	23	-	65
Settlements	-	-	(230)	(132)	(142)
Total gains (losses) (unrealized) included in change in net assets	-	9	19,455	125	(115)
Balance, June 30, 2017	$ -	$ 307	$ 45,250	$ 702	$ 6,789
Net unrealized gains (losses) attributable to investments held at year-end:					
2016	$ -	$ 24	$ (4,429)	$ (60)	$ 233
2017	$ -	$ 9	$ 14,999	$ 18	$ (116)

The following table sets forth additional disclosures of investments whose fair value is estimated using net asset value per share (or its equivalent) as of June 30, 2017 and 2016:

Investments	Fair Value (In Thousands) 2017	Fair Value (In Thousands) 2016	Unfunded Commitment at June 30, 2017	Redemption Frequency	Redemption Notice Period
Investment in limited partnership (a)	$ 13,936	$ 13,057	$ -	Quarterly	3 months
Investment in limited partnership (b)	8,983	8,140	-	Quarterly	15 days
Investment in limited partnership (c)	8,661	8,278	-	Quarterly	30 days
Investment in limited liability corporation (d)	4,972	2,831	-	Daily	1-3 days
Investment in limited liability corporation (e)	4,477	4,184	-	Monthly	10 days
	$ 41,029	$ 36,490			

Note 5. Fair Value Measurements (Continued)

(a) This limited partnership manages a core equity real estate portfolio that generates a high proportion of its total return from income with a goal to achieve a total return that exceeds the National Council of Real Estate Investment Fiduciaries (NCREIF) Fund Index—Open-End Diversified Core Equity (NFI-ODCE). The account uses an integrated “top-down” and “bottom-up” approach to drive performance. The top-down approach focuses on diversification by property type and market, investing primarily in completed, well-leased income-producing property and limiting portfolio leverage to 30 percent. The bottom-up approach focuses on superior property selection, leveraging local operating partners to identify attractive investments, and a disciplined approach to dispositions.

(b) This limited partnership engages in investment activities the objective of which is to maximize total returns by investing primarily in debt securities of noninvestment-grade (high-yield) companies. Such securities include publicly and privately issued debt securities of U.S. and non-U.S. corporate issuers (other than emerging markets). The partnership may also invest in floating-rate loans of high-yield companies, including secured and unsecured loans, first-lien term loans, second-lien term loans, bridge loans, letters of credit, synthetic letters of credit, delayed-draw term loans and revolvers.

(c) This limited partnership seeks to achieve a long-term aggregate return on investment equity of 7 to 9 percent, net of fees, with the majority of the return being realized from income. It further seeks to generate top-quartile performance among core real estate funds that comprise the NFI-ODCE.

(d) This limited liability corporation’s objectives are to add value to an investor’s portfolio of financial investments, provide inflation protection and generate higher risk-adjusted returns than leading commodity market benchmarks, exchange-traded funds/exchange-traded notes and commodity mutual funds. These objectives are to be achieved by investing assets in a long-only, unleveraged, diversified portfolio of exchange-traded U.S. dollar-denominated futures and forward contracts in tangible commodities traded on U.S. and non-U.S. exchanges to obtain broad exposure to all principal groups in the global commodity markets, including energies, agriculture and metals (both precious and industrial), using the member manager’s proprietary commodity trading strategies.

(e) This limited liability corporation’s objective is to seek total return with an emphasis on high current income, but also considering capital appreciation. The corporation seeks to outperform the JP Morgan EMBI Global Diversified Index in both up and down markets. Net assets are invested primarily in debt instruments that are tied economically to emerging market countries located in Latin America, Asia, Africa, the Middle East and the developing countries of Eastern Europe. A bottom-up investment approach is used to buy and sell debt investments. Factors considered in making investment decisions may include the instrument’s credit quality, collateral characteristics, and indenture provisions, along with the issuer’s management ability, capital structure, leverage, and ability to meet its current obligations.

Note 6. Real Estate and Equipment

At June 30, 2017 and 2016, real estate and equipment consisted of the following:

	2017			2016		
	Church	University	Total	Church	University	Total
	(In Thousands)					
Land	$ 571	$ 3,248	$ 3,819	$ 571	$ 3,228	$ 3,799
Historical properties	68,768	-	68,768	68,769	-	68,769
Property, buildings and grounds	7,779	92,526	100,305	14,205	88,292	102,497
Furniture and equipment	16,130	28,442	44,572	16,112	27,814	43,926
Construction in progress	293	78	371	79	77	156
Autos, trucks and other mobile equipment	2,321	-	2,321	3,251	-	3,251
	95,862	124,294	220,156	102,987	119,411	222,398
Less accumulated depreciation	32,355	68,197	100,552	31,262	64,814	96,076
	$ 63,507	$ 56,097	$ 119,604	$ 71,725	$ 54,597	$ 126,322

Depreciation expense was approximately $5,368,000 and $5,356,000 for the years ended June 30, 2017 and 2016, respectively.

The Church has acquired significant investments in real property over many years in both Korea and Japan. During a review of how the properties are being used and how they support the Church's mission, questions arose regarding the Church's ability to exercise control over the properties. In addition, the political environment surrounding the transfer out-of-country of charity-owned cash assets is prohibitive. The Church has determined that these assets are impaired as to the ability to dispose of and repatriate the proceeds. As such, the value of each of these properties has been reduced to $1. The resulting impairment loss of $6,341,000 is recognized in the consolidated statement of activities for the year ended June 30, 2017.

Note 7. Intangible Assets and Goodwill

The following is a schedule of amortized intangibles as of June 30, 2017 and 2016:

	2017			
	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount	Remaining Average Period
	(In Thousands)			
Noncompete agreements	$ 1,278	$ (1,278)	$ -	
Internally developed software	512	(370)	142	0.8 years
Trade name, National Training	1,450	(314)	1,136	7.8 years
Trade name, Star 12	535	(116)	419	7.8 years
Copyrighted seminar content	1,551	(960)	591	1.3 years
Prospect mail database	1,126	(976)	150	0.3 years
Prospect email database	194	(168)	26	0.3 years
Customer relationships	1,402	(506)	896	3.8 years
	$ 8,048	$ (4,688)	$ 3,360	

Note 7. Intangible Assets and Goodwill (Continued)

	2016			
	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount	Remaining Average Period
	(In Thousands)			
Noncompete agreements	$ 1,278	$ (1,278)	$ -	
Internally developed software	512	(199)	313	1.8 years
Trade name, National Training	1,450	(169)	1,281	8.8 years
Trade name, Star 12	535	(62)	473	8.8 years
Copyrighted seminar content	1,551	(517)	1,034	2.3 years
Prospect mail database	1,126	(525)	601	1.3 years
Prospect email database	194	(91)	103	1.3 years
Customer relationships	1,402	(273)	1,129	4.8 years
	$ 8,048	$ (3,114)	$ 4,934	

Amortization expense related to the above intangibles was $1,574,000 and $2,639,000 for the years ended June 30, 2017 and 2016, respectively.

Estimated future amortization expense as of June 30, 2017, is as follows (in thousands):

Years ending June 30:	
2018	$ 1,194
2019	580
2020	432
2021	393
2022	199
Thereafter	562
	$ 3,360

A summary of the activity in goodwill for the years ended June 30, 2017 and 2016, is as follows (in thousands):

	2017	2016
Balance, beginning	$ 1,085	$ 1,085
Continuing Education Center, Inc. acquisition	-	-
Balance, ending	$ 1,085	$ 1,085

Note 8. Deferred Income and Other Liabilities

Advance billings of insurance premiums to Church affiliates of $597,000 and $595,000 are included in deferred income at June 30, 2017 and 2016, respectively.

At June 30, 2017 and 2016, deferred income included $9,504,000 and $10,882,000, respectively, and expenses of $4,927,000 and $4,903,000, respectively, for the Center related to seminars to be presented subsequent to year-end.

Note 9. Employee Benefit Plans

Pension plans: The Church has an appointee/employee retirement plan trust (a defined benefit plan) that covers employees who meet the eligibility requirements. The Church funds its obligations over a 30-year life as computed by the most recent actuarial valuation.

Effective January 1, 2016, the Church's defined benefit pension plan was frozen for all but a small group of qualifying employees who are close to retirement age. All other existing and new employees are now covered by a defined contribution 403(b) retirement plan.

The University has a defined benefit plan covering substantially all of its employees who meet the eligibility requirements. The University's funding policy is to make annual contributions to the plan of no less than the amount required to maintain adequate funding as determined under section 412 of the Internal Revenue Code. Effective August 1, 2006, the defined benefit plan was closed to new employees, who are now covered by a defined contribution 403(b) retirement plan.

On September 30, 2016, the University froze the benefit accrual of the defined benefit plan. A measurement period of June 30, 2016 to September 30, 2016, was used to calculate the impact of the curtailment at September 30, 2016. Valuations from the accounting disclosure report dated September 30, 2016, provided by the plan administrator were combined with the valuations from the report dated June 30, 2017, to provide full disclosure for the entire fiscal year ended June 30, 2017.

The Church uses a combination of historical and projected returns on its securities portfolio and estimated future returns on its investment real estate portfolio to develop the long-term rate of return on assets of its plan. The University has estimated the long-term rate of return on assets of its plan based primarily on historical returns. The Church plan and the University plan use June 30 and May 31 measurement dates, respectively.

Note 9. Employee Benefit Plans (Continued)

The following table sets forth information related to the plans for 2017 and 2016:

	2017			2016		
	Church	University	Total	Church	University	Total
			(In Thousands)			
Fair value of plan assets at beginning of period	$ 25,754	$ 24,247	$ 50,001	$ 31,115	$ 26,173	$ 57,288
Actual return of plan assets	1,880	2,530	4,410	(1,876)	(911)	(2,787)
Employer contributions	2,605	1,845	4,450	1,296	367	1,663
Benefits paid	(5,102)	(1,514)	(6,616)	(4,781)	(1,382)	(6,163)
Fair value of plan assets at end of period	25,137	27,108	52,245	25,754	24,247	50,001
Benefit obligation at beginning of period	95,253	39,459	134,712	87,300	36,969	124,269
Plan amendment	68	-	68	(815)	-	(815)
Service cost	411	212	623	1,504	612	2,116
Interest cost	3,148	1,395	4,543	3,557	1,482	5,039
Actuarial (gain) loss	(3,537)	(178)	(3,715)	8,488	1,778	10,266
Benefits paid	(5,102)	(1,514)	(6,616)	(4,781)	(1,382)	(6,163)
Other (curtailment gain)	-	(1,286)	(1,286)	-	-	-
Benefit obligation at end of period	90,241	38,088	128,329	95,253	39,459	134,712
Plan assets in deficit of projected benefit obligation, accrued benefit liability on the statement of financial position	$ (65,104)	$ (10,980)	$ (76,084)	$ (69,499)	$ (15,212)	$ (84,711)

The Church and University expect to contribute $1,650,000 and $390,000, respectively, to each pension plan in the year ending 2018.

Following are the weighted-average assumptions used as of June 30:

	2017		2016	
	Church	University	Church	University
Benefit obligations:				
Discount rate	3.70%	3.80%	3.40%	3.80%
Rate of compensation increases	N/A	N/A	N/A	2.00%
Net costs:				
Discount rate	3.40%	3.55%	4.20%	4.10%
Expected return on plan assets	6.10%	6.25%	7.50%	7.00%
Rate of compensation increases	N/A	N/A	N/A	2.00%

Assets of the plans are held by third-party financial institutions, which invest the assets in accordance with the provisions of the agreement for each plan. These agreements permit investment in mutual funds, insurance company separate funds, common stocks, corporate bonds and debentures, U.S. government securities, real estate and other specified investments, based on certain target allocation percentages.

Note 9. Employee Benefit Plans (Continued)

Asset allocation is primarily based on a strategy to provide stable earnings while still permitting the plans to recognize potentially higher returns through investment in equity securities. Assets are rebalanced periodically. Assets of the plans, by category, approximated target percentages at June 30, 2017 and 2016.

The breakdown of investments by type is as follows as of June 30, 2017 and 2016:

	2017		2016	
	Church	University	Church	University
Equity securities	15.04%	-	14.17%	-
Mutual funds	31.69%	-	33.69%	-
Pooled separate accounts	-	100.00%	-	100.00%
Real estate	30.71%	-	28.80%	-
Alternative investments	22.56%	-	23.34%	-

Note 9. Employee Benefit Plans (Continued)

The fair values of the Church's and University's pension plan assets at June 30, 2017 and 2016, by asset category are as follows:

	June 30, 2017			
	Level 1	Level 2	Level 3	Total
	(In Thousands)			
Assets:				
Investments:				
Common stocks:				
Health care	$ 506	$ -	$ -	$ 506
Utilities	97	-	-	97
Financials	770	-	-	770
Consumer staples	188	-	-	188
Consumer discretionary	614	-	-	614
Materials	182	-	-	182
Energy	75	-	-	75
Information technology	679	-	-	679
Industrials	556	-	-	556
Telecommunication service	22	-	-	22
Total common stocks	3,689	-	-	3,689
Mutual funds:				
Fixed income	2,321	-	-	2,321
Domestic equity	1,251	-	-	1,251
International equity	4,200	-	-	4,200
	7,772	-	-	7,772
Pooled separate accounts:				
Large U.S. equity	-	4,864	-	4,864
Small/mid U.S. equity	2,720	1,528	-	4,248
International equity	4,230	-	-	4,230
Fixed income	10,404	3,362	-	13,766
	17,354	9,754	-	27,108
Alternative investments:				
Prudential property investment separate account	-	1,267	-	1,267
Investment in limited partnerships	-	2,878	-	2,878
Investment in limited liability corporations	-	1,388	-	1,388
	-	5,533	-	5,533
Parcel in Independence, Missouri	-	-	7,530	7,530
Total investments	$ 28,815	$ 15,287	$ 7,530	$ 51,632
Other assets:				
Cash and cash equivalents	$ 622	$ -	$ -	$ 622
Other assets	19	-	-	19
Total cash and other assets	$ 641	$ -	$ -	$ 641
Liabilities:				
Other liabilities	$ 28	$ -	$ -	$ 28

Note 9. Employee Benefit Plans (Continued)

	June 30, 2016			
	Level 1	Level 2	Level 3	Total
	(In Thousands)			
Assets:				
Investments:				
Common stocks:				
Health care	$ 571	$ -	$ -	$ 571
Utilities	138	-	-	138
Financials	729	-	-	729
Consumer staples	311	-	-	311
Consumer discretionary	584	-	-	584
Materials	132	-	-	132
Energy	129	-	-	129
Information technology	612	-	-	612
Industrials	381	-	-	381
Telecommunication service	117	-	-	117
Total common stocks	3,704	-	-	3,704
Mutual funds:				
Fixed income	2,739	-	-	2,739
Domestic equity	4,665	-	-	4,665
International equity	1,404	-	-	1,404
	8,808	-	-	8,808
Pooled separate accounts:				
Large U.S. equity	-	4,475	-	4,475
Small/mid U.S. equity	1,233	2,718	-	3,951
International equity	3,841	-	-	3,841
Fixed income	9,511	2,469	-	11,980
	14,585	9,662	-	24,247
Alternative investments:				
Prudential property investment separate account	-	1,888	-	1,888
Investment in limited partnerships	-	2,868	-	2,868
Investment in limited liability corporations	-	1,345	-	1,345
	-	6,101	-	6,101
Parcel in Independence, Missouri	-	-	7,530	7,530
Total investments	$ 27,097	$ 15,763	$ 7,530	$ 50,390
Other assets:				
Cash and cash equivalents	$ 572	$ -	$ -	$ 572
Other assets	86	-	-	86
Total cash and other assets	$ 658	$ -	$ -	$ 658
Liabilities:				
Other liabilities	$ 1,047	$ -	$ -	$ 1,047

Note 9. Employee Benefit Plans (Continued)

The following table sets forth additional disclosures of the Church and University's pension plan investments whose fair value is estimated using net asset value per share as of June 30, 2017 and 2016:

	Fair Value (In Thousands) 2017	Fair Value (In Thousands) 2016	Unfunded Commitment at June 30, 2017	Redemption Frequency	Redemption Notice Period
Pooled separate accounts:					
Large U.S. equity (a)	$ 4,864	$ 4,475	$ -	Monthly	None
Small/mid U.S. equity (b)	1,528	2,718	-	Monthly	None
International equity (c)	-	-	-	Monthly	None
Fixed income (d)	3,362	2,469	-	Monthly	None
Prudential property investment separate account (e)	1,267	1,888	-	Quarterly	3 months
Investment in limited partnership (f)	1,303	1,363	-	Quarterly	15 days
Investment in limited partnership (g)	1,575	1,505	-	Quarterly	30 days
Investment in limited liability corp. (h)	460	479	-	Daily	1-3 days
Investment in limited liability corp. (i)	928	866	-	Daily	10 days
	$ 15,287	$ 15,763	$ -		

(a) The pooled separate accounts in this category primarily invest in equity securities of U.S. companies with large market capitalization. Selected funds within this category may invest in stocks of foreign companies, convertible debt securities, and real estate investment trusts. Investments in this category can be redeemed once every 30 days at the current net asset value per share based on the fair value of the underlying assets.

(b) The pooled separate accounts in this category seek long-term growth by primarily investing in U.S. equity securities of companies with small to midsized market capitalization. Selected funds within this category may invest in stocks of foreign companies, U.S. and foreign preferred stocks, convertible debt securities, equity-equivalent securities, nonleveraged stock index futures contracts and options, notes, bonds and other debt securities. Investments in this category can be redeemed once every 30 days at the current net asset value per share based on the fair value of the underlying assets.

(c) This category seeks long-term growth by investing in common stocks of non-U.S. companies with large market capitalization. Investments are normally diversified across different countries and regions of the world. Investments in this category can be redeemed once every 30 days at the current net asset value per share based on the fair value of the underlying assets.

(d) This category includes securities that are intermediate-term, fixed-income investments, such as public and private corporate bonds, commercial and residential mortgages, asset-based securities, and U.S. government and agency-backed securities. In addition to these securities, this category also includes fixed-income instruments of varying maturities that may be represented by forwards or derivatives such as options, futures, contracts or swap agreements. Investments in this category can be redeemed once every 30 days at the current net asset value per share based on the fair value of the underlying assets.

(e) (f) (g) (h) (i) See Note 5 for a discussion of these investments.

Note 9. Employee Benefit Plans (Continued)

Postretirement benefits: The Church provides certain unfunded health care and life insurance as well as other benefits to existing and retired appointees and employees.

Significant balances, costs and assumptions as of and for the years ended June 30, 2017 and 2016, are as follows:

		2017		2016
		(In Thousands)		
Unfunded benefit obligation	$	20,928	$	24,672
Accrued postretirement benefit obligation recognized in consolidated statements of financial position		20,928		24,672
Interest cost		718		852
Benefit cost		(1,482)		3,815
Benefits paid		2,261		2,342

The weighted-average annual assumed rate of increase in the per capita cost of covered benefits (i.e., health care cost trend rate) is assumed to increase 10 percent per year beginning July 1, 2009, decreasing at various rates per year until reaching an ultimate rate of 4.50 percent per year. A weighted-average discount rate of 3.45 percent and 3.05 percent for 2017 and 2016, respectively, was used in determining the accumulated benefit obligation.

The effect of a one percentage point increase and the effect of a one percentage point decrease in the assumed health care cost trend rates on the aggregate of the service and interest cost components and the accumulated postretirement benefit obligation for health care benefits would be as follows:

		2017		2016
		(In Thousands)		
Effect on total service cost and interest cost components:				
One percentage point increase	$	37	$	43
One percentage point decrease		(33)		(38)
Effect on year-end benefit obligation:				
One percentage point increase		749		1,123
One percentage point decrease		(703)		(1,012)

In accordance with ASC Topic 715, Compensation—Retirement Benefits, the Church and University have recognized the underfunded status of a defined benefit postretirement plan as a liability in the consolidated statements of financial position and recognize changes in that funded status in the year in which the changes in unrestricted net assets occur. The plan's benefit obligations are measured as of June 30, 2017.

Note 9. Employee Benefit Plans (Continued)

Cash flows: The following benefit payments, which reflect expected future service, as appropriate, are expected to be paid as of June 30, 2017:

	Pension Benefits		Postretirement Benefits
	Church	University	Church
		(In Thousands)	
Years ending June 30:			
2018	$ 5,579	$ 1,900	$ 2,630
2019	5,513	1,960	2,430
2020	5,494	2,010	2,154
2021	5,503	2,030	1,942
2022	5,489	2,150	1,821

The aggregate benefits expected to be paid in the five years from 2023 to 2027 are as follows:

	Church	University
	(In Thousands)	
Pension benefits	$ 27,761	$ 10,930
Postretirement benefits	7,216	-

The Church has a defined contribution 403(b) retirement plan covering substantially all employees. In conjunction with the decision to freeze the Church's defined benefit pension plan, effective January 1, 2016, the Church began matching 50 percent of employees' contributions up to 6 percent of compensation for eligible employees. Additional discretionary contributions are also possible under the plan. The total expense for the fiscal years ended June 30, 2017 and 2016, was approximately $349,000 and $117,000, respectively. The Church may approve additional discretionary contributions payable to active employees at the conclusion of the calendar year under the plan. At the conclusion of each fiscal year, the Presiding Bishopric determines an appropriate accrual, if necessary, for contributions for the fiscal year. The accrual for employer contributions at June 30, 2017 and 2016, was approximately $63,000 and $-0-, respectively.

The University has a defined contribution pension plan covering substantially all of its employees hired August 1, 2006, or after. The total pension expense for the fiscal years ended 2017 and 2016 was approximately $404,000 and $318,000, respectively. After one year of service, employees hired August 1, 2006, or after will receive a base discretionary contribution in each month they are employed. Also after one year of service, the University will match employees' contributions at 50 percent up to 6 percent of pay.

Note 9. Employee Benefit Plans (Continued)

The Center has a tax-deferred annuity plan (the Plan) pursuant to section 403 of the Code, whereby participants may contribute a percentage of compensation not in excess of the maximum allowed under the Code. All Center employees are eligible to make tax-deferred contributions. The Plan provides for matching contributions equal to 25 percent of employee contributions. Matching contributions were approximately $256,000 and $215,000 for the fiscal years 2017 and 2016, respectively. The Center's Board of Directors may approve additional discretionary contributions payable to active employees at the conclusion of the calendar year under the Plan. Contributions approved prior to and paid in the following fiscal years by the Center were approximately $724,000 and $328,000 for the calendar years 2017 and 2016, respectively. At the conclusion of each fiscal year, the Center's management determines an appropriate accrual, if necessary, for contributions for the fiscal year. The accrual for employer contributions at June 30, 2017 and 2016, was approximately $121,000 and $107,000, respectively.

Note 10. Long-Term Debt

At June 30, 2017 and 2016, long-term debt consisted of the following:

	2017			2016		
	Church	University	Total	Church	University	Total
	(In Thousands)					
Revolving credit agreement (a)	$ 2,500	$ -	$ 2,500	$ 8,100	$ -	$ 8,100
Note payable, USDA (b)	-	4,944	4,944	-	-	-
Note payable, Prosperity Bank (c)	-	549	549	-	-	-
Note payable, Dougherty Funding LLC (d)	-	23,443	23,443	-	24,013	24,013
Capital lease (Note 11)	-	-	-	-	6,083	6,083
	$ 2,500	$ 28,936	$ 31,436	$ 8,100	$ 30,096	$ 38,196
Interest expense for the year	$ 143	$ 990	$ 1,133	$ 150	$ 998	$ 1,148

(a) Revolving credit agreement from a bank for up to $17,000,000 to provide operating cash flow and to be used for the issuance of standby letters of credit. Interest is payable monthly at the rate of one-month LIBOR plus 100 basis points. The average interest rate for fiscal year 2017 was 1.69 percent with a rate of 2.22 percent at June 30, 2017. The agreement will expire November 17, 2019.

(b) $4,950,000 note payable with the United States Department of Agriculture (USDA), with a fixed interest rate of 2.375 percent. Principal is payable monthly with the final payment due April 4, 2057. Provisions of the debt agreement require the University to set aside and maintain a reserve fund of $200,000 to cover payments in the event of shortages in the general fund, which is included within the cash and cash equivalents balance. The reserve fund has been established in full at BTC Bank. The note is collateralized by Small and Thomas apartments.

(c) $550,000 note payable with Prosperity Bank with a fixed interest rate of 3.00 percent for two years. Principal is payable monthly with the final payment of $522,000 due April 4, 2019. A certificate of deposit for $550,000 included within cash and cash equivalents is held with the lender and assigned as collateral for this debt.

Note 10. Long-Term Debt (Continued)

(d) This note payable includes the following initial amounts and details and is presented above net of unamortized issuance costs of $459,000 and $530,000 at June 30, 2017 and 2016, respectively:

- $9,500,000 and $9,158,000 are tax-exempt and supported by City of Lamoni, Iowa, and Decatur County in Iowa, respectively, with a fixed interest rate of 3.75 percent for five years and will be adjusted on the date of the 60th loan payment to equal the five-year Treasury note rate constant maturity index plus 1.15 percent, subject to an interest rate floor of 3.75 percent and interest rate cap of 5.25 percent. Principal is payable monthly beginning July 30, 2018, with final payment due December 30, 2023.

- $2,292,000 with a fixed interest rate of 4.5 percent. Principal is payable monthly beginning January 30, 2014, with final payment due June 30, 2018.

- $5,000,000 with a fixed interest rate of 4.875 percent through December 30, 2018, and will be adjusted to equal the prime rate index plus 1.75 percent, subject to an interest rate floor of 4.875 percent and interest rate cap of 6.625 percent. Principal is payable monthly beginning April 30, 2014, with final payment due December 30, 2023.

- The Church guarantees repayment of the debt. The agreements provide for certain covenants, including financial ratios, measured annually commencing with the fiscal year ended June 30, 2015. The note is collateralized by the University's Lamoni, Iowa, and Independence, Missouri, campuses.

Aggregate annual maturities and sinking fund requirements of long-term debt, excluding the capital lease, at June 30, 2017, are as follows:

	Church	University	Total
		(In Thousands)	
Years ending June 30:			
2018	$ -	$ 690	$ 690
2019	-	760	760
2020	2,500	798	3,298
2021	-	837	837
2022	-	879	879
Thereafter	-	24,972	24,972
	$ 2,500	$ 28,936	$ 31,436

Note 11. Capital Lease Obligations

During the year ended June 30, 2012, the University leased buildings located adjacent to the campus for use as student housing. Since the term of the lease is approximately the same as the estimated useful life of the assets, the lease is considered to be a capital lease. The assets were recorded at fair market value of $4,559,000, and the offsetting lease obligation was recorded at the present value of the minimum lease payments of $6,632,000, as determined with a 4 percent discount rate. The liability is payable in monthly installments of $30,000 for principal and interest to January 2044 and shall be adjusted annually on March 1 of each calendar year based on the Consumer Price Index. The discount on the obligation, $2,073,000, was amortized in monthly installments of approximately $5,000 through April 2017, with $57,000 of amortization in the year ended June 30, 2017.

Note 11. Capital Lease Obligations (Continued)

The formerly leased property was constructed and was owned by a third party. A loan was made to the third party by the University for financing of construction costs. The outstanding balance of the note receivable is none and $1,301,000 as of June 30, 2017 and 2016, respectively. The note receivable was considered paid in full as part of the purchase of the leased asset in 2017.

In April 2017, the capital lease was terminated due to purchase of the asset by the University. The purchase price of the leased asset was $6,790,000, financed with notes payable of $5,500,000, $9,000 in cash from operations and the remainder paid through note receivable held by the University for $1,281,000 as consideration.

Note 12. Endowment Fund and Net Asset Classification

The Church's and University's endowment funds consist of various donor-restricted endowment funds and funds designated as endowment or quasi-endowment by the World Conference or Presiding Bishopric for the Church and by the Board of Trustees for the University. Net assets associated with endowment funds, including funds designated to function as endowment funds, are classified and reported based on the existence or absence of donor-imposed restrictions.

The University and the Church have interpreted the Uniform Prudent Management of Institutional Funds Act (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 Church and University classify 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, (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, (d) the present value of estimated future receipts for beneficial interests in perpetual trusts and (e) subsequent changes in the value of the University's share of trust assets in perpetual trusts. The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure in a manner consistent with the standard of prudence prescribed by the States of Iowa and Missouri in their enacted versions of UPMIFA. In accordance with the States of Iowa and Missouri in the enacted versions of UPMIFA, the Church and University consider the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds: (1) the duration and preservation of the endowment fund, (2) the purposes of the Church and University and 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 the appreciation of investments, (6) other resources of the Church and University and (7) the investment policies of the Church and University.

The Church and University have adopted investment and spending policies for their endowment funds. The objective of these policies is to provide the Church and University a predictable funding stream for their programs while achieving an investment return equal to the combination of the current spending formula and the current rate of inflation in order to protect the purchasing power of the endowment funds. The Church and University, through their investment policy, have established a target annualized rate of return over the long term of at least 6.0 percent and 8.5 percent, respectively; the total return during any single measurement period may deviate from the long-term return objective. To satisfy their long-term rate-of-return objective, the Church and University expect to maintain appropriate diversification among equity, fixed-income and alternative investment allocations. The purpose is to moderate the overall investment risk of the endowment fund.

Note 12. Endowment Fund and Net Asset Classification (Continued)

The Presiding Bishopric may appropriate for expenditure or accumulate so much of the endowment fund as the Church determines is prudent for the uses, benefits, purposes and duration for which the endowment fund is established. The amount appropriated, the spending policy, is an approved spending percentage of the five-year rolling average of the fair value of the endowment fund assets measured on December 31 each year. This appropriation may be made when the endowment fund assets are under water if the Presiding Bishopric deems it is prudent to do so. The Presiding Bishopric–approved spending percentage was approximately 0.0 percent and 6.0 percent for the fiscal years ended June 30, 2017 and 2016, respectively.

Recognizing the critical need to fund the Church's pension and postretirement benefit plans, the Presiding Bishopric approached donors who had made contributions and commitments to the Worldwide Mission Endowment requesting that they consider redesignating their gifts. The majority of donors agreed to redesignate contributions made in prior years. As a result, $3,933,000 in endowment assets were transferred into nonendowment, unrestricted funds.

The Temple roof was in need of substantial repair to address water incursion problems. The Presiding Bishopric deemed this situation to be an unusual circumstance, which according to the Temple Endowment document would allow for the use of corpus to address such a need. The repair project began in fiscal year 2014 and was completed in fiscal year 2015 with a cost of $3,081,000. In prior years, new Temple Endowment contributions have been used to offset the cost of the project, which was initially funded from unrestricted cash. The Presiding Bishopric deemed it reasonable to appropriate endowment assets on hand to fund the remaining project balance of $1,827,000 during the fiscal year ended June 30, 2016. This appropriation is reported in the consolidated statement of activities as a release of permanently restricted net assets.

In 2008, the $4,400,000 Kirtland Temple Visitors Center Project was completed. Funding for the project was provided through a designated giving campaign of both current gifts and future gift commitments. During the years since 2008, nearly all of the pledges except for those that are conditional have been collected. Upon review of those remaining gifts, it appears that collection in the foreseeable future is unlikely. As a result, the Presiding Bishopric has determined that it is reasonable to appropriate a Temple Endowment expenditure in the amount of $1,633,000 to fund the remaining Kirtland Temple Visitors Center Project deficit. This appropriation is reported in the consolidated statement of activities as a release of permanently restricted net assets.

After a thorough review of the Church's current endowment documents, the Presiding Bishopric has determined that the policy of adding an inflation adjustment to permanently restricted endowment net assets, at times in excess of actual investment returns, is no longer beneficial. As such, the decision was made to reverse all $9,873,000 in prior years' inflation adjustments from permanently restricted net assets, leaving only donor funds as permanently restricted. This reversal is reported in the consolidated statement of activities as a release of permanently restricted net assets for the year end June 30, 2016.

The Board of Trustees of the University may appropriate for expenditure or accumulate so much of the endowment fund as the University determines is prudent for the uses, benefits, purposes and duration for which the endowment fund is established. The amount appropriated, the spending policy, is based on the three-year rolling average of the fair value of the endowment fund assets measured on December 31 each year. This appropriation may be made when the endowment fund assets are under water if the Board deems it is prudent to do so. The Board-approved spending percentage was 5.75 percent and 6.0 percent for the fiscal years ended June 30, 2017 and 2016, respectively. The Board approved additional appropriations of $4,843,000 and $2,500,000 for the years ended June 30, 2017 and 2016, respectively.

Note 12. Endowment Fund and Net Asset Classification (Continued)

From time to time, the fair value of endowment funds associated with individual donor-restricted endowment funds may fall below the level that the donor or UPMIFA requires the Church and University to retain as a fund of perpetual duration as underwater endowments. As of June 30, 2017 and 2016, approximately $1,679,000 (Church—$-0-, University—$1,679,000) and $9,759,000 (Church—$7,434,000, University—$2,325,000), respectively, of donor-restricted endowment funds were under water. This amount is reported in unrestricted net assets. The Presiding Bishopric and Board determined that continued appropriation during the fiscal years ended June 30, 2017 and 2016, for certain programs was prudent.

Church and University endowment net assets as of June 30 are as follows:

	2017			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
	(In Thousands)			
Donor-restricted endowment funds	$ (1,679)	$ 2,810	$ 47,936	$ 49,067
Board-designated (quasi) endowment funds	34,069	1,803	-	35,872
Total endowment funds	$ 32,390	$ 4,613	$ 47,936	$ 84,939

	2016			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
	(In Thousands)			
Donor-restricted endowment funds	$ (9,759)	$ 897	$ 50,526	$ 41,664
Board-designated (quasi) endowment funds	34,069	2,597	-	36,666
Total endowment funds	$ 24,310	$ 3,494	$ 50,526	$ 78,330

Note 12. Endowment Fund and Net Asset Classification (Continued)

The changes in the Church and University's endowment net assets for the years ended June 30 were as follows:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
	(In Thousands)			
Endowment net assets, June 30, 2015	$ 49,013	$ 4,561	$ 62,155	$ 115,729
Deconsolidation of Canadian Corporation	(641)	-	(3,244)	(3,885)
Investment return:				
Investment income	2,926	(3)	-	2,923
Net appreciation (depreciation) (realized and unrealized)	(1,086)	(16,580)	-	(17,666)
Total investment return	1,840	(16,583)	-	(14,743)
Contributions	-	-	4,956	4,956
Transfers from nonendowment assets	451	11,152	-	11,603
Appropriation of endowment funds for expenditure	(667)	(2,280)	-	(2,947)
Special appropriation of permanently restricted endowment funds	-	-	(3,460)	(3,460)
Reversal of all prior years' inflation transfers to permanently restricted endowment funds	-	-	(9,873)	(9,873)
Other changes (transfer)	(25,686)	6,644	(8)	(19,050)
Endowment net assets, June 30, 2016	24,310	3,494	50,526	78,330
Investment return:				
Investment income	5,115	233	-	5,348
Net appreciation (depreciation) (realized and unrealized)	1,757	4,862	-	6,619
Total investment return	6,872	5,095	-	11,967
Contributions	-	-	1,456	1,456
Transfers from nonendowment assets	-	3,686	-	3,686
Appropriation of endowment funds for expenditure	(1,245)	(603)	-	(1,848)
Donor redesignation from permanently restricted to nonendowment funds	-	69	(4,002)	(3,933)
Other changes (transfer)	2,453	(7,128)	(44)	(4,719)
Endowment net assets, June 30, 2017	$ 32,390	$ 4,613	$ 47,936	$ 84,939

Note 13. Restricted Net Assets

Temporarily restricted net assets at June 30, 2017 and 2016, are available for the following purposes:

	2017			2016		
	Church	University	Total	Church	University	Total
	(In Thousands)					
Charitable remainder trust	$ 2,318	$ -	$ 2,318	$ 1,987	$ -	$ 1,987
Worldwide Mission endowment	611	-	611	-	-	-
General operating endowment	43	-	43	-	-	-
Temple Peace Center Grant	-	-	-	62	-	62
Donor advised	-	-	-	16	-	16
Congregational leader support minister	1,124	-	1,124	1,197	-	1,197
Children's Peace Pavilion	371	-	371	359	-	359
Kirtland Temple	201	-	201	201	-	201
Other	28	-	28	40	-	40
Instruction and operational support	-	1,811	1,811	-	1,779	1,779
Student loans	-	134	134	-	130	130
Capital projects	-	503	503	-	265	265
Scholarships	-	2,835	2,835	-	2,297	2,297
Annuity and life income funds	-	634	634	-	675	675
	$ 4,696	$ 5,917	$ 10,613	$ 3,862	$ 5,146	$ 9,008

Permanently restricted net assets at June 30, 2017 and 2016, consisted of the following:

	2017			2016		
	Church	University	Total	Church	University	Total
	(In Thousands)					
Temple endowment	$ 11,756	$ -	$ 11,756	$ 11,566	$ -	$ 11,566
Dome & Spire Foundation	-	-	-	136	-	136
General operating endowment	3,146	-	3,146	3,133	-	3,133
Charitable remainder trust	421	-	421	385	-	385
Worldwide Mission endowment	912	-	912	17,665	-	17,665
Loans	-	1,352	1,352	-	1,352	1,352
Restricted endowments	-	32,122	32,122	-	31,437	31,437
Annuity and life income funds	98	413	511	115	340	455
	$ 16,333	$ 33,887	$ 50,220	$ 33,000	$ 33,129	$ 66,129

The Worldwide Mission endowment of $17,665,000 at June 30, 2016, comprises $4,267,000 of invested cash (included in Note 12) and $13,398,000 in contributions receivable (see Note 3). In consultation with donors, gift commitments were replaced with gift plans during the year. As a result, the $13,398,000 in contributions receivable were written off during the year ended June 30, 2017.

Note 14. Restricted Assets Released From Restriction

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purposes or by occurrence of other events specified by donors.

Purpose restrictions accomplished for the years ended June 30, 2017 and 2016, were as follows:

	2017			2016		
	Church	University	Total	Church	University	Total
	(In Thousands)					
Temple Peace Center Grant	$ 62	$ -	$ 62	$ 53	$ -	$ 53
Peace and justice ministry specialist	-	-	-	75	-	75
Leading congregations in mission	-	-	-	212	-	212
Worldwide mission endowment redesignations	4,002	-	4,002	-	-	-
Congregational leader support minister	74	-	74	59	-	59
Temple roof repair project	-	-	-	1,827	-	1,827
Kirtland Temple VC project	-	-	-	1,633	-	1,633
Removal of prior years' endowment inflation additions	-	-	-	9,873	-	9,873
Children's Peace Pavilion	34	-	34	41	-	41
Other	27	-	27	3	-	3
Instruction and operational support	-	1,099	1,099	-	1,750	1,750
Scholarships	-	1,578	1,578	-	1,347	1,347
Capital projects	-	232	232	-	77	77
Total restrictions released	$ 4,199	$ 2,909	$ 7,108	$ 13,776	$ 3,174	$ 16,950

Recognizing the critical need to fund the Church's pension and postretirement benefit plans, the Presiding Bishopric approached donors who had made contributions and commitments to the Worldwide Mission Endowment requesting that they consider redesignating their gifts. The majority of donors agreed to redesignate contributions made in prior years. As a result, $4,002,000 in permanently restricted assets were released and transferred into nonendowment, unrestricted funds.

Included above are releases of permanently restricted net assets, described as follows. The Temple roof repair project and Kirtland Temple VC project were special appropriations from Temple endowment corpus. The removal of prior years' endowment inflation additions is due to a change in endowment management policy and results in donor-restricted funds only included in permanently restricted net assets at June 30, 2016.

Note 15. Commitments and Contingencies

In the ordinary course of activities, there are various legal proceedings against the Church and its subsidiaries. Management, after consultation with legal counsel, is of the opinion that the ultimate resolution of these proceedings will have no material adverse effect on the consolidated financial position of the Church.

Note 16. Subsequent Events

On September 18, 2017, the Church sold the Printer's Manuscript of the Book of Mormon to the Church of Jesus Christ of Latter-day Saints. The Church received cash of $35,000,000. After selling expenses, the sale resulted in a gain of $31,500,000, which will be included in the fiscal year ending June 30, 2018. The Church bought the Printer's Manuscript in 1903 as part of a collection that included several other items. The bill of sale for the entire collection was $2,500. The net proceeds of the sale will be used to provide for the Church's retirement responsibilities.

Management has evaluated and disclosed subsequent events up to and including February 27, 2018, which is the date the consolidated financial statements were available to be issued. Through this date there were no significant events requiring disclosure.

Supplementary Information

Community of Christ and Affiliates

World Church Statements of Endowment Net Assets
June 30, 2017 and 2016
(Dollars in Thousands)

	2017			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor-restricted endowment funds	$ -	$ -	$ 15,814	$ 15,814
Board-designated (quasi) endowment funds	34,069	1,778	-	35,847
Total endowment funds	$ 34,069	$ 1,778	$ 15,814	$ 51,661

	2016			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor-restricted endowment funds	$ (7,434)	$ -	$ 19,089	$ 11,655
Board-designated (quasi) endowment funds	34,069	1,197	-	35,266
Total endowment funds	$ 26,635	$ 1,197	$ 19,089	$ 46,921

Community of Christ and Affiliates

World Church Statements of Changes in Endowment Net Assets
Years Ended June 30, 2017 and 2016
(Dollars in Thousands)

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, June 30, 2015	$ 50,077	$ 1,256	$ 33,832	$ 85,165
Deconsolidation of Canadian Corporation	(641)	-	(3,244)	(3,885)
Investment return:				
Investment gain	-	(69)	-	(69)
Net depreciation (realized and unrealized)	-	(16,432)	-	(16,432)
Total investment return	-	(16,501)	-	(16,501)
Contributions	-	-	1,834	1,834
Transfer from nonendowment funds	451	11,152	-	11,603
Appropriation of endowment funds for expenditure	-	(1,395)	-	(1,395)
Special appropriation of permanently restricted endowment funds	-	-	(3,460)	(3,460)
Reversal of all prior years' inflation transfers to permanently restricted endowment funds	-	-	(9,873)	(9,873)
Other changes (transfer)	(23,252)	6,685	-	(16,567)
Endowment net assets, June 30, 2016	26,635	1,197	19,089	46,921
Investment return:				
Investment gain	-	49	-	49
Net depreciation (realized and unrealized)	-	4,052	-	4,052
Total investment return	-	4,101	-	4,101
Contributions	-	-	737	737
Transfer from nonendowment funds	-	3,686	-	3,686
Appropriation of endowment funds for expenditure	-	(132)	-	(132)
Donor redesignation from permanently restricted to nonendowment funds	-	69	(4,002)	(3,933)
Other changes (transfer)	7,434	(7,143)	(10)	281
Endowment net assets, June 30, 2017	$ 34,069	$ 1,778	$ 15,814	$ 51,661

Community of Christ and Affiliates

Consolidating Statement of Financial Position for Graceland University and Subsidiaries
June 30, 2017
(Dollars in Thousands)

	University	Center	Eliminations	Total
Assets				
Cash and cash equivalents	$ 5,751	$ 8,978	$ -	$ 14,729
Investments	51,802	-	(14,004) (1)	37,798
Receivables:				
Accounts, U.S. government and miscellaneous receivables, net	2,387	3,192	-	5,579
Notes, mortgages, and student and U.S. government loans receivable, net	2,995	-	-	2,995
Contributions receivable, net	356	-	-	356
	5,738	3,192	-	8,930
Cash restricted for investment in land, buildings and equipment	531	-	-	531
Real estate and equipment	48,725	7,372	-	56,097
Other assets:				
Inventories	299	991	-	1,290
Prepaid expenses and deposits	916	1,028	-	1,944
Deferred expenses and other assets	-	4,927	-	4,927
Intangible assets, net	-	3,360	-	3,360
Goodwill	-	1,085	-	1,085
Funds held in trust by others	702	-	-	702
	1,917	11,391	-	13,308
	$ 114,464	$ 30,933	$ (14,004)	$ 131,393

(1) To eliminate the University's investment in the Center.

	University	Center	Eliminations	Total
Liabilities and Net Assets				
Liabilities:				
Accounts payable	$ 1,501	$ 1,978	$ -	$ 3,479
Accrued expenses, deferred income and other liabilities	4,902	14,951	-	19,853
Annuities payable	1,146	-	-	1,146
U.S. government grants refundable	3,131	-	-	3,131
	10,680	16,929	-	27,609
Funds held for others	480	-	-	480
Pension benefits	10,980	-	-	10,980
	11,460	-	-	11,460
Long-term debt	28,936	-	-	28,936
Net assets:				
Unrestricted	23,584	14,004	(14,004) (1)	23,584
Temporarily restricted	5,917	-	-	5,917
Permanently restricted	33,887	-	-	33,887
Total net assets	63,388	14,004	(14,004)	63,388
	$ 114,464	$ 30,933	$ (14,004)	$ 131,393

Community of Christ and Affiliates

Consolidating Statement of Financial Position for Graceland University and Subsidiaries
June 30, 2016
(Dollars in Thousands)

	University	Center	Eliminations		Total
Assets					
Cash and cash equivalents	$ 3,926	$ 7,273	$ -		$ 11,199
Investments	47,599	-	(13,715)	(1)	33,884
Receivables:					
Accounts, U.S. government and miscellaneous receivables, net	2,425	4,629	-		7,054
Notes, mortgages, and student and U.S. government loans receivable, net	4,737	-	-		4,737
Contributions receivable, net	807	-	-		807
	7,969	4,629	-		12,598
Cash restricted for investment in land, buildings and equipment	301	-	-		301
Real estate and equipment	47,607	6,990	-		54,597
Other assets:					
Inventories	320	1,156	-		1,476
Prepaid expenses and deposits	569	1,145	-		1,714
Deferred expenses and other assets	1,769	4,903	-		6,672
Intangible assets, net	-	4,934	-		4,934
Goodwill	-	1,085	-		1,085
Funds held in trust by others	709	-	-		709
	3,367	13,223	-		16,590
	$ 110,769	$ 32,115	$ (13,715)		$ 129,169

(1) To eliminate the University's investment in the Center.

	University	Center	Eliminations	Total
Liabilities and Net Assets				
Liabilities:				
Accounts payable	$ 1,212	$ 1,959	$ -	$ 3,171
Accrued expenses, deferred income and other liabilities	4,411	16,441	-	20,852
Annuities payable	1,211	-	-	1,211
U.S. government grants refundable	3,089	-	-	3,089
	9,923	18,400	-	28,323
Funds held for others	449	-	-	449
Pension benefits	15,212	-	-	15,212
	15,661	-	-	15,661
Long-term debt	30,096	-	-	30,096
Net assets:				
Unrestricted	16,814	13,715	(13,715) [1]	16,814
Temporarily restricted	5,146	-	-	5,146
Permanently restricted	33,129	-	-	33,129
Total net assets	55,089	13,715	(13,715)	55,089
	$ 110,769	$ 32,115	$ (13,715)	$ 129,169

Community of Christ and Affiliates

Consolidating Statement of Activities for Graceland University and Subsidiaries
Year Ended June 30, 2017
(Dollars in Thousands)

	University			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Center Unrestricted
Revenues, gains and other support:				
Contributions, private gifts, grants and contracts	$ 1,551	$ 1,558	$ 719	$ -
Seminars	-	-	-	66,501
Student tuition and fees	23,455	-	-	-
Products	-	-	-	5,141
Service and sales of auxiliary enterprises and affiliates	6,558	-	-	-
Income (loss) from investment activities	7,191	1,051	39	-
Government grants and contracts	329	1,060	-	-
Other	461	11	-	444
Net assets released from restrictions	2,909	(2,909)	-	-
Total revenues, gains and other support	42,454	771	758	72,086
Expenses:				
Program expenses:				
Instruction	12,405	-	-	-
Public service	1,137	-	-	-
Academic support	2,793	-	-	-
Student services	9,222	-	-	-
Auxiliary enterprises	6,586	-	-	-
Seminars and products	-	-	-	40,122
Distributions to Graceland University	-	-	-	4,343
Total program expenses	32,143	-	-	44,465
Management and general	6,303	-	-	27,332
Fundraising	1,483	-	-	-
Total expenses	39,929	-	-	71,797
Changes in net assets from operating activities	2,525	771	758	289
Write-off of a contribution receivable	-	-	-	-
Minimum pension liability adjustment	4,245	-	-	-
Change in net assets	6,770	771	758	289
Net assets, beginning of year	16,814	5,146	33,129	13,715
Net assets, end of year	$ 23,584	$ 5,917	$ 33,887	$ 14,004

(1) To eliminate distributions by the Center to the University and the current-year decrease in net assets of the Center recorded as investment income by the University.

Eliminations		Total Unrestricted	Total Temporarily Restricted	Total Permanently Restricted	Total Consolidated Total
$ -		$ 1,551	$ 1,558	$ 719	$ 3,828
-		66,501	-	-	66,501
-		23,455	-	-	23,455
-		5,141	-	-	5,141
-		6,558	-	-	6,558
(4,632)	(1)	2,559	1,051	39	3,649
-		329	1,060	-	1,389
-		905	11	-	916
-		2,909	(2,909)	-	-
(4,632)		109,908	771	758	111,437
-		12,405	-	-	12,405
-		1,137	-	-	1,137
-		2,793	-	-	2,793
-		9,222	-	-	9,222
-		6,586	-	-	6,586
-		40,122	-	-	40,122
(4,343)	(1)	-	-	-	-
(4,343)		72,265	-	-	72,265
-		33,635	-	-	33,635
-		1,483	-	-	1,483
(4,343)		107,383	-	-	107,383
(289)		2,525	771	758	4,054
-		-	-	-	-
-		4,245	-	-	4,245
(289)		6,770	771	758	8,299
(13,715)		16,814	5,146	33,129	55,089
$ (14,004)		$ 23,584	$ 5,917	$ 33,887	$ 63,388

Community of Christ and Affiliates

Consolidating Statement of Activities for Graceland University and Subsidiaries
Year Ended June 30, 2016
(Dollars in Thousands)

	University			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Center Unrestricted
Revenues, gains and other support:				
Contributions, private gifts, grants and contracts	$ 1,082	$ 345	$ 3,122	$ -
Seminars	-	-	-	72,605
Student tuition and fees	22,532	-	-	-
Products	-	-	-	6,363
Service and sales of auxiliary enterprises and affiliates	6,967	-	-	-
Income (loss) from investment activities	2,572	(88)	(46)	-
Government grants and contracts	282	1,032	-	-
Other	617	15	-	469
Net assets released from restrictions	3,174	(3,174)	-	-
Total revenues, gains and other support	37,226	(1,870)	3,076	79,437
Expenses:				
Program expenses:				
Instruction	13,357	-	-	-
Public service	1,062	-	-	-
Academic support	3,235	-	-	-
Student services	9,774	-	-	-
Auxiliary enterprises	6,319	-	-	-
Seminars and products	-	-	-	48,081
Distributions to Graceland University	-	-	-	2,500
Total program expenses	33,747	-	-	50,581
Management and general	3,943	-	-	28,198
Fundraising	1,643	-	-	-
Total expenses	39,333	-	-	78,779
Changes in net assets from operating activities	(2,107)	(1,870)	3,076	658
Write-off of a contribution receivable	-	(1,435)	-	-
Minimum pension liability adjustment	(3,127)	-	-	-
Change in net assets	(5,234)	(3,305)	3,076	658
Net assets, beginning of year	22,048	8,451	30,053	13,057
Net assets, end of year	$ 16,814	$ 5,146	$ 33,129	$ 13,715

(1) To eliminate distributions by the Center to the University and the current-year decrease in net assets of the Center recorded as investment income by the University.

		Total		
Eliminations	Unrestricted	Temporarily Restricted	Permanently Restricted	Consolidated Total
$ -	$ 1,082	$ 345	$ 3,122	$ 4,549
-	72,605	-	-	72,605
-	22,532	-	-	22,532
-	6,363	-	-	6,363
-	6,967	-	-	6,967
(3,158) (1)	(586)	(88)	(46)	(720)
-	282	1,032	-	1,314
-	1,086	15	-	1,101
-	3,174	(3,174)	-	-
(3,158)	113,505	(1,870)	3,076	114,711
-	13,357	-	-	13,357
-	1,062	-	-	1,062
-	3,235	-	-	3,235
-	9,774	-	-	9,774
-	6,319	-	-	6,319
-	48,081	-	-	48,081
(2,500) (1)	-	-	-	-
(2,500)	81,828	-	-	81,828
-	32,141	-	-	32,141
-	1,643	-	-	1,643
(2,500)	115,612	-	-	115,612
(658)	(2,107)	(1,870)	3,076	(901)
-	-	(1,435)	-	(1,435)
-	(3,127)	-	-	(3,127)
(658)	(5,234)	(3,305)	3,076	(5,463)
(13,057)	22,048	8,451	30,053	60,552
$ (13,715)	$ 16,814	$ 5,146	$ 33,129	$ 55,089

RSM