

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

FINANCIAL STATEMENTS

DECEMBER 31, 2010

**SOUTH CAROLINA CONFERENCE OF THE UNITED METHODIST CHURCH
INDEX
FOR THE YEARS ENDED DECEMBER 31, 2010 AND 2009**

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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 (Conference) as of December 31, 2010 and 2009, and the related statements of activities and cash flows for the years then ended. These financial statements are the responsibility of the Conference. 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 2009 financial statements and, in our report dated May 15, 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, 2010, 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 audits were 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, LLP

May 26, 2011

SOUTH CAROLINA CONFERENCE OF THE UNITED METHODIST CHURCH
STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2010 AND 2009

(With Summarized Financial Information as of December 31, 2009)

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	2010 Total Net Assets	Restated 2009 Total Net Assets
ASSETS				
Cash and Cash Equivalents	\$ 7,212,694	\$ 159,038	\$ 7,371,732	\$ 4,927,452
Receivables				
Due from churches	2,158,460	-	2,158,460	1,734,004
Due from others	186,124	-	186,124	157,697
Due from pension/insurance billings	754,982	-	754,982	-
Due from United Methodist Relief Center	-	274,088	274,088	-
Accrued interest receivable	12,531	-	12,531	2,378
Total receivables	<u>3,112,097</u>	<u>274,088</u>	<u>3,386,185</u>	<u>1,894,079</u>
Investments				
Certificates of deposit	3,910,881	-	3,910,881	3,843,709
General Board of Pension	17,817,176	-	17,817,176	17,624,435
Prudential stock	-	-	-	1,672,268
Van Kampen Merritt Government Fund	396,505	-	396,505	438,530
Total investments	<u>22,124,562</u>	<u>-</u>	<u>22,124,562</u>	<u>23,578,942</u>
Property and Equipment				
Building improvements	1,584,505	-	1,584,505	1,584,505
Total assets	<u>34,033,858</u>	<u>433,126</u>	<u>34,466,984</u>	<u>31,984,978</u>
LIABILITIES				
Current portion of notes payable	-	-	-	156,513
Due to Conference boards, agencies and support groups	2,996,519	-	2,996,519	2,947,905
Deferred revenue	7,469	-	7,469	10,552
Accrued postretirement benefit obligations	1,719,333	-	1,719,333	1,819,468
Other accrued expenses	-	-	-	10,114
Funds held in trust for others	-	239,526	239,526	31,590
Total current liabilities	<u>4,723,321</u>	<u>239,526</u>	<u>4,962,847</u>	<u>4,976,142</u>
Accrued postretirement benefit obligations	21,741,764	-	21,741,764	52,339,005
Total liabilities	<u>26,465,085</u>	<u>239,526</u>	<u>26,704,611</u>	<u>57,315,147</u>
NET ASSETS				
Unrestricted				
Undesignated	(23,461,097)	-	(23,461,097)	(54,158,473)
Board designated	31,029,870	-	31,029,870	28,560,832
Temporarily restricted	-	193,600	193,600	267,472
Total net assets	<u>7,568,773</u>	<u>193,600</u>	<u>7,762,373</u>	<u>(25,330,169)</u>
Total liabilities and net assets	<u>\$ 34,033,858</u>	<u>\$ 433,126</u>	<u>\$ 34,466,984</u>	<u>\$ 31,984,978</u>

See notes to financial statements.

**SOUTH CAROLINA CONFERENCE OF THE UNITED METHODIST CHURCH
STATEMENTS OF ACTIVITIES
YEARS ENDED DECEMBER 31, 2010 AND 2009
(With Summarized Financial Information as of December 31, 2009)**

	Unrestricted	Temporarily Restricted	2010 Total Net Assets	Restated 2009 Total Net Assets
Revenue				
Contributions				
Churches	\$ 11,495,078	5,099,957	\$ 16,595,035	\$ 16,433,803
Other	1,903,142	145,254	2,048,396	28,790
Institutional payments for				
Pension fund	4,602,497	-	4,602,497	5,757,617
Conference insurance	4,458,711	-	4,458,711	4,840,926
Insureds - Conference insurance	2,283,662	-	2,283,662	2,119,055
General Council on Finance and Administration	10,000	-	10,000	81,825
Registrations and fees	773,087	16,042	789,129	1,419,363
Rent	131,107	-	131,107	16,984
Investment income	195,263	-	195,263	180,826
Print media services	184,196	-	184,196	161,072
Other	1,163,706	4,530	1,168,236	1,684,590
Net unrealized gains on General Board of Pension investments	1,876,867	-	1,876,867	2,155,426
Net realized gains on investments	104,593	-	104,593	85,117
Net unrealized gains on investments	9,450	-	9,450	621,657
Total	29,191,359	5,265,783	34,457,142	35,587,051
Net assets released from restrictions to satisfy program restrictions	5,339,655	(5,339,655)	-	-
Total revenue	<u>34,531,014</u>	<u>(73,872)</u>	<u>34,457,142</u>	<u>35,587,051</u>
Expenses				
Program Services				
General Board of Pensions - Pension Fund	4,387,230	-	4,387,230	7,073,902
General Board of Pensions - Conference insurance	8,824,923	-	8,824,923	8,400,000
Senior College Fund and Spartanburg Methodist College	1,684,967	-	1,684,967	1,811,384
District administration	766,012	-	766,012	755,683
District superintendent's salary	1,058,400	-	1,058,400	1,080,000
Methodist Homes	610,152	-	610,152	530,660
Camps and Retreat Center	805,983	-	805,983	1,011,431
Other program services for Conference boards, agencies and commissions	11,721,108	-	11,721,108	12,360,058
General Missions Passthrough	866,179	-	866,179	-
Local Mission Passthrough	682,672	-	682,672	673,758
Postretirement health cost	5,710,644	-	5,710,644	1,916,313
Management and general	654,350	-	654,350	678,094
Total expenses	<u>37,772,620</u>	<u>-</u>	<u>37,772,620</u>	<u>36,291,283</u>
(Decrease) in net assets from operating activities	<u>\$ (3,241,606)</u>	<u>\$ (73,872)</u>	<u>\$ (3,315,478)</u>	<u>\$ (704,232)</u>
Nonoperating				
Postretirement-related changes other than net periodic postretirement (cost) benefit	36,408,020	-	36,408,020	(711,433)
Change in net assets	<u>33,166,414</u>	<u>(73,872)</u>	<u>33,092,542</u>	<u>(1,415,665)</u>
Net Assets (Deficit)				
Beginning	(25,597,641)	267,472	(25,330,169)	(23,914,504)
Ending	<u>\$ 7,568,773</u>	<u>\$ 193,600</u>	<u>\$ 7,762,373</u>	<u>\$ (25,330,169)</u>

See notes to financial statements.

**SOUTH CAROLINA CONFERENCE OF THE UNITED METHODIST CHURCH
STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2010 AND 2009**

	<u>2010</u>	Restated <u>2009</u>
Cash Flows from Operating Activities		
Increase (decrease) in net assets	\$ 33,092,542	\$ (1,415,665)
Adjustments to reconcile increase (decrease) in net assets to net cash provided by (used in) operating activities		
Net unrealized (gains) on investments	(214,049)	(2,777,083)
(Increase) decrease in receivables	(1,492,106)	105,099
Increase in due to General Council on Finance and Administration	49,108	1,634,407
(Decrease) in notes payable	(156,513)	(110,264)
Increase (decrease) in accounts payable and accrued expenses	(10,608)	10,113
Increase (decrease) in funds held in trust for others	207,936	(216,692)
Increase (decrease) in accrued postretirement benefit obligation	(30,697,376)	2,627,746
Increase (decrease) in deferred revenue	(3,083)	1,154
Net cash provided by (used in) operating activities	<u>775,851</u>	<u>(141,185)</u>
Cash Flows from Investing Activities		
Proceeds from matured investments	2,244,074	2,811,242
Purchase of investments	(575,645)	(2,108,367)
Net cash provided by investing activities	<u>1,668,429</u>	<u>702,875</u>
Net increase in cash and cash equivalents	2,444,280	561,690
Cash and Cash Equivalents		
Beginning	<u>4,927,452</u>	<u>4,365,762</u>
Ending	<u><u>7,371,732</u></u>	<u><u>4,927,452</u></u>
Supplemental Disclosures of Cash Flow Information		
Cash payment of interest	<u>\$ 11,777</u>	<u>\$ 5,279</u>

See notes to financial statements.

SOUTH CAROLINA CONFERENCE OF THE UNITED METHODIST CHURCH FOR THE YEARS ENDED DECEMBER 31, 2010 AND 2009

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).

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, 2010. 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.

SOUTH CAROLINA CONFERENCE OF THE UNITED METHODIST CHURCH FOR THE YEARS ENDED DECEMBER 31, 2010 AND 2009

Notes to Financial Statements

Note B. Summary of Significant Accounting Policies (Continued)

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.

The Conference invests in a combination of equity securities, fixed income securities money market funds, and other investment securities. Investment securities are exposed to various risks such as interest rate, credit and market volatility. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the near term would materially affect the Conference's investment balances reported in the statement of financial position.

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 maintain investments in an equipment fund. However, the Conference does not 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 a checking account with Bank of America totaling \$ 6,280,468. The financial institution has a strong credit rating and management believes that credit risk related to this deposit is minimal. In addition, the Conference has \$ 800,000 invested with the United Methodist Development Fund.

Note D. Fair Value Measurement

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 valuations incorporate certain assumptions 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, 2010 AND 2009**

Notes to Financial Statements

Note D. Fair Value Measurement (Continued)

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. 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.

In determining the fair value of investments the Conference uses various valuation approaches within the ASC 820 fair value measurement framework. The following is a description of the valuation methodologies used:

Certificates of deposit: Represent funds held in active markets and are classified within Level 2 of the valuation hierarchy

Mutual Funds, General Board of Pensions: Represent units pooled within the GBOP Superannuate Endowment, GBOP Pension Billing, GBOP Deposit, and GBOP Permanent Fund and are valued using the Net Asset Value ("NAV") provided by the administrator of the fund. The NAV is based on the value of the underlying assets owned by the fund, minus its liabilities and then divided by the number of shares or units outstanding. These investments are classified within Level 2 of the valuation hierarchy. The Conference's investment with the General Board of Pension (GPOB) account consisted of common stock (38%), fixed income securities (21%), and short term investments (41%).

Mutual Funds, Van Kampen: These investments are valued using the NAV provided by the administrator of the fund. The NAV is based on the value of the underlying assets owned by the fund, minus its liabilities and then divided by the number of shares or units outstanding. These investments are classified within Level 2 of the valuation hierarchy. The Conference can make withdrawals from this investment by contacting the administrator.

	Carrying Value	Estimated Fair Value
Financial Assets		
Cash and cash equivalents	\$ 7,371,732	\$ 7,371,732
Certificates of Deposit	3,910,881	3,910,881
Mutual Funds, GBOP	17,817,176	17,817,176
Mutual Funds, Van Kampen	396,505	396,505
Receivables from churches, billings and others	3,099,566	3,099,566
Total financial assets	\$ 32,595,860	\$ 32,595,860

Description	December 31, 2010	Fair Value Measurements at Reporting Date Using		
		Quoted Prices in Active Markets for Identical Assets Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Financial Assets				
Cash and cash equivalents	\$ 7,371,732	\$ 7,371,732	\$ -	\$ -
Certificates of Deposit	3,910,881	-	3,910,881	-
Mutual Funds, GBOP	17,817,176	-	17,817,176	-
Mutual Funds, Van Kampen	396,505	-	396,505	-
Receivables from churches, billings and others	3,099,566	-	3,099,566	-
Total financial assets	\$ 32,595,860	\$ 7,371,732	\$ 25,224,128	\$ -

**SOUTH CAROLINA CONFERENCE OF THE UNITED METHODIST CHURCH
FOR THE YEARS ENDED DECEMBER 31, 2010 AND 2009**

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, 2010 and 2009 were \$ 7,469 and \$ 10,552, 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>2010</u>	<u>2009</u>
Historical Society	\$ 3,120	\$ 2,686
Ministers Spouse	1,159	2,980
Ministers Spouse Retreat	19,110	9,800
Salkehatchie Summer Services	58,266	98,551
Salkehatchie Books	11,152	21,037
UM Volunteers in Mission	143,969	116,898
UM Relief Center	-	(222,474)
Counseling Center	2,502	2,797
UMRC Aflac/Hartford	248	(685)
	<u>\$ 239,526</u>	<u>\$ 31,590</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, 2010 and 2009, 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>2010</u>	<u>2009</u>
Ministerial education	\$ 433,831	\$ 439,326
World Service Fund	1,822,825	1,773,563
Other program services for Conference boards, agencies and support groups	3,082,999	1,422,134
Total	<u>\$ 5,339,655</u>	<u>\$ 3,635,023</u>

**SOUTH CAROLINA CONFERENCE OF THE UNITED METHODIST CHURCH
FOR THE YEARS ENDED DECEMBER 31, 2010 AND 2009**

Notes to Financial Statements

Note I. Net Assets

Unrestricted net assets at December 31, 2010 and 2009 are designated by the Conference for the following purposes:

	<u>2010</u>	<u>2009</u>
Pension fund	\$ 821,321	\$ 301,239
HMEP investment account - Board of Pension UMC	8,397,416	9,126,678
Pension deposit fund - Board of Pension UMC	8,768,816	7,929,739
Superannuate Endowment - Board of Pension UMC	582,522	508,313
Permanent fund - Board of Pension UMC	68,422	59,706
Equitable comp	318,862	327,730
Health insurance	1,266,960	279,152
Congregational development	1,217,739	1,591,690
Contingency fund	100,000	100,000
Annual conference trustees	588,642	605,950
UM Center maintenance operations & reserve	297,490	289,931
Ministerial education	336,659	357,852
Connectional ministries	490,897	554,620
Campus ministry	19,351	5,819
Episcopal accounts	62,876	64,500
Camps and retreats	73,017	(21,322)
Permanent reserve	842,267	796,951
Management & general administration	97,510	130,135
District office operations	317,392	242,017
District extension	431,993	332,299
District undesignated specials	223,520	186,519
DS continuing education	13,068	21,184
Bobo Estate Fund (principal & interest)	585,561	581,850
District parsonage	378,941	377,471
District congregational development	211,358	232,269
District superintendent salaries and administration	84,452	109,654
Fixed assets	1,584,505	1,584,505
Other program services	2,848,313	1,884,381
Total board designated	<u>31,029,870</u>	<u>28,560,832</u>
Undesignated	<u>(23,461,097)</u>	<u>(54,158,473)</u>
Total unrestricted	<u><u>\$ 7,568,773</u></u>	<u><u>\$ (25,597,641)</u></u>

Temporarily restricted net assets at December 31, 2010 and 2009 are available for the following purposes:

	<u>2010</u>	<u>2009</u>
Local and general mission pass-throughs	\$ 46,341	\$ 44,469
Other district ministries	33,283	32,323
Other program ministries	113,976	190,680
Total temporarily restricted	<u><u>\$ 193,600</u></u>	<u><u>\$ 267,472</u></u>

Note J. Leases

The Company leases copiers under various leases set to expire beginning on August 2012. Total lease expense for the years ended December 31, 2010 and 2009, was \$ 32,812 and \$ 32,812 respectively.

**SOUTH CAROLINA CONFERENCE OF THE UNITED METHODIST CHURCH
FOR THE YEARS ENDED DECEMBER 31, 2010 AND 2009**

Notes to Financial Statements

Note J. Leases (Continued)

The following is a schedule by year of future minimum lease payments under the operating lease at December 31, 2010, that have initial or remaining lease terms in excess of one year:

2011	\$	32,812
2012		30,554
2013		19,527
2014		-
2015		-
	\$	<u>82,893</u>

Note K. Commitments, Contingencies, and Liabilities

The Conference is a guarantor on a loan in the amount of \$ 903,222 for a church building in the Walterboro District as of December 31, 2010. The payments of \$ 8,000, including principal and interest are due on a monthly basis on the 1st of every month. The interest rate is floating indexed to the London Interbank Offered Rate (LIBOR) Daily Floating Rate. The total principal payments during 2010 were \$ 27,011. Since the Conference is not the debtor this loan is not recorded on the financial statements.

**Note L. 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 2010 and 2009 \$ 535 and \$ 500 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 \$ 5,111,770 in 2010 and \$ 6,061,830 in 2009 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 Ministries 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.

**SOUTH CAROLINA CONFERENCE OF THE UNITED METHODIST CHURCH
FOR THE YEARS ENDED DECEMBER 31, 2010 AND 2009**

Notes to Financial Statements

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

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.

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, 2010 and 2009 were \$ 0 and \$ 1,123,784 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, 2010 and 2009 were \$ 104,926 and \$ 105,898 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, 2010 and 2009 contribution is based on an amount equal to \$ 535 and \$ 500 per month for each full-time equivalent.

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

December 31, 2010

Defined benefit plan	\$ 3,893,346
Defined contribution plan	1,218,424

December 31, 2009

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

Note M. 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, 2010 AND 2009**

Notes to Financial Statements

Note M. 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, 2010 and 2009, and a statement of funded status at December 31, 2009 and 2008:

	<u>2010</u>	<u>2009</u>
Reconciliation of accumulated postretirement benefit obligation:		
Accumulated postretirement benefit obligation, beginning	\$ 54,158,473	\$ 51,530,727
Service cost for benefits earned during the year	1,430,245	1,354,221
Interest cost on accumulated postretirement benefit obligation	3,194,924	3,043,967
Plan amendments	(31,182,461)	(2,920,627)
Actuarial losses	(2,320,616)	2,746,071
Contributions by plan participants	820,965	768,476
Benefit payments	(2,640,433)	(2,364,362)
Accumulated postretirement benefit obligations, ending	<u>23,461,097</u>	<u>54,158,473</u>
Reconciliation of fair value of plan assets:		
Fair value of plan assets, beginning	-	-
Employer contributions	1,819,468	1,595,886
Contributions by plan participants	820,965	768,476
Benefit payments	(2,640,433)	(2,364,362)
Fair value of plan assets, ending	<u>-</u>	<u>-</u>
Funded Status:		
Accumulated postretirement benefit obligation in excess of plan assets	<u>\$ (23,461,097)</u>	<u>\$ (54,158,473)</u>

At the June 2010 meeting of the South Carolina Annual Conference 3 proposals were presented to the voting members of the Conference. The plan adopted at that meeting addressed the unfunded liability by a reduction in the retiree subsidy phased in from 2014 – 2022, an eligibility change for futures retirees retiring on or after July 1, 2015, and an increase in apportionments to fully fund the liability.

The details are as follows:

- A. The Subsidy will be reduced as follows:
 - a. Effective 1/1/2014 Lower maximum subsidy to 65%
 - b. Effective 1/1/2016 Lower maximum subsidy to 60%
 - c. Effective 1/1/2018 Lower maximum subsidy to 55%
 - d. Effective 1/1/2020 Lower maximum subsidy to 50%
 - e. Effective 1/1/2022 Maximum Subsidy would be \$ 5,000 per retiree including spouse.
- B. The Eligibility would be changed for retirees effective July 1, 2015. Current retirees and retirees retiring prior to July 1, 2015 would not be changed, but those active who are age 65 by the effective date of this change and who retire on or after the effective date of this change would not be eligible for the Medicare Supplemental or other health care coverage under the Conference plan.
- C. The Funding will be accomplished via the use of the Comprehensive Health Plan Holiday for 2011 and 2012 to fund this gap and an apportionment remaining at the 2010 level for the years 2011 through 2015. In 2016 the apportionment would be increased to fully fund the gap by the year 2032. No additional funding would be required after 2032.

**SOUTH CAROLINA CONFERENCE OF THE UNITED METHODIST CHURCH
FOR THE YEARS ENDED DECEMBER 31, 2010 AND 2009**

Notes to Financial Statements

Note M. Postretirement Benefit Plan (Continued)

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

	<u>2010</u>	<u>2009</u>
Service cost for benefits earned during the year	\$ 1,430,245	\$ 1,354,221
Interest cost on projected benefit obligation	3,194,924	3,043,967
Immediate recognition	(5,443,489)	-
Amortization of prior service benefit	(1,269,273)	(885,989)
Net periodic pension cost/(income)	<u>(2,087,593)</u>	<u>3,512,199</u>

Amounts recognized in postretirement changes other than net periodic postretirement costs

Actuarial (gain) loss for current year	(2,320,616)	2,746,071
Amortization of actuarial loss	(31,182,461)	(2,920,627)
Amortization of net gain	1,269,273	885,989
Amortization of prior service benefit	1,269,273	-
Immediate recognition of prior service (cost)	(5,443,489)	-
	<u>(36,408,020)</u>	<u>711,433</u>

Amount in unrestricted net assets expected to be recognized in net postretirement cost in 2011 and 2010

Prior service benefit (cost)	(12,096,516)	(1,269,273)
Net gain	64,893	-
	<u>\$ (12,031,623)</u>	<u>\$ (1,269,273)</u>

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

	Retiree Contributions	Conference	Total
2011	\$ 1,062,348	\$ 1,719,333	\$ 2,781,681
2012	1,274,207	1,939,468	3,213,675
2013	1,501,907	2,167,301	3,669,208
2014	1,908,812	2,265,146	4,173,958
2015	2,168,895	2,499,188	4,668,083
2016-2020	13,366,660	10,622,056	23,988,716

The accumulated postretirement benefit obligation was computed using an assumed discount rate of 5.5 % and 6% for 2010 and 2009, respectively. In 2009, the health care cost trend rate was assumed to be 9.5%, 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 9.0% in 2010.

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:

Effect on total service and interest cost components	1% Increase \$ 876,457	1% Decrease \$ (695,258)
Effect on the accumulated postretirement benefit obligation	822,839	(820,138)

As of December 31, 2009, the Conference has approximately \$ 9,166,260 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.

**SOUTH CAROLINA CONFERENCE OF THE UNITED METHODIST CHURCH
FOR THE YEARS ENDED DECEMBER 31, 2010 AND 2009**

Notes to Financial Statements

Note N. 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 O. Restatement of December 31, 2009, Financials

Net assets as of January 1, 2009, have been increased by \$ 8,596,185 to correct an error made in 2009. The error did affect the change in net assets for 2008.

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, 2009, as previously reported		\$ (32,510,689)
Prior Period Adjustment		
Error in not recording investments with GBOP		<u>8,596,185</u>
Net Assets at January 1, 2009, as restated		(23,914,504)
Change in net assets, as previously reported	\$ (1,231,631)	
Error in not recorded additional pension expense	(1,273,902)	
Error in not recording unrealized gain on GBOP investments	1,175,474	
Error in recording funds held in trust	<u>(85,606)</u>	
Change in net assets, as restated		<u>(1,415,665)</u>
Net assets at December 31, 2009		<u><u>\$ (25,330,169)</u></u>

Note P. Subsequent Events

The Conference has evaluated events through May 26, 2011, 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, 2010 AND 2009**
(With comparative total for 2009)

	<u>2010</u>	<u>2009</u>
Cash Receipts		
General Council on Finance and Administration	<u>\$ 93,200</u>	<u>\$ 71,825</u>
Cash Disbursements		
Support staff salaries	50,000	50,470
Support employee benefits	14,892	15,594
Staff travel	1,169	740
Equipment maintenance	1,006	1,278
Postage	685	542
Printing and copying	342	117
Professional entertainment	978	1,379
Rent	9,044	9,044
Office supplies	499	1,105
Miscellaneous	5,564	5,139
Total disbursements	<u>84,179</u>	<u>85,408</u>
Excess of cash receipts (under) cash disbursements	9,021	(13,583)
Cash		
Beginning	<u>(12,627)</u>	<u>956</u>
Ending	<u><u>\$ (3,606)</u></u>	<u><u>\$ (12,627)</u></u>

Note: All funds come from the General Episcopal Fund