

**SOUTH CAROLINA CONFERENCE OF THE
UNITED METHODIST CHURCH**

FINANCIAL STATEMENTS

DECEMBER 31, 2009

**SOUTH CAROLINA CONFERENCE OF THE UNITED METHODIST CHURCH
INDEX
FOR THE YEARS ENDED DECEMBER 31, 2009 AND 2008**

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DERRICK, STUBBS & STITH, L.L.P.
CERTIFIED PUBLIC ACCOUNTANTS

508 Hampton Street, 1st Floor • Post Office Box 36
Columbia, South Carolina 29202-0036
Telephone: (803) 799-5810 • Facsimile: (803) 799-5554
www.dsscpa.com

A. David Masters, CPA
Charles R. Statler, Jr., CPA
Alan F. Grimsley, CPA
Hugh R. Penny, CPA, CISA, CBA
H. Warren Counts, Jr., CPA
K. Todd Dailey, CPA, CVA
Timothy M. Monahan, CPA
RSM McGladrey Network
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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, 2009 and 2008, 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's summarized comparative information has been derived from the Conference's 2008 financial statements and, in our report dated January 29, 2010, 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, 2009, 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.

Our audit was made for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplementary information which follows is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole and should be read in conjunction with these statements and related notes.

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

May 15, 2010

SOUTH CAROLINA CONFERENCE OF THE UNITED METHODIST CHURCH
STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2009 AND 2008

(With Summarized Financial Information as of December 31, 2008)

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	2009 Total Net Assets	Restated 2008 Total Net Assets
ASSETS				
Cash and Cash Equivalents	\$ 4,705,373	\$ 222,079	\$ 4,927,452	\$ 4,365,762
Receivables				
Due from churches	1,734,004	-	1,734,004	1,676,827
Due from others	157,697	-	157,697	295,944
Accrued interest receivable	2,378	-	2,378	3,100
Other accrued receivable	-	-	-	23,302
Funds held in trust for others	-	54,015	54,015	-
Total receivables	<u>1,894,079</u>	<u>54,015</u>	<u>1,948,094</u>	<u>1,999,173</u>
Investments				
Certificates of deposit	3,843,709	-	3,843,709	3,294,347
HMEP Investments; Board of Pension	9,126,678	-	9,126,678	8,146,726
Prudential stock	1,672,268	-	1,672,268	1,047,179
Van Kampen Merritt Government Fund	438,530	-	438,530	420,301
Total investments	<u>15,081,185</u>	<u>-</u>	<u>15,081,185</u>	<u>12,908,553</u>
Property and Equipment				
Building improvements	1,584,505	-	1,584,505	1,584,505
Total assets	<u>23,265,142</u>	<u>276,094</u>	<u>23,541,236</u>	<u>20,857,993</u>
LIABILITIES				
Current portion of notes payable	156,513	-	156,513	266,777
Due to Conference boards, agencies and support groups	2,947,905	-	2,947,905	1,313,498
Deferred revenue	10,552	-	10,552	9,398
Accrued postretirement benefit obligations	1,819,468	-	1,819,468	1,550,062
Other accrued expenses	10,113	-	10,113	-
Funds held in trust for others	-	-	-	248,282
Total current liabilities	<u>4,944,551</u>	<u>-</u>	<u>4,944,551</u>	<u>3,388,017</u>
Accrued postretirement benefit obligations	52,339,005	-	52,339,005	49,980,665
Notes payable	-	-	-	-
Total long-term liabilities	52,339,005	-	52,339,005	49,980,665
Total liabilities	<u>57,283,556</u>	<u>-</u>	<u>57,283,556</u>	<u>53,368,682</u>
NET ASSETS				
Unrestricted	(54,158,473)	-	(54,158,473)	(50,363,199)
Board designated	20,140,059	-	20,140,059	17,548,425
Temporarily restricted	-	276,094	276,094	304,085
Total net assets	<u>(34,018,414)</u>	<u>276,094</u>	<u>(33,742,320)</u>	<u>(32,510,689)</u>
Total liabilities and net assets	<u>\$ 23,265,142</u>	<u>\$ 276,094</u>	<u>\$ 23,541,236</u>	<u>\$ 20,857,993</u>

See notes to financial statements.

**SOUTH CAROLINA CONFERENCE OF THE UNITED METHODIST CHURCH
STATEMENTS OF ACTIVITIES
YEARS ENDED DECEMBER 31, 2009 AND 2008
(With Summarized Financial Information as of December 31, 2008)**

	Unrestricted	Temporarily Restricted	2009 Total Net Assets	Restated 2008 Total Net Assets
Revenue				
Contributions				
Churches	\$ 12,861,575	\$ 3,572,228	\$ 16,433,803	\$ 16,664,705
Other	9,926	18,864	28,790	47,952
Institutional payments for				
Pension fund	5,757,617	-	5,757,617	5,419,812
Conference insurance	4,840,926	-	4,840,926	4,802,625
Insureds - Conference insurance	2,119,055	-	2,119,055	2,141,448
General Council on Finance and Administration	81,825	-	81,825	63,250
Registrations and fees	1,408,686	10,677	1,419,363	1,346,888
Rent	16,984	-	16,984	15,852
Investment income	180,826	-	180,826	269,641
Print media services	161,072	-	161,072	200,479
Other	1,682,490	2,100	1,684,590	1,959,072
Net unrealized gains (losses) on HEMP investments	979,952	-	979,952	-
Net realized gains (losses) on investments	81,954	3,163	85,117	(115,676)
Net unrealized gains (losses) on investments	621,657	-	621,657	(1,949,168)
Total	30,804,545	3,607,032	34,411,577	30,866,880
Net assets released from restrictions to satisfy program restrictions	3,635,023	(3,635,023)	-	-
Total revenue	<u>34,439,568</u>	<u>(27,991)</u>	<u>34,411,577</u>	<u>30,866,880</u>
Expenses				
Program Services				
General Board of Pensions - Pension Fund	5,800,000	-	5,800,000	5,465,815
General Board of Pensions - Conference insurance	8,400,000	-	8,400,000	9,000,000
Senior College Fund and Spartanburg Methodist College	1,811,384	-	1,811,384	1,671,217
District administration	755,683	-	755,683	751,645
District superintendent's salary	1,080,000	-	1,080,000	1,049,580
Connectional Ministries	1,397,651	-	1,397,651	1,189,282
Ministerial education	439,326	-	439,326	452,306
Epworth Children's Home	673,758	-	673,758	676,359
Methodist Homes	530,660	-	530,660	539,282
World Service Fund	1,773,563	-	1,773,563	1,908,345
Camps and Retreat Center	1,011,431	-	1,011,431	828,908
Youth spiritual retreats	61,188	-	61,188	46,182
Other program services for Conference boards, agencies and commissions	8,597,445	-	8,597,445	8,810,301
Postretirement health cost	1,916,313	-	1,916,313	2,864,472
Management and general	678,094	-	678,094	599,750
Conference Center construction	5,279	-	5,279	18,590
Total expenses	<u>34,931,775</u>	<u>-</u>	<u>34,931,775</u>	<u>35,872,034</u>

**SOUTH CAROLINA CONFERENCE OF THE UNITED METHODIST CHURCH
STATEMENTS OF ACTIVITIES
YEARS ENDED DECEMBER 31, 2009 AND 2008
(With Summarized Financial Information as of December 31, 2008)**

	Unrestricted	Temporarily Restricted	2009 Total Net Assets	Restated 2008 Total Net Assets
(Decrease) in net assets from operating activities	\$ (492,207)	\$ (27,991)	\$ (520,198)	\$ (5,005,154)
Nonoperating				
Postretirement-related changes other than net periodic postretirement cost	<u>(711,433)</u>	-	<u>(711,433)</u>	<u>4,478,659</u>
Change in net assets	(1,203,640)	(27,991)	(1,231,631)	(526,495)
Net Assets (Deficit) Beginning	<u>(32,814,774)</u>	304,085	<u>(32,510,689)</u>	<u>(31,984,194)</u>
Ending	<u>\$ (34,018,414)</u>	<u>\$ 276,094</u>	<u>\$ (33,742,320)</u>	<u>\$ (32,510,689)</u>

See notes to financial statements.

**SOUTH CAROLINA CONFERENCE OF THE UNITED METHODIST CHURCH
STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2009 AND 2008**

	<u>2009</u>	Restated <u>2008</u>
Cash Flows from Operating Activities		
Increase (decrease) in net assets	\$ (1,231,631)	\$ (526,495)
Adjustments to reconcile increase in net assets to net cash provided by (used in) operating activities		
Net unrealized (gains) on investments	(1,601,609)	1,949,168
Decrease in receivables	105,099	865,848
Increase (decrease) in due to General Council on Finance and Administration	1,634,407	(405,688)
(Decrease) in notes payable	(110,264)	(308,922)
Increase (decrease) in accounts payable and accrued expenses	10,113	(22,154)
Increase (decrease) in funds held in trust for others	(302,297)	150,428
Accrued postretirement benefit obligation	2,627,746	(1,614,187)
Increase in deferred revenue	1,154	9,398
Net cash provided by operating activities	<u>1,132,718</u>	<u>97,396</u>
Cash Flows from Investing Activities		
Proceeds from matured investments	1,559,000	2,384,248
Purchase of investments	(2,108,367)	(793,812)
Net cash provided by (used in) investing activities	<u>(549,367)</u>	<u>1,590,436</u>
Net increase in cash and cash equivalents	583,351	1,687,832
Cash and Cash Equivalents		
Beginning	<u>4,365,762</u>	<u>2,677,930</u>
Ending	<u><u>4,949,113</u></u>	<u><u>4,365,762</u></u>
Supplemental Disclosures of Cash Flow Information		
Cash payment of interest	<u>\$ 5,279</u>	<u>\$ 18,590</u>

See notes to financial statements.

SOUTH CAROLINA CONFERENCE OF THE UNITED METHODIST CHURCH FOR THE YEARS ENDED DECEMBER 31, 2009 AND 2008

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.

Accounting changes: The Financial Accounting Standards Board (FASB) issued FASB Accounting Standards Codification (ASC) effective for financial statements issued for interim and annual periods after September 15, 2009. The ASC is an aggregation of previously issued authoritative U.S. generally accepted accounting principles (GAAP) in one comprehensive set of guidance organized by subject area. In accordance with the ASC, references to previously issued accounting standards have been replaced by ASC references. Subsequent revisions to GAAP will be incorporated in the ASC through Accounting Standards Updates (ASU).

**SOUTH CAROLINA CONFERENCE OF THE UNITED METHODIST CHURCH
FOR THE YEARS ENDED DECEMBER 31, 2009 AND 2008**

Notes to Financial Statements

Note B. Summary of Significant Accounting Policies (Continued)

Uncertainty in income taxes: The Financial Accounting Standards Board issued new guidance on accounting for uncertainty in income taxes. The Conference adopted this new guidance for the year ended December 31, 2009. Management evaluated the Conference's tax positions and concluded that the Conference had maintained its tax exempt status and had taken no uncertain tax positions that require adjustment to the financial statements. Therefore, no provision or liability for income taxes has been included in the financial statements.

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: 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. Concentration of Market and Credit Risk

Pooled investments include an overnight investment account with Bank of America totaling \$ 3,610,985. 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 D. 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.

**SOUTH CAROLINA CONFERENCE OF THE UNITED METHODIST CHURCH
FOR THE YEARS ENDED DECEMBER 31, 2009 AND 2008**

Notes to Financial Statements

Note D. Investments (Continued)

- Level 1 (Continued) 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 valuations incorporate certain assumptions and projections in determining the fair value assigned to such assets or liabilities.

Management uses the following methods and assumptions 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 approximate fair value based on the prices for the same or similar debt issues and on current rates offered to the Conference for debt of the same remaining maturities with similar collateral requirements.

	Carrying Value	Estimated Fair Value
Financial Assets		
Cash and cash equivalents	\$ 4,927,452	\$ 4,927,452
Investments	15,081,185	15,081,185
Receivables	1,894,079	1,894,079
Total financial assets	<u>21,902,716</u>	<u>21,902,716</u>
Financial Liabilities		
Notes payable	<u>\$ 156,513</u>	<u>\$ 156,513</u>

Description	12/31/2009	Fair Value Measurements at Reporting Date Using		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Financial Assets				
Cash and cash equivalents	\$ 4,927,452	\$ 4,927,452	\$ -	\$ -
Investments	15,081,185	15,081,185	-	-
Receivables	1,894,079	-	1,894,079	-
Total financial assets	<u>21,902,716</u>	<u>20,008,637</u>	<u>1,894,079</u>	<u>-</u>
Financial Liabilities				
Notes payable	<u>\$ 156,513</u>	<u>\$ -</u>	<u>\$ 156,513</u>	<u>\$ -</u>

**SOUTH CAROLINA CONFERENCE OF THE UNITED METHODIST CHURCH
FOR THE YEARS ENDED DECEMBER 31, 2009 AND 2008**

Notes to Financial Statements

Note E. Deferred Revenue

Deferred Revenue consists of church contributions made to support the following year's activities. The deferred revenues for December 31, 2009 and 2008, were \$ 10,552 and \$ 9,398, respectively.

Note F. Funds Held for Others

The following funds are held for certain United Methodist Conference Boards, Committees and Agencies at December 31, 2009 and 2008:

	<u>2009</u>	<u>2008</u>
Historical Society	\$ 2,686	\$ 3,510
Ministers Spouse	2,980	2,582
Ministers Spouse Retreat	9,800	10,215
UMM-Service Books	-	2,530
UM Volunteers in Mission	116,898	138,468
Grace Community Church	11,248	5,578
Journey Church	16,885	21,223
Waters Edge Church	15,428	5,445
Grace Point Church	(12,854)	38,466
Point Hope	5,243	22,481
UM Relief Center	(222,474)	(2,362)
UMRC Capital Campaign	830	-
UMRC Aflac/Hartford	(685)	146
	<u>\$ (54,015)</u>	<u>\$ 248,282</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.

Note H. Assets Released from Donor Restrictions

Net assets during the year ended December 31, 2009 and 2008, 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>2009</u>	<u>2008</u>
Ministerial education	\$ 439,326	\$ 452,306
World Service Fund	1,773,563	1,908,345
Other program services for Conference boards, agencies and support groups	1,422,134	1,535,627
Total	<u>\$ 3,635,023</u>	<u>\$ 3,896,278</u>

**SOUTH CAROLINA CONFERENCE OF THE UNITED METHODIST CHURCH
FOR THE YEARS ENDED DECEMBER 31, 2009 AND 2008**

Notes to Financial Statements

Note I. Net Assets

Unrestricted net assets at December 31, 2009 and 2008, are designated by the Conference for the following purposes:

	<u>2009</u>	<u>2008</u>
Pension fund	\$ 301,239	\$ 210,697
HMEP Investment account - Board of Pension UMC	9,126,678	8,146,726
Equitable comp	327,730	355,503
Health insurance	279,152	283,317
Congregational development	972,194	1,638,367
Contingency fund	100,000	399,127
Annual conference trustees	154,906	630,229
UM Center maintenance operations & reserve	326,913	355,369
Ministerial education	293,121	321,030
Connectional ministries	534,891	399,661
Campus ministry	5,819	15,489
Episcopal accounts	59,443	56,091
UM advocate	-	(63)
Camps and retreats	(21,322)	(8,860)
Permanent reserve	796,951	1,083,543
Management & general administration	824,223	713,267
District office operations	242,017	173,506
District extension	332,299	296,811
District undesignated specials	186,519	169,361
DS continuing education	8,603	6,164
Bobo Estate Fund (principal & interest)	581,850	581,850
District Parsonage	377,471	279,247
District Congregational Development	245,350	245,051
Fixed Assets	1,584,505	-
Other program services	2,499,507	1,196,942
Total board designated	<u>20,140,059</u>	<u>17,548,425</u>
Undesignated	<u>(54,158,473)</u>	<u>(50,363,199)</u>
Total unrestricted	<u>\$ (34,018,414)</u>	<u>\$ (32,814,774)</u>

Temporarily restricted net assets at December 31, 2009 and 2008, are available for the following purposes:

	<u>2009</u>	<u>2008</u>
District Habitat House	\$ 31,823	\$ 30,593
Other district ministries	193,718	195,810
Other program ministries	50,553	77,682
Total temporarily restricted	<u>\$ 276,094</u>	<u>\$ 304,085</u>

**SOUTH CAROLINA CONFERENCE OF THE UNITED METHODIST CHURCH
FOR THE YEARS ENDED DECEMBER 31, 2009 AND 2008**

Notes to Financial Statements

Note J. 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 2009 with a balance of \$ 156,513. The payments of \$ 6,020, including principal and interest, were set up for a payback period with a balloon payment at February 28, 2012. The interest rate is floating indexed to the London Interbank Offered Rate (LIBOR) Daily Floating Rate. Additional principal payments are anticipated to be made during the payback period. The total principal payments during 2009 were \$ 110,264. On March 24, 2010, the Conference paid off the entire balance of the loan. See Note O below.

**Note K. Clergy Retirement Security Program (CRSP)
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.

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 2009 and 2008 \$ 500 and \$ 468 respectively, 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 full time 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 \$ 6,061,830 in 2009 and \$ 5,465,815 in 2008 to the General Board of Pensions.

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 Ministers Reserve Pension Fund in 2009 or 2008. 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 65% of his or her total account balance to an annuity. This plan ended effective December 31, 2006.

**SOUTH CAROLINA CONFERENCE OF THE UNITED METHODIST CHURCH
FOR THE YEARS ENDED DECEMBER 31, 2009 AND 2008**

Notes to Financial Statements

**Note K. Clergy Retirement Security Program (CRSP)
Ministerial Pension Plan and Comprehensive Protection Plan (MPP/ CPP) and Cumulative
Pension and Benefit Fund (CPBF)
(Continued)**

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, 2009 and 2008, were \$ 1,123,784 and \$ 1,090,075 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 (UMPIP). Conference lay employees and conference and local church personnel are eligible to participate in a defined 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 participants' compensation. Total contributions to the plan for the years ended December 31, 2009 and 2008, were \$ 105,898 and \$ 97,285 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, 2009 and 2008, contribution is based on an amount equal to \$ 500 and \$ 468 per month for each full-time equivalent.

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

December 31, 2009

Defined benefit plan	\$ 3,716,778
Defined contribution plan	1,221,268

December 31, 2008

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

Note L. 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 FASB *Accounting Standards Codification* (ASU) 958 (Not-For-Profit Entities Compensation-Retirement Benefits) ASU 958 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 ASU 958. 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 losses that arise in subsequent periods and not recognized in benefit cost will be recognized in unrestricted net assets.

**SOUTH CAROLINA CONFERENCE OF THE UNITED METHODIST CHURCH
FOR THE YEARS ENDED DECEMBER 31, 2009 AND 2008**

Notes to Financial Statements

Note L. Postretirement Benefit Plan (Continued)

The following table provides a reconciliation of the changes in the plan's benefit obligation and fair value of assets for the years ended December 31, 2009 and 2008, and a statement of funded status at December 31, 2009 and 2008:

	<u>2009</u>	<u>2008</u>
Reconciliation of accumulated postretirement benefit obligation:		
Accumulated postretirement benefit obligation, beginning	\$ 51,530,727	\$ 53,144,914
Service cost for benefits earned during the year	1,354,221	1,582,700
Interest cost on accumulated postretirement benefit obligation	3,043,967	3,133,153
Plan amendments	(2,920,627)	(6,733,514)
Actuarial losses	2,746,071	2,254,855
Contributions by plan participants	768,476	755,524
Benefit payments	(2,364,362)	(2,606,905)
Accumulated postretirement benefit obligations, ending	<u>54,158,473</u>	<u>51,530,727</u>
Reconciliation of fair value of plan assets:		
Fair value of plan assets, beginning	-	-
Employer contributions	1,595,886	1,851,381
Contributions by plan participants	768,476	755,524
Benefit payments	(2,364,362)	(2,606,905)
Fair value of plan assets, ending	<u>-</u>	<u>-</u>
Funded Status:		
Accumulated postretirement benefit obligation in excess of plan assets	<u>\$ (54,158,473)</u>	<u>\$ (51,530,727)</u>

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

	<u>2009</u>	<u>2008</u>
Service cost for benefits earned during the year	\$ 1,354,221	\$ 1,582,700
Interest cost on projected benefit obligation	3,043,967	3,133,153
Amortization of net gain	-	-
Amortization of prior service benefit	(885,989)	-
Net periodic pension cost/(income)	<u>3,512,199</u>	<u>4,715,853</u>

Amounts recognized in postretirement changes other than net periodic postretirement costs

Actuarial loss for current year	2,746,071	2,254,855
Amortization of actuarial loss	(2,920,627)	-
Amortization of prior service benefit	885,989	(6,733,514)
	<u>711,433</u>	<u>(4,478,659)</u>

Amount in unrestricted net assets expected to be recognized in net postretirement cost in 2010 and 2009

Prior service benefit (cost)	(1,269,273)	(885,989)
Net gain	-	-
	<u>\$ (1,269,273)</u>	<u>\$ (885,989)</u>

**SOUTH CAROLINA CONFERENCE OF THE UNITED METHODIST CHURCH
FOR THE YEARS ENDED DECEMBER 31, 2009 AND 2008**

Notes to Financial Statements

Note L. Postretirement Benefit Plan (Continued)

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

	Retiree Contributions	Conference	Total
2010	\$ 1,073,838	\$ 1,819,468	\$ 2,893,306
2011	1,256,639	2,043,448	3,300,087
2012	1,451,692	2,259,115	3,710,807
2013	1,715,138	2,514,475	4,229,613
2014	1,983,702	2,784,837	4,768,539
2015-2019	13,802,399	17,697,992	31,500,391

The accumulated postretirement benefit obligation was computed using an assumed discount rate of 6% for both 2009 and 2008. In 2008, 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 9.5% in 2009.

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	\$ 831,818	\$ (659,939)
Effect on the accumulated postretirement benefit obligation	8,489,284	(6,909,746)

As of December 31, 2009, the Conference has approximately \$ 9,126,678 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.

Note M. 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, 2008, from which the summarized information was derived.

Note N. Restatement of December 31, 2008, Financials

Net assets as of January 1, 2008, have been increased by \$ 2,971,958 to correct an error made in 2007. The error did affect the change in net assets for 2008.

**SOUTH CAROLINA CONFERENCE OF THE UNITED METHODIST CHURCH
FOR THE YEARS ENDED DECEMBER 31, 2009 AND 2008**

Notes to Financial Statements

Note N. Restatement of December 31, 2008, Financials (Continued)

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

Net Assets at January 1, 2008, as previously reported		\$ (34,956,152)
Prior Period Adjustment		
Error in not recording stocks with Prudential Insurance Company		<u>2,971,958</u>
Net Assets at January 1, 2008, as restated		<u>(31,984,194)</u>
Change in net assets, as previously reported		1,398,284
Error in not recording dividends	\$ 17,948	
Error in not recording unrealized loss on stocks with Prudential Insurance Company	<u>(1,942,727)</u>	
Change in net assets, as restated		<u>(526,495)</u>
Net assets at December 31, 2008		<u><u>\$ (32,510,689)</u></u>

Note O. Subsequent Events

On March 24, 2010, the Conference paid off the remaining portion of their loan with Bank of America. The payoff amount to include the outstanding principal and interest was \$ 144,736.

The Conference has evaluated events through May 15, 2010, the date on which the financial statements were issued.

**SOUTH CAROLINA CONFERENCE OF THE UNITED METHODIST CHURCH
COLUMBIA AREA EPISCOPAL OFFICE
STATEMENTS OF CASH RECEIPTS AND DISBURSEMENTS
YEARS ENDED DECEMBER 31, 2009 AND 2008
(WITH COMPARATIVE TOTAL FOR 2008)**

	<u>2009</u>	<u>2008</u>
Cash Receipts		
General Council on Finance and Administration	<u>\$ 71,825</u>	<u>\$ 71,825 (1)</u>
Cash Disbursements		
Support staff salaries	50,470	50,650
Support employee benefits	15,594	15,594
Staff travel	740	740
Equipment maintenance	1,278	1,278
Postage	542	542
Printing and copying	117	117
Professional entertainment	1,379	1,379
Rent	9,044	9,044
Office supplies	1,105	1,105
Miscellaneous	5,139	206
Total disbursements	<u>85,408</u>	<u>80,655</u>
Excess of cash receipts (under) cash disbursements	(13,583)	(8,830)
Cash		
Beginning	<u>956</u>	<u>17,888</u>
Ending	<u>\$ (12,627)</u>	<u>\$ 9,058</u>

Note: All funds come from the General Episcopal Fund

(1) Represents 75% of annual allotment/budget/appropriation granted by General Council of Finance and Administration. The remaining 25% was received in 2009.