



**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

**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, 2005 and 2004, 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 2004 financial statements and, in our report dated February 24, 2005, 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, 2005, and the results of its operations and its cash flows for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

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

August 1, 2006

