



The North Georgia Conference
of the United Methodist Church

2010 Audited
Financial Statements



INDEPENDENT AUDITOR'S REPORT

To the Council on Finance and Administration
North Georgia Conference United Methodist Church:

We have audited the accompanying statements of financial position of the Conference Treasurer of the North Georgia Conference of the United Methodist Church 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's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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 audit 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.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Conference Treasurer of the North Georgia Conference of the United Methodist Church as of December 31, 2010 and 2009, and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

GrossDukeNelson & Co, PC

Atlanta, Georgia
October 17, 2011

CONFERENCE TREASURER
NORTH GEORGIA CONFERENCE, UNITED METHODIST CHURCH

STATEMENTS OF FINANCIAL POSITION

DECEMBER 31, 2010 AND 2009

	<u>2010</u>	<u>2009</u>
ASSETS		
Cash and cash equivalents	\$ 3,973,547	\$ 3,312,086
Apportionments receivable	2,481,732	2,043,390
Accounts receivable	978,744	523,044
Investments	38,361,902	32,251,290
Prepaid expenses and other	342,250	253,697
Loans receivable, affiliated organization	1,403,224	360,661
Property held for resale	3,235,035	3,581,404
Property and equipment, net	<u>2,527,511</u>	<u>2,711,743</u>
Total Assets	<u>\$53,303,945</u>	<u>\$45,037,315</u>
LIABILITIES AND NET ASSETS		
LIABILITIES:		
Accounts payable and accrued expenses	\$ 4,848,701	\$ 2,309,633
Notes payable	2,895,641	2,006,290
Unfunded postretirement healthcare benefit plan	<u>51,513,663</u>	<u>69,068,837</u>
Total Liabilities	<u>59,258,005</u>	<u>73,384,760</u>
COMMITMENTS (Notes 6, 8, 9 and 10)		
NET ASSETS:		
Unrestricted:		
Undesignated	418,034	405,969
Designated	(8,484,712)	(30,813,584)
Temporarily restricted	1,953,514	1,901,066
Permanently restricted	<u>159,104</u>	<u>159,104</u>
Total Net Deficiency in Net Assets	<u>(5,954,060)</u>	<u>(28,347,445)</u>
Total Liabilities and Net Assets	<u>\$53,303,945</u>	<u>\$45,037,315</u>

The accompanying notes are an integral part of these financial statements.

CONFERENCE TREASURER
NORTH GEORGIA CONFERENCE, UNITED METHODIST CHURCH

STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED DECEMBER 31, 2010

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
REVENUE AND SUPPORT:				
Apportionments	\$22,932,642	\$ -	\$ -	\$22,932,642
Contributions	3,763,573	266,108	-	4,029,681
Insurance premiums	17,896,501	-	-	17,896,501
Investment income	3,908,373	92,547	-	4,000,920
Other revenue	491,208	-	-	491,208
Net assets released from restrictions:				
Restrictions satisfied by payments	306,207	(306,207)	-	-
Total Revenue and Support	<u>49,298,504</u>	<u>52,448</u>	<u>-</u>	<u>49,350,952</u>
EXPENSES:				
Ministerial support	2,531,633	-	-	2,531,633
Annual conference administration	2,287,514	-	-	2,287,514
Connectional ministries	1,263,564	-	-	1,263,564
General and jurisdictional apportionments	6,370,658	-	-	6,370,658
Other conference missions	2,118,907	-	-	2,118,907
Church development	3,059,180	-	-	3,059,180
Premiums remitted	16,586,560	-	-	16,586,560
Retirement benefit cost	10,560,519	-	-	10,560,519
Support for affiliated organizations	2,994,400	-	-	2,994,400
Total Expenses	<u>47,772,935</u>	<u>-</u>	<u>-</u>	<u>47,772,935</u>
Change in net assets before actuarial gain in postretirement healthcare benefit plan	1,525,569	52,448	-	1,578,017
Actuarial gain in postretirement healthcare benefit plan	<u>20,815,368</u>	<u>-</u>	<u>-</u>	<u>20,815,368</u>
CHANGE IN NET ASSETS	<u>22,340,937</u>	<u>52,448</u>	<u>-</u>	<u>22,393,385</u>
DEFICIENCY IN NET ASSETS:				
BEGINNING OF YEAR	<u>(30,407,615)</u>	<u>1,901,066</u>	<u>159,104</u>	<u>(28,347,445)</u>
END OF YEAR	<u><u>\$ (8,066,678)</u></u>	<u><u>\$ 1,953,514</u></u>	<u><u>\$ 159,104</u></u>	<u><u>\$ (5,954,060)</u></u>

The accompanying notes are an integral part of these financial statements.

CONFERENCE TREASURER
NORTH GEORGIA CONFERENCE, UNITED METHODIST CHURCH

STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED DECEMBER 31, 2009

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
REVENUE AND SUPPORT:				
Apportionments	\$ 22,555,909	\$ -	\$ -	\$ 22,555,909
Contributions	3,524,388	262,688	-	3,787,076
Insurance premiums	16,761,533	-	-	16,761,533
Investment income	4,105,261	146,375	-	4,251,636
Other revenue	804,732	-	-	804,732
Net assets released from restrictions:				
Restrictions satisfied by payments	195,058	(195,058)	-	-
Total Revenue and Support	<u>47,946,881</u>	<u>214,005</u>	<u>-</u>	<u>48,160,886</u>
EXPENSES:				
Ministerial support	2,667,189	-	-	2,667,189
Annual conference administration	2,028,219	-	-	2,028,219
Connectional ministries	915,841	-	-	915,841
General and jurisdictional apportionments	6,284,211	-	-	6,284,211
Other conference missions	1,521,206	-	-	1,521,206
Church development	2,583,984	-	-	2,583,984
Premiums remitted	17,948,739	-	-	17,948,739
Retirement benefit cost	9,595,339	-	-	9,595,339
Support for affiliated organizations	3,154,048	-	-	3,154,048
Total Expenses	<u>46,698,776</u>	<u>-</u>	<u>-</u>	<u>46,698,776</u>
Change in net assets before actuarial gain in postretirement healthcare benefit plan	1,248,105	214,005	-	1,462,110
Actuarial gain in postretirement healthcare benefit plan	<u>4,744,773</u>	<u>-</u>	<u>-</u>	<u>4,744,773</u>
CHANGE IN NET ASSETS	<u>5,992,878</u>	<u>214,005</u>	<u>-</u>	<u>6,206,883</u>
DEFICIENCY IN NET ASSETS:				
BEGINNING OF YEAR	<u>(36,400,493)</u>	<u>1,687,061</u>	<u>159,104</u>	<u>(34,554,328)</u>
END OF YEAR	<u>\$(30,407,615)</u>	<u>\$1,901,066</u>	<u>\$159,104</u>	<u>\$(28,347,445)</u>

The accompanying notes are an integral part of these financial statements.

CONFERENCE TREASURER
NORTH GEORGIA CONFERENCE, UNITED METHODIST CHURCH

STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED DECEMBER 31, 2010 AND 2009

	<u>2010</u>	<u>2009</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	\$22,393,385	\$ 6,206,883
Adjustment to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	238,930	227,315
Net realized and unrealized (gains) losses on investments	(3,619,110)	(4,022,015)
Unrealized loss on property held for resale	414,979	-
Actuarial (gain) loss in postretirement healthcare benefit plan	(23,978,398)	(4,744,773)
(Increase) decrease in:		
Apportionments receivable	(438,342)	(681,451)
Accounts receivable	(455,700)	(3,122)
Prepaid expenses and other	(88,553)	158,488
Increase (decrease) in:		
Accounts payable and accrued expenses	2,539,068	(293,739)
Unfunded postretirement healthcare benefit plan	<u>6,423,224</u>	<u>3,966,610</u>
Net Cash Provided By Operating Activities	<u>3,429,483</u>	<u>814,196</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Proceeds from sale of investments	17,619,417	9,857,167
Purchase of investments	(20,110,919)	(10,279,960)
Purchase of property and equipment	(54,698)	(29,773)
Purchase of property held for resale	(256,610)	(17,319)
Donated property held for resale	<u>188,000</u>	<u>-</u>
Net Cash Used In Investing Activities	<u>(2,614,810)</u>	<u>(469,885)</u>
CASH FLOWS FROM FINANCING ACTIVITIES:		
Repayment of notes payable	<u>(153,212)</u>	<u>(89,153)</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	661,461	255,158
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>3,312,086</u>	<u>3,056,928</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u>\$ 3,973,547</u>	<u>\$ 3,312,086</u>
NON-CASH INVESTING AND FINANCING ACTIVITIES:		
Purchase of property held for resale	<u>\$ 229,774</u>	<u>\$ -</u>
Assumption of note payable, See Note 8	<u>\$ 1,112,168</u>	<u>\$ 360,661</u>
SUPPLEMENTAL CASH FLOW INFORMATION:		
Cash paid during the year for interest	<u>\$ 94,947</u>	<u>\$ 70,687</u>

The accompanying notes are an integral part of these financial statements.

CONFERENCE TREASURER
NORTH GEORGIA CONFERENCE, UNITED METHODIST CHURCH

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2010 AND 2009

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

Organization and Activities:

The North Georgia Conference represents one of the basic organizational bodies in the global United Methodist Church. The Conference serves as the denominational arm for approximately 1,000 local United Methodist churches in northern Georgia. The Conference provides administrative and program services to churches, clergy and laypeople within its geographic boundaries. Primary among these services are ordination and assignment of ministers, volunteer training, new church development and the collection and remittance of funds for local, regional and international ministries.

Basis of Presentation:

The Conference is required to report information regarding its financial position and activities according to the three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets.

Unrestricted net assets are not subject to donor-imposed stipulations and can be designated by the Conference for various purposes. Designated net assets consist of pension and post-retirement healthcare funds, church development funds, housing and homeless funds, disaster relief funds, training related funds and the net investment in property and equipment. The net investment in property and equipment represents amounts expended for property and equipment, net of amounts borrowed.

Temporarily restricted net assets consist of donor restricted contributions for support of minister sustentation, church development and missions. Amounts restricted by the donor are maintained until the applicable stipulation has been accomplished.

Permanently restricted net assets consist of donor restricted contributions where the stipulations must be maintained permanently. The donors generally allow the income from the related investments to be used for general or specific purposes.

Contributions:

The principal source of support is apportionments received from the local churches. Apportionments are the recommended contributions for the local churches. Apportionments expire at the end of each calendar year. Local churches do not have any commitment on any underpayment of their apportionments. Additional contributions are received directly from donors. Such contributions are recognized when the donor makes an unconditional promise to give to the Conference.

CONFERENCE TREASURER
NORTH GEORGIA CONFERENCE, UNITED METHODIST CHURCH

NOTES TO FINANCIAL STATEMENTS, Continued

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES Continued:

Contributions, Continued:

The Methodist Foundation for Retired Ministers of the North Georgia Conference, Inc. was incorporated in 1940 to provide a permanent endowment fund to support retired ministers of the Conference, and the widows and dependent children of deceased ministers. Contributions from the Foundation are based on a distribution of 5% of a three year average balance of the fund. During 2010 and 2009, contributions totaling \$323,250 and \$470,000, respectively, were received from the Foundation for pension and health benefits.

Agency Accounts:

The Conference Treasurer serves as a clearinghouse for numerous United Methodist organizations. This clearinghouse operation allows local churches to collect monies for such things as missionary support, disaster relief, campus ministries and other church supported operations. The funds collected by local churches are remitted to the Conference Treasurer. The Conference Treasurer forwards these receipts to the beneficiary agency.

Cash and Cash Equivalents:

The Conference considers all highly liquid investments with a maturity of three months or less when purchased to be "cash equivalents".

Investments:

Investments in marketable securities with readily determinable fair values and all investments in debt securities are valued at their fair values in the Statement of Financial Position. Unrealized gains and losses are included in the change in net assets.

Property and Equipment:

Property and equipment are stated at cost. Depreciation is computed using the straight-line method over the estimated useful lives of the assets. Repairs and maintenance are charged to expense as incurred and renewals and betterments are capitalized.

Accounts Receivable:

The Conference establishes an allowance for doubtful accounts receivable based on historical collection experience and management's evaluation of collectibility of outstanding accounts receivable.

CONFERENCE TREASURER
NORTH GEORGIA CONFERENCE, UNITED METHODIST CHURCH

NOTES TO FINANCIAL STATEMENTS, Continued

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued:

Income Taxes:

The North Georgia Conference is exempt from federal income taxes pursuant to Section 501(c)(3) of the Internal Revenue Code and the Internal Revenue Service Group Exemption ruling for the United Methodist Church.

Advertising Costs:

Advertising costs are expensed as incurred and are included in annual conference administration expense. Advertising expense totaled \$41,680 and \$54,970 in 2010 and 2009, respectively.

Use of Estimates:

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Subsequent Events:

The Conference has evaluated subsequent events through October 17, 2011, the date which the financial statements were available to be issued.

NOTE 2 - CONCENTRATIONS OF CREDIT RISK:

Financial instruments which potentially subject the North Georgia Conference to concentrations of credit risk consist principally of cash and cash equivalents and investments. The Conference investment policies provide for the investment of excess cash balances in deposits with major institutions and in other high quality short-term liquid money market instruments. Cash and cash equivalents includes deposits at a financial institution totaling \$3,973,547 and \$3,312,086 at December 31, 2010 and 2009, respectively. These deposits represent instruments which potentially subject the Conference to concentrations of credit risk to the extent deposits exceed federally insured limits.

CONFERENCE TREASURER
NORTH GEORGIA CONFERENCE, UNITED METHODIST CHURCH

NOTES TO FINANCIAL STATEMENTS, Continued

NOTE 2 - CONCENTRATIONS OF CREDIT RISK, Continued:

The exposure to concentrations of credit risk relative to the Conference's investments is limited due to the Conference's investment objectives and policies which require, among other things, that securities be diversified, meet certain quality criteria, and utilize only high credit quality institutions for investments. The investments are not insured for market risk.

NOTE 3 - INVESTMENTS:

Investments consist of the following at December 31, 2010 and 2009:

	<u>2010</u>	<u>2009</u>
Unrestricted:		
Certificates of deposit	\$ 1,223,327	\$ 479,159
Equity Fund	50,226	46,592
North Georgia Methodist Foundation, Inc.:		
Certificates of deposit	6,125,229	-
Fixed Income Fund	2,276,218	2,048,427
Equity Fund	4,426,833	3,893,408
Money Market Fund	588,807	513,664
General Board of Pensions and Health Benefits of the United Methodist Church ("General Board"):		
Diversified Investment Funds	21,891,485	23,519,878
Superannuate Fund	72,519	51,207
	<u>36,654,644</u>	<u>30,552,335</u>
Temporarily restricted:		
Common Stock	7,694	7,694
Cash and Certificates of deposit	729,245	757,286
North Georgia Methodist Foundation, Inc.:		
Fixed Income Fund	691,780	629,527
Equity Fund	110,817	98,981
Money Market Fund	8,618	46,363
	<u>1,548,154</u>	<u>1,539,851</u>
Permanently restricted:		
General Board:		
Superannuate Fund	94,777	94,777
North Georgia Methodist Foundation, Inc.:		
Fixed Income Fund	22,532	22,532
Equity Fund	41,327	41,327
Money Market Fund	468	468
	<u>159,104</u>	<u>159,104</u>
Total	<u>\$ 38,361,902</u>	<u>\$ 32,251,290</u>

CONFERENCE TREASURER
NORTH GEORGIA CONFERENCE, UNITED METHODIST CHURCH

NOTES TO FINANCIAL STATEMENTS, Continued

NOTE 3 - INVESTMENTS, Continued:

Investment income for the years ended December 31, 2010 and 2009 are summarized below:

	<u>2010</u>		
	<u>Unrestricted</u>	Temporarily <u>Restricted</u>	<u>Total</u>
Investment earnings	\$ 328,862	\$ 87,382	\$ 416,244
Net realized and unrealized gains	3,610,001	9,109	3,619,110
Investment expenses	<u>(30,490)</u>	<u>(3,944)</u>	<u>(34,434)</u>
Total return on investments	<u>\$ 3,908,373</u>	<u>\$ 92,547</u>	<u>\$ 4,000,920</u>
	<u>2009</u>		
	<u>Unrestricted</u>	Temporarily <u>Restricted</u>	<u>Total</u>
Investment earnings	\$ 156,947	\$103,694	\$ 260,641
Net realized and unrealized gains	3,973,939	48,076	4,022,015
Investment expenses	<u>(25,625)</u>	<u>(5,395)</u>	<u>(31,020)</u>
Total return on investments	<u>\$ 4,105,261</u>	<u>\$146,375</u>	<u>\$ 4,251,636</u>

NOTE 4 - PROPERTY AND EQUIPMENT:

Property and equipment consist of the following at December 31, 2010 and 2009:

	<u>2010</u>	<u>2009</u>
Episcopal Residence	\$ 744,603	\$ 745,239
Methodist Center Building	2,822,669	2,822,669
Furniture and fixtures	287,771	283,435
Office equipment	87,123	88,057
Computer equipment	<u>229,249</u>	<u>175,400</u>
	4,171,415	4,114,800
Less accumulated depreciation	<u>(1,643,904)</u>	<u>(1,403,057)</u>
Property and equipment, net	<u>\$ 2,527,511</u>	<u>\$ 2,711,743</u>

CONFERENCE TREASURER
NORTH GEORGIA CONFERENCE, UNITED METHODIST CHURCH

NOTES TO FINANCIAL STATEMENTS, Continued

NOTE 5 - PROPERTY HELD FOR RESALE:

Property held for resale includes land and building that is currently being leased. Additional property includes land, buildings and building improvements held for future church development.

NOTE 6 - NOTES PAYABLE:

Notes payable at December 31, 2010 and 2009 consist of the following:

	<u>2010</u>	<u>2009</u>
Note to financial institution maturing May 2012, due in monthly installments of \$23,168 including interest at one month LIBOR plus 1.90% (2.16% at December 31, 2010), collateralized by Certificate of Deposit. See Note 8	\$ 1,042,563	\$ -
Note to financial institution maturing January 2021, due in monthly installments of \$4,500 including interest at 6.5%, collateralized by land and building, see Note 10	431,720	465,897
Note to individual maturing October 2016, interest at 7%, monthly installments of \$3,000 beginning November 2012, balloon payment at maturity, collateralized by land, see Note 10	699,995	699,995
Note to financial institution maturing September 2012, due in monthly installments of \$1,596, including interest at 6.75%, balloon payment due at maturity, collateralized by land, see Note 10	189,974	194,105
Note to financial institution maturing April 2014, due in monthly installments of \$1,624, including interest at 5.75%, balance of principal and interest due at maturity, collateralized by Episcopal Residence	245,573	250,666
Note to financial institution maturing October 2014, due in monthly installments of \$6,964, including interest at 5.95%, balance of principal and interest due at maturity, without collateral. See Note 8	285,816	350,284
Note to financial institution maturing January 2011, due in monthly installments of \$1,314, including interest at 5.5%, balloon payment due at maturity, collateralized by land, see Note 10	-	45,343
	<u>\$ 2,895,641</u>	<u>\$ 2,006,290</u>

CONFERENCE TREASURER
NORTH GEORGIA CONFERENCE, UNITED METHODIST CHURCH

NOTES TO FINANCIAL STATEMENTS, Continued

NOTE 6 - NOTES PAYABLE, Continued:

Scheduled aggregate maturities of notes payable are as follows:

<u>Year</u>	<u>Amount</u>
2011	\$ 206,013
2012	1,260,279
2013	127,930
2014	121,844
2015	57,671
Thereafter	<u>1,121,904</u>
	<u>\$ 2,895,641</u>

Interest expense totaled \$145,481 for 2010 and \$119,921 for 2009.

The Conference serves as guarantor on a \$5,119,602 term loan agreement for Simpsonwood Conference & Retreat Center, Inc. (Simpsonwood). The term note is collateralized by Simpsonwood's property and equipment and a certificate of deposit owned by the Conference.

NOTE 7 - FAIR VALUE MEASUREMENTS:

The fair value of the Conference assets measured on a recurring basis at December 31, 2010 and 2009 are as follows:

Description	2010			
	Level 1	Level 2	Level 3	Total
Investments	<u>\$11,726,903</u>	<u>\$4,128,664</u>	<u>\$22,506,335</u>	<u>\$38,361,902</u>
Property held for resale	<u>\$ -</u>	<u>\$3,235,035</u>	<u>\$ -</u>	<u>\$ 3,235,035</u>
	2009			
Description	Level 1	Level 2	Level 3	Total
Investments	<u>\$4,551,322</u>	<u>\$3,639,571</u>	<u>\$24,060,397</u>	<u>\$32,251,290</u>
Property held for resale	<u>\$ -</u>	<u>\$3,581,404</u>	<u>\$ -</u>	<u>\$ 3,581,404</u>

CONFERENCE TREASURER
NORTH GEORGIA CONFERENCE, UNITED METHODIST CHURCH

NOTES TO FINANCIAL STATEMENTS, Continued

NOTE 7 - FAIR VALUE MEASUREMENTS, Continued:

Assets carried at fair value are classified and disclosed in one of the following three categories:

Level 1 - Valuations are based on quoted market prices in active markets for identical assets.

Level 2 - Valuations are based on observable market information, including quoted prices from actual market transactions for similar assets in markets that are not active.

Level 3 - Valuations are based on prices or valuation techniques that require significant assumptions that are not observable in the market. The Conference's level 3 assets are held with the General Board under investment agreements where the investments are pooled into larger investment funds at the General Board. General Board investments are comprised of approved equity, fixed income and money market instruments in accordance with investment objectives.

The table below presents a reconciliation of gains and losses for all investments measured at fair value on a recurring basis using unobservable inputs for 2010 and 2009.

	<u>2010</u>	<u>2009</u>
Balance, beginning of year	\$ 24,060,397	\$ 20,075,012
Total realized and unrealized gains	3,079,980	3,131,432
Purchases, sales, issuances, settlements	<u>(4,634,042)</u>	<u>853,953</u>
Balance, end of year	<u>\$ 22,506,335</u>	<u>\$ 24,060,397</u>

NOTE 8 - RELATED PARTIES TRANSACTIONS:

The Conference rented Simpsonwood facilities for events during 2010 and 2009 and rent expense totaled \$229,644 and \$177,342, respectively. Accounts payable at December 31, 2010 and 2009 includes \$57 and \$1,610, respectively, due to Simpsonwood. Simpsonwood provided maintenance and janitorial services to the Conference totaling \$27,000 in 2010 and \$26,044 in 2009. The Conference provided management and administrative services to Simpsonwood totaling \$31,836 and \$25,760 during 2010 and 2009, respectively. Accounts receivable at December 31, 2010 and 2009 includes \$146,396 and \$69,485, respectively, due from Simpsonwood.

CONFERENCE TREASURER
NORTH GEORGIA CONFERENCE, UNITED METHODIST CHURCH

NOTES TO FINANCIAL STATEMENTS, Continued

NOTE 8 - RELATED PARTIES TRANSACTIONS, Continued:

Loans receivable, affiliated organization consists of \$1,403,224 and \$360,661 due from Simpsonwood at December 31, 2010 and 2009, respectively. The loans receivable are due on demand. The loans receivable were created when the Conference assumed certain notes payable to financial institutions on behalf of Simpsonwood.

The Conference provided support totaling \$617,913 in 2010 and \$571,121 in 2009 to Simpsonwood. In addition, the Conference committed through its approved 2011 and 2012 budgets to provide \$900,000 in 2011 and \$500,000 in 2012 to Simpsonwood in support for its continued operation. Actual contributions will depend on the percentage of the budget actually collected.

For efficiency of operations, all cash receipts and disbursements for the Office of the Resident Bishop are processed through the Conference Treasurer's checking account. Separate financial records are maintained for each organization.

The cash of each organization is pooled with the Conference Treasurer's regular cash funds for investment purposes. Pooling of the cash allows the Conference Treasurer to obtain a higher rate of return on such funds and reduce the cost of managing investments. Interest earned on pooled investments is prorated to the appropriate organization. The Conference Treasurer held \$37,793 and \$19,457 for the Office of the Resident Bishop at December 31, 2010 and 2009, respectively.

The Methodist Center and administrative offices are located in the Gibson Building at Simpsonwood. The Operating and Lease Agreement with Simpsonwood calls for the Conference to make a capital contribution towards the total cost of the Gibson Building based on the percentage of building occupancy. The agreement provides for the Conference to occupy the building for 30 years and pay a land rental fee of \$1 per year with an option to renew for an additional 30 years.

If the Conference decides to relocate after the initial 30 year term, Simpsonwood is obligated to return the capital contribution at the fair market value of the building at the time the building is relinquished to Simpsonwood.

NOTE 9 - RETIREMENT BENEFITS:

The Conference and its local churches participate in various retirement programs offered by The United Methodist Church. The programs are administered by the General Board of Pension and Health Benefits of The United Methodist Church. All of the programs are multi-employer plans except for the multiple employer postretirement health care plan. Generally accepted accounting principles prescribe methods for determining the cost and recording the unfunded liability of multiple employer defined benefit plans. Such methods

CONFERENCE TREASURER
NORTH GEORGIA CONFERENCE, UNITED METHODIST CHURCH

NOTES TO FINANCIAL STATEMENTS, Continued

NOTE 9 - RETIREMENT BENEFITS, Continued:

are not prescribed for multi-employer defined benefit plans and accordingly unfunded liabilities related to such plans, if any, are not recorded in the accompanying Statement of Financial Position. However, the Conference has computed an estimate of this potential liability for the multi-employer plans with input from the General Board which are disclosed in the discussion of the applicable plans.

Annual contributions to the General Board for these plans are funded through the Conference operating budget and a combination of direct billing to local churches and individuals. Contributions due to the General Board that are not paid become an obligation of the Conference.

Comprehensive Protection Plan (CPP):

CPP is a multi-employer health and welfare plan that provides death and disability benefits as well as minimum benefits related to pension coverage to clergy. The Conference made contributions of \$1,243,699 for 2010 and \$1,252,105 for 2009.

Clergy Retirement Security Program (CRSP):

CRSP is a multi-employer plan that provides pension coverage to eligible clergy effective January 1, 2007. CRSP is an amendment to and restatement of the former Ministerial Pension Plan. CRSP is both a defined benefit plan, which provides benefits based on years of credited service and a defined contribution plan, which provides a retirement account balance established and funded by the Conference. Contributions to the defined benefit plan will be actuarially determined and contributions to the defined contribution plan will be equal to 3% of the clergy's compensation. The Conference made contributions of \$422,468 for 2010 and \$405,233 for 2009. The Conference estimate of the potential liability for CRSP at December 31, 2010 is approximately \$208,000.

Ministers Reserve Pension Plan (Pre-1982):

Conference clergy entering service prior to January 1, 1982 are eligible for pension coverage under a defined benefit multi-employer pension plan. General Conference 2000 required each annual conference to adopt a formal funding plan to retire the conference pre-1982 pension plan obligations. The Conference presents a plan each year at Annual Conference to amortize and pay the past service liability by December 31, 2021. The Conference made contributions of \$3,411,146 for 2010 and \$3,910,000 for 2009. The Conference estimate of the potential liability for the Pre-1982 plan at December 31, 2010 is approximately \$28,400,000.

CONFERENCE TREASURER
NORTH GEORGIA CONFERENCE, UNITED METHODIST CHURCH

NOTES TO FINANCIAL STATEMENTS, Continued

NOTE 9 - RETIREMENT BENEFITS, Continued:

Ministerial Pension Plan (MPP):

MPP is a multi-employer defined contribution plan for eligible clergy from 1982 through 1986. Participants are allowed to withdraw up to 35% of their plan assets at retirement and the remaining assets are converted to a fixed rate annuity. The annuity for participants retiring before July 2003 has a guaranteed rate of 8%. The effect of this arrangement was to convert the plan to a guaranteed annuity plan. The Conference did not make contributions to the plan in 2010 or 2009. It is possible that contributions will be required in the future if plan assets are insufficient to fund the annuities.

United Methodist Personal Investment Plan (UMPIP):

UMPIP is an Internal Revenue Code section 403(b) defined contribution multi-employer pension plan and provides a retirement savings plan for eligible clergy and employees of the Conference. Employees may contribute up to the dollar limits which are set by law. For the first 3% of the employee contribution, the Conference contributes \$2 for each \$1 contributed by the employee. The Conference has no obligation for postretirement contributions to the plan. The Conference made contributions of \$58,864 for 2010 and \$61,392 for 2009.

Postretirement Health Care Plan:

The Conference sponsors a multiple employer defined benefit postretirement health care plan (Plan) for retired clergy and their spouses (Participants) of the Conference and its local churches. A funding plan was presented and approved by the 2004 Annual Conference. The funding plan provides for participants retiring prior to 1984 not to pay for coverage and the cost for participants who have or will retire after 1983 to be based on years of service. The Conference made contributions of \$267,254 for 2010 and \$258,540 for 2009. Participant contributions totaled \$607,064 in 2010 and \$541,592 in 2009. Benefits paid totaled \$2,613,209 and \$2,682,585 in 2010 and 2009, respectively.

The Conference has designated investment funds totaling approximately \$25,400,000 and \$21,600,000 at December 31, 2010 and 2009, respectively, for payment of these benefits. However, the investments are not considered plan assets for purposes of determining the funded status of the Plan. The fair value of the plan assets totaled \$0 and the plan was unfunded at December 31, 2010 and 2009.

CONFERENCE TREASURER
NORTH GEORGIA CONFERENCE, UNITED METHODIST CHURCH

NOTES TO FINANCIAL STATEMENTS, Continued

NOTE 9 - RETIREMENT BENEFITS, Continued:

Postretirement Health Care Plan, Continued:

Plan provisions were amended in 2010 to cap the Conference obligation to retirees health care plan premiums. Plan provisions were amended in 2009 to change the deductible and drug co-pay amounts. These changes reduced the plan's benefit obligation.

Benefit Obligations. The employer recognizes the underfunded status of defined benefit postretirement plans as a liability in its statement of financial position and the changes in the funded status in unrestricted net assets in the year in which the changes occur.

The following table presents a reconciliation of the changes in the benefit obligation for the years ended December 31, 2010 and 2009.

	<u>2010</u>	<u>2009</u>
Benefit obligation, beginning of year	\$ 69,068,837	\$ 69,847,000
Service cost	1,696,208	1,684,000
Interest cost	4,058,886	4,110,000
Prior service benefit	(23,978,398)	(3,700,438)
Benefit payments	(2,841,467)	(2,690,390)
Actuarial losses (gains)	<u>3,509,597</u>	<u>(181,335)</u>
Benefit obligation, end of year	<u>\$ 51,513,663</u>	<u>\$ 69,068,837</u>

Net Periodic Benefit Costs. Components of periodic pension cost for 2010 and 2009 are as follows:

	<u>2010</u>	<u>2009</u>
Service cost	\$ 1,696,208	\$ 1,684,000
Interest cost	4,058,886	4,110,000
Amortization of prior service benefit	(435,346)	-
Amortization of actuarial loss	<u>781,913</u>	<u>863,000</u>
	<u>\$ 6,101,661</u>	<u>\$ 6,657,000</u>

CONFERENCE TREASURER
NORTH GEORGIA CONFERENCE, UNITED METHODIST CHURCH

NOTES TO FINANCIAL STATEMENTS, Continued

NOTE 9 - RETIREMENT BENEFITS, Continued:

Postretirement Health Care Plan, Continued:

The amounts recognized in postretirement changes other than net periodic benefit costs are as follows:

	<u>2010</u>	<u>2009</u>
Prior service benefit	\$ 23,978,398	\$ 3,700,438
Amortization of actuarial loss	781,913	863,000
Amortization of prior service benefit	(435,346)	-
Actuarial (loss) gain	<u>(3,509,597)</u>	<u>181,335</u>
	<u>\$ 20,815,368</u>	<u>\$ 4,744,773</u>

The amounts recognized in unrestricted net assets but not yet recognized as components of net periodic benefit costs are as follows:

	<u>2010</u>	<u>2009</u>
Unamortized actuarial loss	\$ 19,111,349	\$ 16,383,665
Unamortized prior service benefit	<u>(27,243,490)</u>	<u>(3,700,438)</u>
	<u>\$ (8,132,141)</u>	<u>\$ 12,683,227</u>

The amounts in unrestricted net assets expected to be recognized in periodic benefit cost in 2011 and 2010 are as follows:

	<u>2011</u>	<u>2010</u>
Prior service benefit	\$ (3,807,835)	\$ (435,346)
Net actuarial loss	<u>1,281,908</u>	<u>781,913</u>
	<u>\$ (2,525,927)</u>	<u>\$ 346,567</u>

The accumulated benefit obligation for the Plan was \$51,513,663 at December 31, 2010 and the expected projected benefit obligation for the Plan was \$58,620,423 at December 31, 2010. The accumulated benefit obligation for the Plan was \$69,068,837 at December 31, 2009 and the expected projected benefit obligation for the Plan was \$82,736,946 at December 31, 2009.

CONFERENCE TREASURER
NORTH GEORGIA CONFERENCE, UNITED METHODIST CHURCH

NOTES TO FINANCIAL STATEMENTS, Continued

NOTE 9 - RETIREMENT BENEFITS, Continued:

Postretirement Health Care Plan, Continued:

The federal subsidy under the Medicare Prescription Drug, Improvement and Modernization Act of 2003 is included in the measurements at December 31, 2010 and 2009. The effect of the subsidy reduced the accumulated benefit obligations by approximately \$13,300,000 and \$13,200,000 at December 31, 2010 and 2009, respectively.

Assumptions. Actuarial assumptions applicable in the valuation are as follows:

	<u>2010</u>	<u>2009</u>
Discount Rate to determine benefit obligations	5.50%	6.00%
Health care cost trend rates assumed for next year	9.00%	9.50%
Rate to which the cost trend rate is assumed to decline (ultimate trend rate)	5.00%	5.00%
Year that the rate reaches the ultimate trend rate	2019	2019

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 rates would have the following effect:

	<u>1% Increase</u>	<u>1% Decrease</u>
Effect on total service cost and interest cost components	\$ 1,030,595	\$ (821,529)
Effect on accumulated postretirement benefit obligation	\$ 922,591	\$ (972,459)

Cash Flows. The Conference expects to contribute approximately \$3,426,000 to the Plan in 2011.

CONFERENCE TREASURER
NORTH GEORGIA CONFERENCE, UNITED METHODIST CHURCH

NOTES TO FINANCIAL STATEMENTS, Continued

NOTE 9 - RETIREMENT BENEFITS, Continued:

Postretirement Health Care Plan, Continued:

Expected benefit payments at December 31, 2010 for the next five years and in aggregate for the five years thereafter are as follows:

<u>Year</u>	<u>Amount</u>
2011	\$ 2,744,961
2012	\$ 3,059,543
2013	\$ 3,212,853
2014	\$ 3,715,660
2015	\$ 3,756,348
2016-2020	\$ 19,331,739

NOTE 10 - COMMITMENTS:

The Board of Church Development of the North Georgia Conference, Inc. (Church Development) has entered into various agreements to assist new churches in acquiring properties. The properties will be granted to the new churches once they meet the requirements to constitute, in accordance with the *Book of Discipline*. Accordingly, such properties are included in Property Held for Resale and any related loans are included in notes payable. See Notes 5 and 6.

Promises to give related to church development properties total approximately \$380,000 and \$300,000 at December 31, 2010 and 2009, respectively and are included in accounts payable and accrued expenses.

A church property acquired as a long-term lease is in the early stages of development and is not expected to constitute in 2011. Church Development is providing support. Church Development has a commitment through September 30, 2013 totaling approximately \$370,000 as guarantor on the lease agreement.

In addition, the Conference serves as guarantor on loans totaling approximately \$2,439,000 to eight churches financed by the Board of Global Ministries.

CONFERENCE TREASURER
NORTH GEORGIA CONFERENCE, UNITED METHODIST CHURCH

NOTES TO FINANCIAL STATEMENTS, Continued

NOTE 11 - ENDOWMENT:

The Conference's endowment consists of five individual funds established for a variety of purposes. The net assets associated with the funds included in the endowment are reported as permanently restricted net assets or designated net assets in the accompanying financial statements. The endowment includes both donor-restricted endowment funds and funds designated by Annual Conference to function as an endowment based on the existence or absence of donor-imposed restrictions.

Interpretation of Relevant Law

The Conference classifies as permanently restricted net assets the original value of contributions to the endowment, the original value of subsequent contributions to the endowment and accumulations to the endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as unrestricted or temporarily restricted in accordance with donor and Annual Conference stipulations.

Endowment net assets consist of the following types of funds as of December 31, 2010:

	Unrestricted: <u>Designated</u>	Temporarily <u>Restricted</u>	Permanently <u>Restricted</u>	<u>Total</u>
Donor-restricted funds	\$ -	\$ 41,930	\$ 159,104	\$ 201,034
Annual Conference designated funds	<u>1,547,463</u>	<u>-</u>	<u>-</u>	<u>1,547,463</u>
Total	<u>\$1,547,463</u>	<u>\$ 41,930</u>	<u>\$ 159,104</u>	<u>\$1,748,497</u>

CONFERENCE TREASURER
NORTH GEORGIA CONFERENCE, UNITED METHODIST CHURCH

NOTES TO FINANCIAL STATEMENTS, Continued

NOTE 11 – ENDOWMENT, Continued:

Changes in endowment net assets consist of the following for 2010:

	Unrestricted: <u>Designated</u>	Temporarily <u>Restricted</u>	Permanently <u>Restricted</u>	<u>Total</u>
Endowment net assets, December 31, 2009	<u>\$ 1,422,610</u>	<u>\$ 37,470</u>	<u>\$ 159,104</u>	<u>\$ 1,619,184</u>
Investment income:				
Investment income	50,560	315	-	50,875
Net unrealized gains	<u>125,988</u>	<u>4,145</u>	<u>-</u>	<u>130,133</u>
Total	176,548	4,460	-	181,008
Contributions	218,392	-	-	218,392
Appropriation of endowment assets for expenditure	<u>(270,087)</u>	<u>-</u>	<u>-</u>	<u>(270,087)</u>
Total change in endowment fund	<u>124,853</u>	<u>4,460</u>	<u>-</u>	<u>129,313</u>
Endowment net assets, December 31, 2010	<u>\$ 1,547,463</u>	<u>\$ 41,930</u>	<u>\$ 159,104</u>	<u>\$ 1,748,497</u>

Endowment net assets consists of the following types of funds at December 31, 2009:

	Unrestricted: <u>Designated</u>	Temporarily <u>Restricted</u>	Permanently <u>Restricted</u>	<u>Total</u>
Donor-restricted funds	\$ -	\$ 37,470	\$ 159,104	\$ 196,574
Annual Conference designed funds	<u>1,422,610</u>	<u>-</u>	<u>-</u>	<u>1,422,610</u>
Total	<u>\$ 1,422,610</u>	<u>\$ 37,470</u>	<u>\$ 159,104</u>	<u>\$ 1,619,184</u>

CONFERENCE TREASURER
NORTH GEORGIA CONFERENCE, UNITED METHODIST CHURCH

NOTES TO FINANCIAL STATEMENTS, Continued

NOTE 11 - ENDOWMENT, Continued:

Changes in endowment net assets consist of the following for 2009:

	<u>Unrestricted: Designated</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Endowment net assets, December 31, 2008	<u>\$1,193,627</u>	<u>\$31,092</u>	<u>\$159,104</u>	<u>\$1,383,823</u>
Investment loss:				
Investment losses	69,114	791	-	69,905
Net unrealized losses	<u>167,817</u>	<u>5,587</u>	<u>-</u>	<u>173,404</u>
Total	236,931	6,378	-	243,309
Contributions	250,303	-	-	250,303
Appropriation of endowment assets for expenditure	<u>(258,251)</u>	<u>-</u>	<u>-</u>	<u>(258,251)</u>
Total change in endowment fund	<u>228,983</u>	<u>6,378</u>	<u>-</u>	<u>235,361</u>
Endowment net assets, December 31, 2009	<u><u>\$1,422,610</u></u>	<u><u>\$37,470</u></u>	<u><u>\$159,104</u></u>	<u><u>\$1,619,184</u></u>

Investment and Spending Policy

The Conference has investment and spending policies for endowment assets that aim to maximize funds available for mission consistent with the preservation of capital, the Policies Relative to Socially Responsible Investments and the Social Principles of the Church. Actual returns in any given year may vary.

To satisfy its long-term rate of return objectives, the Conference relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The Conference targets a diversified asset allocation to achieve its long-term return objectives within prudent risk constraints.

The Conference accumulates capital appreciation and investment yields to the amount specified for each endowment fund. Upon attainment of the stated corpus, the Conference appropriates for distribution in accordance with the respective donor and Annual Conference stipulations. This is consistent with the Organization's objective to maximize funds available for the mission of the Church.