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**INDEPENDENT AUDITORS' REPORT**

To the Council on Finance and Administration  
South Carolina Conference of the United Methodist Church  
Columbia, South Carolina

We have audited the accompanying statements of financial position of the South Carolina Conference of the United Methodist Church as of December 31, 2006 and 2005, and the related statements of activities and cash flows for the years then ended. These financial statements are the responsibility of the Council. Our responsibility is to express an opinion on these financial statements based on our audits. The prior year summarized comparative information has been derived from the Conference's 2005 financial statements and, in our report dated August 1, 2006, we expressed an unqualified opinion on those financial statements.

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 audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

As described in Note B, the statements do not include the Conference's investment in property and equipment as required by accounting principles generally accepted in the United States of America. Expenditures for such investments are charged as expenditures in the year of purchase. Accordingly, the accompanying financial statements are generally not intended to present financial position and results of operations in conformity with accounting principles generally accepted in the United States of America.

In our opinion, except for not capitalizing property and equipment and recording depreciation, the financial statements referred to above present fairly, in all material respects, the financial position of the South Carolina Conference of the United Methodist Church as of December 31, 2006, and the results of its operations and its cash flows for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

*Derrick, Stubbs & Stith, L.L.P.*

October 3, 2007

**SOUTH CAROLINA CONFERENCE OF THE UNITED METHODIST CHURCH**  
**STATEMENTS OF FINANCIAL POSITION**  
**DECEMBER 31, 2006**  
(With Summarized Financial Information as of December 31, 2005)

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>2006 Total Net Assets</u>	<u>2005 Total Net Assets</u>
<b>ASSETS</b>				
Cash and Cash Equivalents				
Demand deposits: Bank of America	\$ -	\$ 2,934,217	\$ 2,934,217	\$ 4,074,280
Receivables				
Due from churches	-	\$ 1,641,505	1,641,505	1,478,417
Due from others	-	306,072	306,072	826,872
Accrued interest receivable	-	24,736	24,736	13,338
<b>Total receivables</b>	<u>-</u>	<u>1,972,313</u>	<u>1,972,313</u>	<u>2,318,627</u>
Prepaid Expenses				
Registration deposits	-	-	-	61,999
Investments				
Certificates of deposit	1,012,847	\$ 1,887,153	2,900,000	2,800,000
Bobo Estate Certificates of deposit	-	530,000	530,000	-
Van Kampen Merritt Government Fund	-	122,988	122,988	125,661
Wachovia Money Market accounts	-	1,183,303	1,183,303	1,230,870
<b>Total investments</b>	<u>1,012,847</u>	<u>3,723,444</u>	<u>4,736,291</u>	<u>4,156,531</u>
Property and Equipment				
Building improvements	1,584,505	-	1,584,505	1,584,505
<b>Total assets</b>	<u>2,597,352</u>	<u>8,629,974</u>	<u>11,227,326</u>	<u>12,194,755</u>
<b>LIABILITIES</b>				
Current portion of notes payable	42,154	-	42,154	52,419
Due to General Board of Pensions	-	-	-	337,635
Due to General Council on Finance and Administration	-	450,328	450,328	1,635,857
Due to Conference boards, agencies and support groups	-	922,541	922,541	683,127
Accounts payable	-	-	-	93,914
Funds held in trust for others	-	328,405	328,405	222,859
Advance fees held for others	-	-	-	1,270
Church remittances received for future years	-	-	-	1,172
<b>Total current liabilities</b>	<u>42,154</u>	<u>1,701,274</u>	<u>1,743,428</u>	<u>3,028,253</u>
Notes payable	852,866	-	852,866	1,059,629
<b>Total liabilities</b>	<u>895,020</u>	<u>1,701,274</u>	<u>2,596,294</u>	<u>4,087,882</u>
<b>NET ASSETS</b>				
Unrestricted	1,702,332	-	1,702,332	1,176,865
Temporarily restricted for programs	-	6,928,700	6,928,700	6,930,008
<b>Total net assets</b>	<u>1,702,332</u>	<u>6,928,700</u>	<u>8,631,032</u>	<u>8,106,873</u>
<b>Total liabilities and net assets</b>	<u>\$ 2,597,352</u>	<u>\$ 8,629,974</u>	<u>\$ 11,227,326</u>	<u>\$ 12,194,755</u>

See notes to financial statements.

**SOUTH CAROLINA CONFERENCE OF THE UNITED METHODIST CHURCH**  
**STATEMENTS OF ACTIVITIES**  
**YEAR ENDED DECEMBER 31, 2006**  
(With Summarized Financial Information as of December 31, 2005)

	Unrestricted	Temporarily Restricted	2006 Total Net Assets	2005 Total Net Assets
Revenue				
Contributions	\$ 248,559	\$ 13,733,530	\$ 13,982,089	\$ 14,637,240
Churches	-	81,784	81,784	120,434
Other	-	915	915	2,924
Bequest	-	-	-	-
Institutional Payments for Pension fund	-	4,638,047	4,638,047	5,728,720
Conference insurance	-	7,247,922	7,247,922	10,109,270
Insureds - Conference insurance	-	2,237,052	2,237,052	2,308,966
General Council on Finance and Administration	-	77,200	77,200	98,125
Registrations and fees	-	1,899,190	1,899,190	1,804,108
Rent	-	61,125	61,125	185,354
Investment income	267,997	26,421	294,018	147,969
Print media services	-	231,173	231,173	207,697
Other	20,450	1,959,152	1,979,602	2,208,187
Net unrealized gains on investments	-	56,980	56,980	28,023
Total	<u>536,606</u>	<u>32,250,491</u>	<u>32,787,097</u>	<u>37,588,017</u>
Net assets released from restrictions to satisfy program restrictions	32,251,799	(32,251,799)	-	-
Total revenue	<u>32,788,405</u>	<u>(1,308)</u>	<u>32,787,097</u>	<u>37,588,017</u>
Expenses				
Program Services				
General Board of Pensions - Pension Fund	4,855,845	-	4,855,845	5,275,000
General Board of Pensions - Conference insurance	9,900,000	-	9,900,000	11,550,000
Senior College Fund and Spartanburg Methodist College	1,568,142	-	1,568,142	1,293,835
District administration	668,347	-	668,347	652,877
District superintendent's salary	1,021,571	-	1,021,571	1,005,910
Council on Ministries operations	868,690	-	868,690	648,616
Ministerial education	597,089	-	597,089	502,632
Epworth Children's Home	525,731	-	525,731	479,042
Methodist Homes	492,590	-	492,590	469,487
World Service Fund	1,719,337	-	1,719,337	1,541,367
Camps and Retreat Center	1,346,890	-	1,346,890	1,205,299
Youth spiritual retreats	522,169	-	522,169	507,268
Other program services for Conference boards, agencies and commissions	7,808,430	-	7,808,430	11,326,981
Management and general	302,623	-	302,623	292,283
Conference Center construction	65,484	-	65,484	58,903
Total expenses	<u>32,262,938</u>	<u>-</u>	<u>32,262,938</u>	<u>36,809,500</u>
Increase (decrease) in net assets	525,467	(1,308)	524,159	778,517
Net Assets				
Beginning	1,176,865	6,930,008	8,106,873	7,328,356
Ending	<u>\$ 1,702,332</u>	<u>\$ 6,928,700</u>	<u>\$ 8,631,032</u>	<u>\$ 8,106,873</u>

See notes to financial statements.

**SOUTH CAROLINA CONFERENCE OF THE UNITED METHODIST CHURCH  
STATEMENTS OF CASH FLOWS  
YEARS ENDED DECEMBER 31, 2006 AND 2005**

	2006	2005
Cash Flows from Operating Activities		
Increase in net assets	\$ 524,159	\$ 778,517
Adjustments to reconcile increase in net assets to net cash provided by (used in) operating activities		
Net unrealized (gains) losses on investments	(56,980)	(22,800)
(Increase) decrease in receivables	346,314	309,595
(Increase) decrease in prepaid expenses	61,999	(17,141)
Increase (decrease) in due to General Board of Pensions	(337,635)	(66,365)
Increase (decrease) in due to General Council on Finance and Administration	(1,185,529)	1,207,302
Increase (decrease) in due to Conference boards, agencies and support groups	239,414	(142,333)
Increase (decrease) in notes payable	(217,028)	(235,610)
Increase (decrease) in accounts payable	(93,914)	(20,238)
Increase (decrease) in funds held in trust for others	105,546	5,327
Increase (decrease) advance fees held for others	(1,270)	(82,502)
Increase in deferred revenue	(1,172)	(9,912)
<b>Net cash provided by (used in) operating activities</b>	<b>(616,096)</b>	<b>1,703,840</b>
Cash Flows from Investing Activities		
Proceeds from matured investments	4,017,978	2,300,000
Purchase of investments	(4,541,945)	(2,900,000)
<b>Net cash (used in) investing activities</b>	<b>(523,967)</b>	<b>(600,000)</b>
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>(1,140,063)</b>	<b>1,103,840</b>
Cash and Cash Equivalents		
Beginning	4,074,280	2,970,440
<b>Ending</b>	<b>2,934,217</b>	<b>4,074,280</b>
Supplemental Disclosures of Cash Flow Information		
Cash payment of interest	\$ 65,484	\$ 58,903

See notes to financial statements.

**SOUTH CAROLINA CONFERENCE OF THE UNITED METHODIST CHURCH  
YEARS ENDED DECEMBER 31, 2006 AND 2005**

**Notes to Financial Statements**

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**Note A. Nature of Activities**

The South Carolina Conference of the United Methodist Church governs the various boards, commissions, committees and agencies whose purpose is to carry out the programs of the United Methodist Church. The South Carolina Conference of the United Methodist Church is a nonprofit religious organization and is exempt from paying income taxes under Section 501(c)(3) of the Internal Revenue Code. These financial statements report only those transactions maintained by the Treasurer of the South Carolina Conference of the United Methodist Church.

**Note B. Summary of Significant Accounting Policies**

**Financial reporting:** The accompanying financial statements are based on the accrual method of accounting reflecting income earned regardless of when received and expenses incurred regardless of when paid.

The Conference has three net asset categories, which are described as follows:

**Unrestricted net assets:** Net assets that are not subject to donor-imposed restrictions.

**Temporarily restricted net assets:** Net assets subject to donor-imposed stipulations that may or will be met either by actions of the Conference and/or the passage of time.

**Permanently restricted net assets:** Net assets subject to donor-imposed stipulations that may be maintained permanently by the Conference. Generally, the donors of these assets permit the Conference to use all or part of the income earned on related investments for program operations. There are no permanently restricted net assets.

To insure observance of limitations and restrictions placed on the use of resources available to the Conference, the accounts of the Conference are maintained in accordance with the principles of fund accounting. This is the procedure by which resources for various purposes are classified for accounting and reporting purposes into funds established according to their nature and purpose.

**Support and expenses:** A contribution is deemed to have been received when the cash or other assets including securities, land, buildings, use of facilities, materials and supplies, intangible assets, services or unconditional promise to give such items in the future is received. An unconditional promise to give is a promise, which is not dependent on the occurrence of a specified future and uncertain event to bind the promisor.

Contributions received and unconditional promises to give are measured at their fair values and are reported as increase in net assets. The Conference reports gifts of cash and other assets as restricted support if they are received with donor stipulations that limit the use of the donated assets, or if they are designated as support for future periods. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

The financial statements present expenses in accordance with the overall service mission of the Conference displayed within their natural classifications.

**SOUTH CAROLINA CONFERENCE OF THE UNITED METHODIST CHURCH  
YEARS ENDED DECEMBER 31, 2006 AND 2005**

**Notes to Financial Statements**

**Note B. Summary of Significant Accounting Policies (Continued)**

**Cash and cash equivalents:** For purposes of reporting the statement of cash flows, the Conference considers all highly liquid debt instruments purchased with maturity of three months or less to be cash equivalents.

Investments are measured at fair value in the statement of financial position. Investment income or loss (including gains and losses on investments, interest, and dividends) is included in the statement of activities as increases or decreases in unrestricted net assets unless the income or loss is restricted by donor or law.

**Property and equipment:** The Conference has generally not recorded land or buildings as fixed assets on its balance sheet. In 2003, the Conference recorded the renovations to the conference center, based on its intention to start recording fixed assets along with the related depreciation. Property was to be recorded at cost with depreciation being provided on the straight-line method over the estimated useful lives of 10 to 39 years for buildings and 10 to 39 years for Improvements to Land and Building. The plan has been delayed while the Conference re-evaluates starting the policy of recording all current land and property versus continuing the previous policy. Therefore the Conference did not record depreciation for the conference renovation. The Conference does not maintain investments in an equipment fund or record the related depreciation of such equipment as required by accounting principles generally accepted in the United States of America. Expenditures for such investments in the equipment fund are generally charged as expenditures in the year of purchase.

**Note C. Investments**

Investments are valued at market value with appreciation being recognized and reported in the Statement of Activities in the appropriate classes. Unless specific prohibited clauses are contained in the gift instrument, funds for investment have been combined into one investment pool. Earned income received on investments by the Conference Treasurer is credited to the permanent reserve fund. The cost and market values of investments at December 31, 2006 and 2005 are summarized as follows:

	2006		2005	
	Cost	Fair Value	Cost	Fair Value
Certificates of deposit	\$ 2,900,000	\$ 2,900,000	\$ 2,800,000	\$ 2,800,000
Bobo Estate certificates of deposit	530,000	530,000	-	-
Van Kampen American Capital - U.S. Governmental Fund A	158,102	122,988	158,102	125,661
Wachovia money market	1,111,945	1,183,303	1,223,731	1,230,870
<b>Total</b>	<b>\$ 4,700,047</b>	<b>\$ 4,736,291</b>	<b>\$ 4,181,833</b>	<b>\$ 4,156,531</b>

**Note D. Deferred Revenue**

Deferred revenue consists of church contributions made to support the following years' activities. There were no deferred revenues at the end of 2006.

**SOUTH CAROLINA CONFERENCE OF THE UNITED METHODIST CHURCH  
YEARS ENDED DECEMBER 31, 2006 AND 2005**

**Notes to Financial Statements**

**Note E. Funds Held for Others**

The following funds are held for certain United Methodist Conference Boards, Committees and Agencies at December 31, 2006 and 2005:

	<u>2006</u>	<u>2005</u>
Ministers' spouses association	\$ 2,176	\$ 2,222
Ministers' wives retreat	8,501	9,707
Maintenance reserve (United Methodist Center)	216,141	196,141
Maintenance reserve (Episcopal Residence)	16,276	16,276
Campus Ministry/repairs and maintenance	8,059	7,124
Outreach and Community Collaboration	-	1,625
Asbury Hills Development	(11,116)	(11,301)
Asbury Hills - designated fund	15,527	-
Sewee Coastal Retreat Development	1,064	1,065
Camps and Retreats Annual Fund	5,077	-
Historical Society	4,984	-
Aldersgate Special Needs Ministry	2,822	-
UM Volunteers in Mission	58,957	-
Mike Watson UmVIM Award	(52)	-
T. Dennis Smith Scholarship	(11)	-
<b>Total</b>	<u>\$ 328,405</u>	<u>\$ 222,859</u>

**Note F. Assets Released from Donor Restrictions**

Net assets during the year ended December 31, 2006 and 2005 were released from donor restrictions by incurring expenses satisfying the restricted purposes, purchase of property and equipment, and by occurrence of other events specified by donors as follows:

Purpose restrictions accomplished by:

Satisfaction of Program Restriction Expense Category:

	<u>2006</u>	<u>2005</u>
General Board of Pensions - Pension Fund	\$ 4,855,845	\$ 5,275,000
General Board of Pensions - Conference insurance	9,900,000	11,550,000
Senior College Fund and Spartanburg Methodist College	1,568,142	1,293,835
District administration	386,447	376,977
District superintendent's salary	1,021,571	1,005,910
Council on Ministries operations	868,690	648,616
Ministerial education	597,089	502,632
Epworth Children's Home	525,731	479,042
Methodist Homes	492,590	469,487
World Service Fund	1,719,338	1,541,367
Camps and Retreat Center	1,346,890	1,205,299
Youth spiritual retreats	522,169	507,268
Other program services for Conference boards, agencies and commissions	8,144,674	11,661,784
Management and general	302,623	240,412
<b>Total</b>	<u>\$ 32,251,799</u>	<u>\$ 36,757,629</u>

**SOUTH CAROLINA CONFERENCE OF THE UNITED METHODIST CHURCH  
YEARS ENDED DECEMBER 31, 2006 AND 2005**

**Notes to Financial Statements**

**Note G. Fidelity Bond**

The General Council on Finance and Administration provides \$ 1,000,000 fidelity bond protection for all Annual Conference Treasurers and their staff at no charge. Fidelity bonding for trustees and related staff is provided by the Annual Conference.

**Note H. Net Assets**

Unrestricted net assets at December 31, 2006 and 2005 are available for the following purposes:

	<u>2006</u>	<u>2005</u>
Contingency fund	\$ 100,000	\$ 100,000
Permanent reserve	912,847	604,408
<b>Total</b>	<b><u>\$ 1,012,847</u></b>	<b><u>\$ 704,408</u></b>

Temporarily restricted net assets at December 31, 2006 and 2005 are available for the following purposes:

	<u>2006</u>	<u>2005</u>
Ministers book	\$ 37,599	\$ 31,736
United Methodist Center operations	70,659	55,681
Conference Board of Trustees	179,547	301,330
Computer upgrade reserve	29,864	29,864
District administration	182,161	102,450
District parsonage funds	237,568	197,019
District office occupancy	67,252	44,338
District extension funds	239,615	209,622
District undesignated specials	108,052	87,230
District habitat houses	26,690	25,011
District Superintendent continuing education	17,091	12,186
District congregational development	217,287	271,059
Equitable compensation	415,661	331,132
Asbury Hills Camp	-	(25,739)
Golden Cross	2,534	1,299
Congregational development	781,190	781,190
Congregational development/allocated	540,474	283,245
Congregational development/land acquisition	469,463	362,173
Salkehatchie summer service	102,949	53,390
UM volunteers in mission	58,957	103,355
Ordained ministry scholarships	291,249	309,734
Other program services for Conference boards, agencies and commissions	2,852,838	3,362,703
<b>Total</b>	<b><u>\$ 6,928,700</u></b>	<b><u>\$ 6,930,008</u></b>

**Note I. Ministerial Pension Plan and Comprehensive Protection Plan (MPP/CPP) and Cumulative Pension and Benefit Fund (CPBF)**

The South Carolina Conference of the United Methodist Church participates in a defined benefit multi-employer pension plan administered by the General Board of Pensions of the United Methodist Church. The plan provides pension benefits to retiring members in addition to providing disability income benefits and guaranteed minimum benefits for widows and dependent children of deceased members.



**SOUTH CAROLINA CONFERENCE OF THE UNITED METHODIST CHURCH  
YEARS ENDED DECEMBER 31, 2006 AND 2005**

**Notes to Financial Statements**

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**Note I. Ministerial Pension Plan and Comprehensive Protection Plan (MPP/ CPP) and Cumulative Pension and Benefit Fund (CPBF) (Continued)**

The Conference contributes to the fund an amount equivalent to twelve percent (12%) of each minister's annual plan compensation (cash salary, tax-deferred contributions made and housing allowance) limited by the denominational average compensation. For lay employees, the Conference contributes nine percent (9%) and the lay employee contributes three percent (3%). CPP contributions for eligible full-time ministers are the equivalent of 4.4% of the minister's plan compensation limited by 200% of the current denominational average compensation. Past service defined benefit funding is an annual actuarially determined amount approved by the Annual Conference. Contributions for each participant are fully vested. The Conference Treasurer remitted \$ 4,855,845 in 2006 and \$ 5,275,000 in 2005 to the General Board of Pensions. The Conference is not liable for any unfunded liabilities under the MPP/ CPP/ CPBF plans in force.

Past service expenses are charged to the Annual Conference. The RP 2000 Individual Annuity Mortality Table is used in the determination of these amounts.

Ministers' pension payments received by the Conference Treasurer are remitted to the General Board of Pensions of the United Methodist Church.

**Note J. Accounting for Post-Retirement Benefits Other Than Pensions**

The Annual Conference requires payment of \$ 70 per participant per month from retirees for retiree or dependents for postretirement benefits.

The Annual Conference sponsors a contributory defined benefit post-retirement medical plan that covers substantially all of its statutory and common-law employees.

The Annual Conference also sponsors a defined benefit post-retirement death benefit plan that covers substantially all of its full-time retired CPP eligible clergy members. This plan is non-contributory, is fully funded, and no change from this policy is anticipated in the future.

Other than the plans identified above, the Annual Conference sponsors no other post-retirement benefit plans.

Legal opinion has been obtained that the plans described above are multi-employer plans as that term is defined in Paragraph 79 of SFAS No. 106, "Employer's Accounting for Post-Retirement Benefits Other Than Pensions". Accordingly, the post-retirement benefit costs are recognized on a current period basis.

**Note K. Comparative Amounts**

The financial statements include certain prior-year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the organization's financial statements for the year ended December 31, 2005 from which the summarized information was derived.

**SOUTH CAROLINA CONFERENCE OF THE UNITED METHODIST CHURCH  
YEARS ENDED DECEMBER 31, 2006 AND 2005**

**Notes to Financial Statements**

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**Note L. Concentration of Market and Credit Risk**

Pooled investments include an overnight investment account with Bank of America totaling \$ 2,933,716. The financial institution has a strong credit rating and management believes that credit risk related to this deposit is minimal. There are also four \$ 100,000 certificates of deposit at First Federal of Charleston, \$ 300,000 is secured by federal bonds and a \$ 530,000 certificate of deposit at Bank of America.

**Note M. Equitable Compensation Commission**

The Conference treasurer holds investments in Van Kampen mutual funds (U.S. Government Fund Class A). This fund is reserved for the purpose of paying supplemental salary for pastors of local churches that cannot afford to pay the minimum salary for pastors as set by the Conference. The market value at December 31, 2006 is \$ 335,835 compared to cost of \$ 427,019 in 1986.

The investments are not recorded in the records or financial statements of the South Carolina Conference of the United Methodist Church

**Note N. Conference Board of Trustees**

The Conference treasurer held one (1) loan receivable totaling \$ 7,500 at December 31, 2006. The loan is not recorded in the records or financial statements of the South Carolina Conference of the United Methodist Church.

**Note O. United Methodist Center Renovation**

Expenditures for the acquisition of property were to be capitalized at cost when completed in 2004. The Conference has decided to delay recording the renovation until it has re-evaluated the proposed new policy of recording land and buildings currently owned versus the existing policy. The Conference has not capitalized any land or building prior to the current renovation to the Conference Center in Columbia. Similarly, no depreciation expense has been reflected on any building related asset. Renovations of the United Methodist Center located in Columbia started in October of 2002 with completion coming in early 2004. At December 31, 2003, \$ 1,584,505 was the revised cost estimate and \$ 1,495,279 was the outstanding balance of the construction loan. The construction loan was converted to permanent financing in February 2004. At December 31, 2006, \$ 895,020 was the outstanding balance of the loan.

**Note P. Investment in Building**

Expenditures for the acquisition of property are capitalized at cost when done. The Conference has not capitalized any land or building prior to the current renovation to the Conference Center in Columbia. Similarly, no depreciation expense has been reflected on any building related asset. The Conference has decided to delay recording the renovation until it has re-evaluated the proposed new policy of recording land and buildings currently owned versus the existing policy.

**Note Q. Pension and Insurance**

Beginning with the conference year 2004, institutional pension and insurance costs for pastors appointed to local churches was billed directly to individual churches. For years prior year to 2004, those costs were covered by line items in the conference budget and apportioned to churches. The money was received from churches and shown in church contributions on prior financial statements.

**SOUTH CAROLINA CONFERENCE OF THE UNITED METHODIST CHURCH  
YEARS ENDED DECEMBER 31, 2006 AND 2005**

**Notes to Financial Statements**

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**Note R. Long-Term Debt**

The Conference has obtained a mortgage loan with Bank of America for an original principal balance of \$ 1,585,505 which included the construction loan at the end of 2006 with a balance of \$ 895,020. The monthly payments of \$ 8,543, including principal and interest, were set up for a 5 year payback period with a balloon payment at the end of that period. The interest rate is floating indexed to the LIBOR Daily Floating Rate. Additional principal payments are anticipated to be made during the payback period. The total principal payments during 2006 were \$ 217,028.

Future payments:

<b>Year</b>	<b>Principal Payments</b>
2007	\$ 42,154
2008	45,081
2009	807,785