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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, 2008 and 2007, 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 2007 financial statements and, in our report dated December 12, 2008, 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, 2008, 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, LLP

January 29, 2010

**SOUTH CAROLINA CONFERENCE OF THE UNITED METHODIST CHURCH
STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2008 AND 2007**

(With Summarized Financial Information as of December 31, 2007)

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	2008 Total Net Assets	Restated 2007 Total Net Assets
ASSETS				
Cash and Cash Equivalents				
Demand deposits: Bank of America	\$ 3,813,395	\$ 552,367	\$ 4,365,762	\$ 2,677,930
Receivables				
Due from churches	1,676,827	-	1,676,827	2,436,981
Due from others	295,944	-	295,944	398,744
Accrued interest receivable	3,100	-	3,100	5,994
Other accrued receivable	23,302	-	23,302	1,148
Total receivables	<u>1,999,173</u>	<u>-</u>	<u>1,999,173</u>	<u>2,842,867</u>
Investments				
Certificates of deposit	3,294,347	-	3,294,347	2,822,975
Bobo Estate Certificates of deposit	-	-	-	550,233
HMEP Investments; Board of Pension	8,146,726	-	8,146,726	8,750,318
Van Kampen Merritt Government Fund	420,301	-	420,301	122,250
Wachovia Investments	-	-	-	1,230,423
Total investments	<u>11,861,374</u>	<u>-</u>	<u>11,861,374</u>	<u>13,476,199</u>
Property and Equipment				
Building improvements	1,584,505	-	1,584,505	1,584,505
Total assets	<u>19,258,447</u>	<u>552,367</u>	<u>19,810,814</u>	<u>20,581,501</u>
LIABILITIES				
Current portion of notes payable	266,777	-	266,777	65,518
Due to Conference boards, agencies and support groups	1,313,498	-	1,313,498	1,719,186
Deferred revenue	9,398	-	9,398	-
Accrued postretirement benefit obligations	1,550,062	-	1,550,062	1,798,220
Funds held in trust for others	-	248,282	248,282	97,854
Total current liabilities	<u>3,139,735</u>	<u>248,282</u>	<u>3,388,017</u>	<u>3,680,778</u>
Accrued postretirement benefit obligations	49,980,665	-	49,980,665	51,346,694
Notes payable	-	-	-	510,181
Total long-term liabilities	<u>49,980,665</u>	<u>-</u>	<u>49,980,665</u>	<u>51,856,875</u>
Total liabilities	<u>53,120,400</u>	<u>248,282</u>	<u>53,368,682</u>	<u>55,537,653</u>
NET ASSETS				
Unrestricted	(50,363,199)	-	(50,363,199)	(52,058,364)
Board designated	16,501,246	-	16,501,246	16,812,242
Temporarily restricted	-	304,085	304,085	289,970
Total net assets	<u>(33,861,953)</u>	<u>304,085</u>	<u>(33,557,868)</u>	<u>(34,956,152)</u>
Total liabilities and net assets	<u>\$ 19,258,447</u>	<u>\$ 552,367</u>	<u>\$ 19,810,814</u>	<u>\$ 20,581,501</u>

See notes to financial statements.

**SOUTH CAROLINA CONFERENCE OF THE UNITED METHODIST CHURCH
STATEMENTS OF ACTIVITIES
YEARS ENDED DECEMBER 31, 2008 AND 2007
(With Summarized Financial Information as of December 31, 2007)**

	Unrestricted	Temporarily Restricted	2008 Total Net Assets	Restated 2007 Total Net Assets
Revenue				
Contributions				
Churches	\$ 12,875,339	\$ 3,789,366	\$ 16,664,705	\$ 14,331,493
Other	32,226	15,726	47,952	53,369
Bequest	-	-	-	4,615
Institutional Payments for				
Pension fund	5,419,812	-	5,419,812	5,261,151
Conference insurance	4,802,625	-	4,802,625	6,706,701
Insureds - Conference insurance	2,141,448	-	2,141,448	2,795,264
General Council on Finance and Administration	10,000	53,250	63,250	79,100
Registrations and fees	1,335,286	11,602	1,346,888	1,484,551
Rent	15,852	-	15,852	91,088
Investment income	251,693	-	251,693	301,871
Print media services	200,479	-	200,479	214,971
Other	1,918,623	40,449	1,959,072	2,293,091
Net realized gains (losses) on investments	(115,676)	-	(115,676)	-
Net unrealized gains (losses) on investments	(6,441)	-	(6,441)	(21,976)
Total	<u>28,881,266</u>	<u>3,910,393</u>	<u>32,791,659</u>	<u>33,595,289</u>
Net assets released from restrictions to satisfy program restrictions	3,896,278	(3,896,278)	-	-
Total revenue	<u>32,777,544</u>	<u>14,115</u>	<u>32,791,659</u>	<u>33,595,289</u>
Expenses				
Program Services				
General Board of Pensions - Pension Fund	5,465,815	-	5,465,815	5,315,603
General Board of Pensions - Conference insurance	9,000,000	-	9,000,000	9,000,000
Senior College Fund and Spartanburg Methodist College	1,671,217	-	1,671,217	1,603,190
District administration	751,645	-	751,645	635,069
District superintendent's salary	1,049,580	-	1,049,580	1,029,516
Connecticut Ministries	1,189,282	-	1,189,282	1,103,430
Ministerial education	452,306	-	452,306	603,171
Epworth Children's Home	676,359	-	676,359	593,034
Methodist Homes	539,282	-	539,282	540,906
World Service Fund	1,908,345	-	1,908,345	1,793,847
Camps and Retreat Center	828,908	-	828,908	934,772
Youth spiritual retreats	46,182	-	46,182	261,062
Other program services for Conference boards, agencies and commissions	8,810,301	-	8,810,301	8,773,597
Postretirement health cost	2,864,472	-	2,864,472	2,883,434
Management and general	599,750	-	599,750	552,184
Conference Center construction	18,590	-	18,590	48,496
Total expenses	<u>35,872,034</u>	<u>-</u>	<u>35,872,034</u>	<u>35,671,311</u>

**SOUTH CAROLINA CONFERENCE OF THE UNITED METHODIST CHURCH
STATEMENTS OF ACTIVITIES
YEARS ENDED DECEMBER 31, 2008 AND 2007
(With Summarized Financial Information as of December 31, 2007)**

	Unrestricted	Temporarily Restricted	2008 Total Net Assets	Restated 2007 Total Net Assets
	\$ (3,094,490)	\$ 14,115	\$ (3,080,375)	\$ (2,076,022)
Increase in net assets from operating activities				
Nonoperating:				
Postretirement-related changes other than net periodic postretirement cost	4,478,659	-	4,478,659	-
Increase in net assets before the adoption of SFAS 158	1,384,169	14,115	1,398,284	(2,076,022)
Effect of adoption of SFAS No. 158	-	-	-	(50,261,480)
Effect of recording Investment Account - Board of Pension	-	-	-	8,750,318
Change in Net Assets	1,384,169	14,115	1,398,284	(43,587,184)
Net Assets	(35,246,122)	289,970	(34,956,152)	8,631,032
Beginning	\$ (33,861,953)	\$ 304,085	\$ (33,557,868)	\$ (34,956,152)
Ending	<u>304,085</u>	<u>304,085</u>	<u>304,085</u>	<u>304,085</u>

See notes to financial statements.

**SOUTH CAROLINA CONFERENCE OF THE UNITED METHODIST CHURCH
STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2008 AND 2007**

	<u>2008</u>	<u>Restated 2007</u>
Cash Flows from Operating Activities		
Increase in net assets	\$ 1,398,284	\$ (2,076,022)
Adjustments to reconcile increase in net assets to net cash provided by (used in) operating activities		
Net unrealized (gains) on investments	(6,441)	(21,976)
(Increase) decrease in receivables	865,848	(869,406)
Increase (decrease) in due to General Council on Finance and Administration	(405,688)	796,645
Increase (decrease) in due to Conference boards, agencies and Support Groups	-	(450,328)
(Decrease) in notes payable	(308,922)	(319,321)
(Decrease) in accounts payable	(22,154)	(1,148)
Increase (decrease) in funds held in trust for others	150,428	(230,551)
Accrued postretirement benefit obligation	(1,614,187)	2,883,434
Increase (decrease) in deferred revenue	9,398	-
Net cash provided by (used in) operating activities	<u>66,566</u>	<u>(288,673)</u>
Cash Flows from Investing Activities		
Proceeds from matured investments	2,384,248	3,675,162
Purchase of investments	(762,982)	(3,642,776)
Net cash provided by investing activities	<u>1,621,266</u>	<u>32,386</u>
Net increase in cash and cash equivalents	1,687,832	(256,287)
Cash and Cash Equivalents		
Beginning	<u>2,677,930</u>	<u>2,934,217</u>
Ending	<u>4,365,762</u>	<u>2,677,930</u>
Supplemental Disclosures of Cash Flow Information		
Cash payment of interest	<u>18,590</u>	<u>48,496</u>
Change in accrued postretirement benefit obligation and change in net assets resulting from adoption of SFAS No. 158	<u>-</u>	<u>(53,144,914)</u>
Investment account with Board of Pension United Methodist Church - (See Note O)	<u>\$ -</u>	<u>\$ 8,750,318</u>

See notes to financial statements.

**SOUTH CAROLINA CONFERENCE OF THE UNITED METHODIST CHURCH
FOR THE YEARS ENDED DECEMBER 31, 2008 AND 2007**

Notes to Financial Statements

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
FOR THE YEARS ENDED DECEMBER 31, 2008 AND 2007**

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

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. In determining fair value, the Conference uses various methods including market, income and cost approaches. Based on these approaches, the Conference often utilizes certain assumptions that market participants would use in pricing the asset or liability, including assumptions about risk and/or the risks inherent in the inputs to the valuation technique. These inputs can be readily observable, market corroborated, or generally unobservable inputs. The Conference utilizes valuation techniques that maximize the use of observable inputs and minimize the use of unobservable inputs. Based on the observables of the inputs used in the valuation techniques, the Conference is required to provide the following information according to the fair value hierarchy. The fair value hierarchy ranks the quality and reliability of the information used to determine fair values. Financial assets and liabilities carried at fair value will be classified and disclosed in one of the following three categories:

- Level 1 Valuations for assets and liabilities traded in active exchange markets, such as the New York Stock Exchange. Level 1 also includes U.S. Treasury and federal agency securities and federal agency mortgage-backed securities, which are traded by dealers or brokers in active markets. Valuations are obtained from readily available pricing sources for market transactions involving identical assets or liabilities.
- Level 2 Valuations for assets and liabilities traded in less active dealer or broker markets. Valuations are obtained from third party pricing services for identical or similar assets or liabilities.
- Level 3 Valuations for assets and liabilities that are derived from other valuation methodologies, including option-pricing models, discounted cash flow models and similar techniques, and not based on market exchange, dealer, or broker-traded transactions. Level 3 valuation incorporate certain assumption and projections in determining the fair value assigned to such assets or liabilities.

**SOUTH CAROLINA CONFERENCE OF THE UNITED METHODIST CHURCH
FOR THE YEARS ENDED DECEMBER 31, 2008 AND 2007**

Notes to Financial Statements

Note C. Investments (Continued)

Management uses the following methods and assumption to estimate the fair value of the Conference's financial instrument.

Cash, cash equivalents', and receivables' carrying amounts approximate fair value because of the short maturity of those instruments. The fair value of the investments is based on quoted market rates. Debt instruments carrying value also approximates fair value based on the prices for the same of similar debt issues and on current rates offered to the Conference for debt of the same remaining maturities with similar collateral requirements.

	<u>Carrying Value</u>	<u>Estimated Fair Value</u>
Financial Assets		
Cash and cash equivalents	\$ 4,365,762	\$ 4,365,762
Investments	11,867,815	11,861,374
Receivables	1,975,871	1,975,871
Total financial assets	<u>18,209,448</u>	<u>18,203,007</u>
Financial Liabilities		
Notes payable	<u>\$ 266,777</u>	<u>\$ 266,777</u>

Description	12/31/2008	<u>Fair Value Measurements at Reporting Date Using</u>		
		<u>Quoted Prices in Active Markets for Identical Assets (Level 1)</u>	<u>Significant Other Observable Inputs (Level 2)</u>	<u>Significant Unobservable Inputs (Level 3)</u>
Financial Assets				
Cash and cash equivalents	\$ 4,365,762	\$ 4,365,762	\$ -	\$ -
Investments	11,861,374	11,861,374	-	-
Receivables	1,975,871	-	1,975,871	-
Total financial assets	<u>18,203,007</u>	<u>16,227,136</u>	<u>1,975,871</u>	<u>-</u>
Financial Liabilities				
Notes payable	<u>\$ 266,777</u>	<u>\$ -</u>	<u>\$ 266,777</u>	<u>\$ -</u>

Note D. Deferred Revenue

Deferred Revenue consists of church contributions made to support the following years' activities. The deferred revenues for December 31, 2008 and 2007 were \$ 9,398 and \$ 0, respectively.

**SOUTH CAROLINA CONFERENCE OF THE UNITED METHODIST CHURCH
FOR THE YEARS ENDED DECEMBER 31, 2008 AND 2007**

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, 2008 and 2007:

	<u>2008</u>	<u>2007</u>
Historical Society	\$ 3,510	\$ 4,461
Ministers Spouse	2,582	2,446
Ministers Spouse Retreat	10,215	8,207
UMM-Service Books	2,530	2,529
UM Volunteers in Mission	138,468	62,529
Mike Watson UMVIM Scholarship	-	113
Grace Community Church	5,578	-
Journey Church	21,223	15,251
Waters Edge Church	5,445	-
Grace Point Church	38,466	-
Point Hope	22,481	-
UM Relief Center	(2,362)	2,318
UMRC Aflac/Hartford	146	-
	<u>\$ 248,282</u>	<u>\$ 97,854</u>

Note F. Assets Released from Donor Restrictions

Net assets during the year ended December 31, 2008 and 2007 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>2008</u>	<u>2007</u>
Ministerial education	\$ 452,306	\$ 603,171
World Service Fund	1,908,345	1,793,847
Other program services for Conference boards, agencies and	1,535,627	1,421,569
Total	<u>\$ 3,896,278</u>	<u>\$ 3,818,587</u>

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.

**SOUTH CAROLINA CONFERENCE OF THE UNITED METHODIST CHURCH
FOR THE YEARS ENDED DECEMBER 31, 2008 AND 2007**

Notes to Financial Statements

Note H. Net Assets

Unrestricted net assets at December 31, 2008 and 2007 are designated by the Conference for the following purposes:

	<u>2008</u>	<u>2007</u>
Pension fund	\$ 210,697	\$ 148,368
HMEP Investment account - Board of Pension UMC	8,146,726	8,750,318
Equitable comp	355,503	153,607
Health insurance	283,317	786,070
Congregational development	1,638,367	1,761,826
Contingency fund	399,127	340,937
Annual conference trustees	630,229	165,920
UM Center maintenance operations & reserve	355,369	490,253
Ministerial education	321,030	270,831
Connectional ministries	399,661	411,346
Campus ministry	15,489	26,390
Episcopal accounts	56,091	57,872
UM advocate	(63)	-
Camps and retreats	(8,860)	8,261
Permanent reserve	1,083,543	707,606
Management & general administration	713,267	967,933
District office operations	173,506	112,787
District extension	296,811	269,879
District undesignated specials	169,361	133,653
DS continuing education	6,164	8,372
Bobo Estate Fund (principal & interest)	581,850	558,059
District Parsonage	279,247	301,197
District Congregational Development	245,051	214,032
Other program services	149,763	166,725
Total board designated	<u>16,501,246</u>	<u>16,812,242</u>
Undesignated	<u>(50,363,199)</u>	<u>(52,058,364)</u>
Total unrestricted	<u><u>\$ (33,861,953)</u></u>	<u><u>\$ (35,246,122)</u></u>

Temporarily restricted net assets at December 31, 2008 and 2007 are available for the following purposes:

	<u>2008</u>	<u>2007</u>
District Habitat House	\$ 30,593	\$ 27,205
Other district ministries	195,810	192,168
Other program ministries	77,682	70,597
Total temporarily restricted	<u><u>\$ 304,085</u></u>	<u><u>\$ 289,970</u></u>

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
FOR THE YEARS ENDED DECEMBER 31, 2008 AND 2007**

Notes to Financial Statements

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 3 percent (3%) of each minister's annual plan compensation (cash salary, tax-deferred contributions made and housing allowance or value of the use of a parsonage) limited by 200% of the denominational average compensation. In addition, the Conference contributed in 2007 \$ 468 per month per Full Time Equivalent towards the defined benefit portion of the plan for clergy. For lay employees, the Conference contributes nine percent (9%) and the lay employee contributes a minimum of three percent (3%). CPP contributions for eligible fulltime ministers are the equivalent of three percent (3%) of the minister's plan compensation limited by 200% of the current denomination 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 \$ 5,465,815 in 2008 and \$ 5,315,603 in 2007 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.

The Conference participates in the Ministers Reserve Pension Fund which is a multi-employer defined benefit pension plan administered by the General Board of Pensions and Health Benefits of the United Methodist Church. The fund covers service prior to 1982 for substantially all clergy and lay pastors. The Board of Pensions of the Conference acts as trustee responsible for deposits with the General Board of Pensions and Health Benefits of the United Methodist Church. The Conference did not make any contributions to the Ministries Reserve Pension Fund in 2008 or 2007. For service subsequent to 1981, ministerial and lay employees of the Conference are eligible to participate in the multi-employer retirement plans offered by the United Methodist Church as described below.

The Ministerial Pension Plan (MPP) provided benefits for United States of America clergy from January 1, 1982 through December 31, 2006. It is primarily a defined contribution retirement plan, with the requirement that clergy must convert at least 75% of his or her total account balance to an annuity. This plan ended effective December 31, 2006.

The Comprehensive Protection Plan (CPP) provided disability and death benefits as well as certain minimum benefits related to pension coverage for certain ministerial employees. The CPP is a multi-employer defined benefit pension plan administered by the General Board of Pensions and Health Benefits of the United Methodist Church. The total contributions to the plan for the year ended December 31, 2008 and December 31, 2007 was \$ 1,090,075 and \$ 1,072,135 respectively. These amounts are included in program disbursements in the financial statements.

The United Methodist Personal Investment Plan became effective January 1, 2006. The General Board of Pension and Health Benefits of United Methodist Church merged the Cumulative Pension and Benefit Fund and the Personal Investment Plan to form the United Methodist Personal Investment Plan (UMPPI). Conference lay employees and conference and local church personnel are eligible to participate in a defined

**SOUTH CAROLINA CONFERENCE OF THE UNITED METHODIST CHURCH
FOR THE YEARS ENDED DECEMBER 31, 2008 AND 2007**

Notes to Financial Statements

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

contribution plan administered by the General Board of Pensions and Health Benefits of the United Methodist Church, which currently requires an employer contribution between 1% and 12%. The Conference currently contributes 9% of all eligible lay participant's compensation. Total contributions to the plan for the years ended December 31, 2008 and 2007 were \$ 97,285 and \$ 98,274 respectively. These amounts are included in program disbursements in the financial statements.

The Clergy Retirement Security Program (CRSP) was effective January 1, 2007, as a defined benefit plan and a defined contribution plan administered by the General Board of Pensions and Health Benefits of the United Methodist Church. Clergy members and local pastors under Episcopal appointment to a conference, church, charge, district or conference controlled entity or unit are eligible to participate. For the defined benefit plan, the December 31, 2008 and 2007 contribution is based on an amount equal to \$ 468 and \$ 464 per month for each full-time equivalent.

Total contributions to the plan for the year ended were as follows:

December 31, 2008

Defined benefit plan	\$ 3,451,478	_____
Defined contribution plan	1,158,273	

December 31, 2007

Defined benefit plan	\$ 3,358,790
Defined contribution plan	1,163,926

Note J. 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, 2007 from which the summarized information was derived.

Note K. Concentration of Market and Credit Risk

Pooled investments include an overnight investment account with Bank of America totaling \$ 2,971,046. 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. In addition, the Conference has \$ 800,000 invested with the United Methodist Development Fund.

Note L. 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, 2008 is \$ 307,639.

**SOUTH CAROLINA CONFERENCE OF THE UNITED METHODIST CHURCH
FOR THE YEARS ENDED DECEMBER 31, 2008 AND 2007**

Notes to Financial Statements

Note L. Equitable Compensation Commission (Continued)

The investments were not recorded in the records or financial statements of the South Carolina Conference of the United Methodist Church until December 31, 2008. The investments were recorded at their fair market value.

Note M. 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 for the renovations and additions of the Conference office building in Columbia, South Carolina at the end of 2008 with a balance of \$ 266,777. The payments of \$ 8,543, including principal and interest, were set up for a payback period with a balloon payment at February 28, 2009. 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 2008 were \$ 309,922. On March 28, 2009 the Conference refinanced the outstanding balance of loan. See Note N below.

Note N. Subsequent Events

On March 26, 2009 The Conference refinanced the remaining balance of the note payable discussed in Note M. The Conference signed a 36-month note payable in the amount of \$ 216,713 with a floating interest rate equal to the LIBOR Daily Floating rate plus 2.5% points. Monthly principal and interest payments of \$ 6,020 are due beginning March 30, 2009 and any outstanding principal and interest is due on February 28, 2012. The Conference building located in Columbia, SC serves as collateral for the note payable. The loan agreement requires that the Conference shall maintain a ratio of Debt Service Coverage of at least 1:1.0. "Debt Service Coverage Ratio" means the ratio of Changes in Unrestricted Net Assets plus depreciation and amortization (if included in unrestricted expenses) plus principal and interest payments on indebtedness (if included in unrestricted expenses), plus unrealized losses or minus unrealized gains on investments, to the sum of the required principal and interest payments on all current and long-term indebtedness. This ratio will be calculated at the end of each reporting period for which the Bank requires financial statements, using the results of the twelve-month period ending with that reporting period. The current portion of long-term liabilities will be measured as the last day of the calculation period. Bank of America notified the Conference on January 20, 2010, the organization was compliant with its loan agreement.

Future minimum payments are as follows:

Year	Principal Payments
2009	\$ 56,188
2010	68,633
2011	70,573
2012	<u>21,319</u>
Total	\$ <u>216,713</u>

Note O. Restatement of December 31, 2007 Financials

Net Assets as of January 1, 2008, has been reduced by \$ 34,956,152 to correct errors made in 2007. The error had no effect on net income for 2008.

**SOUTH CAROLINA CONFERENCE OF THE UNITED METHODIST CHURCH
FOR THE YEARS ENDED DECEMBER 31, 2008 AND 2007**

Notes to Financial Statements

Note O. Restatement of December 31, 2007 Financials (Continued)

Note: The following table illustrates the correction of error as shown on the face of the Company's statement of financial position:

Net Assets at January 1, 2008, as Previously Reported	\$ 9,079,598
Prior Period Adjustments	
Error in postretirement health liability accrual that should have been recorded in 2007	(53,144,914)
Error in not recording cash account with Board of Pension United Methodist Church for postretirement health cost during 2007	8,750,318
Error in reconciling cash balance during 2007	(117,558)
Error in recording due from receivables during 2007	240,515
Error in recording due to Conference boards, agencies and support groups during 2007	(350,536)
Error in recording accrued expenses during 2007	305,301
Error in recording funds held in trust for others during 2007	<u>281,124</u>
Net Assets at January 1, 2008, as Restated	(34,956,152)
Change in net assets	<u>1,398,284</u>
Net assets at December 31, 2008	<u><u>\$ (33,557,868)</u></u>

Note P. Postretirement Benefit Plan

The Conference sponsors a multi-employer defined benefit postretirement health care plan for ministerial employees of its member churches and employees of the Conference. The plan is contributor, whereby the retiree contributions can be adjusted for increases in the cost of health care. The plan is unfunded. A measurement date of December 31 is used for the plan.

On December 31, 2007, the Conference adopted the recognition and disclosure provisions of SFAS 158, Employers' Accounting for Defined Benefit Pension and Other Postretirement Plans, an amendment of the FASB Statements No. 87, 106, and 132(r) (SFAS 158). SFAS 158 requires the Conference to recognize the funded status of its defined benefit plans in its Statement of Financial Position, with a corresponding adjustment to unrestricted net assets. The adjustment to unrestricted net assets at adoption represents the unrecognized prior service benefit and unrecognized net gain, all of which were previously netted against the funded status of the plan in the Conference's Statement of Financial Position pursuant to the provisions of SFAS .87 and 106. These amounts will subsequently be recognized as net gains consistent with the Conference's historical accounting policy for amortizing such amounts. In addition, actuarial gains and

**SOUTH CAROLINA CONFERENCE OF THE UNITED METHODIST CHURCH
FOR THE YEARS ENDED DECEMBER 31, 2008 AND 2007**

Notes to Financial Statements

Note P. Postretirement Benefit Plan (Continued)

losses that arise in subsequent periods and not recognized in benefit cost will be recognized in unrestricted net assets. The effects of the adoption of the recognition provisions of SFAS No. 158 on the Conference's Statement of Financial Position as of December 31, 2008 and 2007 are as follows:

	Before Application of SFAS No. 158	Adjustments	After Application of SFAS No. 158
Accrued postretirement benefit obligation	\$ -	\$ (53,144,914)	\$ (53,144,914)
Unrestricted net assets	18,188,762	(53,144,914)	(34,956,152)

The following table provides a reconciliation of the changes in the plan's benefit obligation and fair value of assets from the years ended December 31, 2008 and 2007 and a statement of funded status at December 31, 2008 and 2007:

	<u>2008</u>	<u>2007</u>
Reconciliation of accumulated postretirement benefit obligation:		
Accumulated postretirement benefit, beginning	\$ 53,144,914	\$ 50,261,480
Service cost for benefits earned during the year	1,582,700	1,493,113
Interest cost on accumulated postretirement benefit obligation	3,133,153	2,968,348
Plan Amendments	(6,733,514)	-
Actuarial losses	2,254,855	-
Contributions by plan participants	755,524	610,903
Benefit payments	(2,606,905)	(2,188,930)
Accumulated postretirement benefit obligations, ending	<u>51,530,727</u>	<u>53,144,914</u>
Reconciliation of fair value of plan assets:		
Fair value of plan assets, beginning	-	-
Employer contributions	1,851,381	1,578,027
Contributions by plan participants	755,524	610,903
Benefit payments	(2,606,905)	(2,188,930)
Fair value of plan assets, ending	<u>-</u>	<u>-</u>
Funded Status:		
Accumulated postretirement benefit obligation in excess of plan assets	<u>\$ (51,350,727)</u>	<u>\$ (53,144,914)</u>

**SOUTH CAROLINA CONFERENCE OF THE UNITED METHODIST CHURCH
FOR THE YEARS ENDED DECEMBER 31, 2008 AND 2007**

Notes to Financial Statements

Note P. Postretirement Benefit Plan (Continued)

The components of the pension cost charged to expense consisted of the following:

	<u>2008</u>	<u>2007</u>
Service cost for benefits earned during the year	\$ 1,582,700	\$ 1,493,113
Interest Cost on projected benefit obligation	3,133,153	2,968,348
Amortization of net gain	-	-
Amortization of prior service benefit	-	-
Net Periodic Pension Cost/(Income)	\$ 4,715,853	\$ 4,461,461

Amounts recognized in postretirement changes other than net periodic postretirement costs

Actuarial loss for current year	\$ 2,254,855	\$ -
Amortization of prior service benefit	(6,733,514)	-
	<u>\$ (4,478,659)</u>	<u>\$ -</u>

Amount in unrestricted net assets expected to be recognized in net postretirement cost in 2009

Prior service benefit(cost)	\$ (885,989)	\$ -
Net gain	-	-
	<u>\$ (885,989)</u>	<u>\$ -</u>

The following benefit payments, which reflect expected future service, are expected to be paid:

	<u>Retiree Contributions</u>	<u>Conference</u>	<u>Total</u>
2009	\$ 908,526	\$ 1,595,887	\$ 2,504,413
2010	1,081,545	1,826,321	2,907,866
2011	1,265,868	2,051,400	3,317,268
2012	1,462,034	2,267,902	3,729,936
2013	1,727,435	2,524,543	4,251,978
2014 - 2018	12,598,778	16,531,571	29,130,349

The accumulated postretirement benefit obligation was computed using an assumed discount rate of 6% and 6% for 2008 and 2007, respectively. In 2009, the health care cost trend rate was assumed to be 10%, then the trend rate was assumed to decline by .05% beginning in 2010 for ten consecutive years to be 5%, then the trend rate was thereafter. The health care trend rate was assumed to be 10% in 2008.

Assumed health care rates have a significant effect on the amounts reported for the plan. A one percent change in assumed health care cost trend rate would have the following effect:

	<u>1% Increase</u>	<u>1% Decrease</u>
Effect on total service and interest cost components	\$ 897,460	\$ (714,811)
Effect on the accumulated postretirement benefit obligation	8,074,153	(6,572,164)

**SOUTH CAROLINA CONFERENCE OF THE UNITED METHODIST CHURCH
FOR THE YEARS ENDED DECEMBER 31, 2008 AND 2007**

Notes to Financial Statements

Note P. Postretirement Benefit Plan (Continued)

As of December 31, 2008, the Conference has approximately \$ 8,146,726 designated by the Board to be used for payment of future postretirement costs. The Conference expects to make adjustments to the plan to allow for the liability to be reduced to a level equal to the Conference's funding. Any changes in the plan or revisions to assumptions that affect the amount of expected future benefits may have a significant effect on the amount of the reported obligation and future annual expense. The maximum conference subsidy pays of Medicare supplement premiums was reduced from 80% to 70% effective January 1, 2009.